

## The administration of Term CORRA

The Canadian Alternative Reference Rate working group (CARR) has worked with relevant stakeholders to determine the most effective way of administering Term CORRA. This work took into account the approach in other jurisdictions, the structure of the Canadian market, Canada’s regulatory regime, and the milestones laid out in CARR’s transition roadmap. Unlike in other countries that have developed term rates, where individual administrators developed their own methodologies, CARR decided to publish its “recommended methodology” for Term CORRA as a public good. This methodology was developed by subject matter experts across the industry embracing international best practices as well as the size and structure of the Canadian derivatives market.

### Term CORRA Administrator– CanDeal Innovations Inc. and TMX Datalinx

Following an analysis of potential options, CARR concluded that the provision of Term CORRA would be more effectively produced and managed, subject to all necessary regulatory approvals, by CanDeal Innovations Inc. (CanDeal) with TSX Inc. (TSX), through its information services division, TMX Datalinx, providing the licensing and distribution capabilities. While both companies already provide core infrastructure to the Canadian financial industry, in respect of Term CORRA, they bring complementary skills and the experience necessary to provide a robust benchmark that will comply with the [International Organization of Securities Commissions Principles for Financial Benchmarks](#) (IOSCO Principles).

CanDeal, through its Data and Analytics (DNA) division, has extensive expertise in the construction of Canadian yield curves, as well as the publication of benchmark bond prices that comply with the IOSCO Principles.

The Montréal Exchange Inc. (MX), an affiliate of TSX, is the sole venue for listed interest rate derivatives. As Canada’s oldest exchange, MX is a fully electronic exchange dedicated to the development of the Canadian derivative markets. TMX Datalinx is the information services division of TSX. TMX Datalinx provides a broad range of real-time and historical data products and services to customers across North America and around the globe.

While both CanDeal and TSX are already subject to existing regulatory oversight, CARR expects that both Term CORRA and its administrator will be regulated by the Ontario Securities Commission and the Autorité des marchés financiers under Multilateral Instrument 25-102, *Designated Benchmarks and Benchmark Administrators* (MI 25-102). Among other requirements, MI 25-102 requires the benchmark administrator to have an “oversight committee” independent of the benchmark administrator to oversee the provision of Term CORRA, including any changes to the calculation methodology.<sup>1</sup>

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<sup>1</sup> Any major changes to the calculation methodology would also require a public consultation.

## Term CORRA Licensing and Publication

A licensing agreement to use Term CORRA will be required by any entity that provides or originates financial products referencing the benchmark or that redistributes it.<sup>2</sup> Such licensing agreements will be available at a cost that is commercially reasonable to market participants and will include only those use cases recommended by CARR (see CARR's Recommended Term CORRA Use Cases).<sup>3</sup> End-users of Term CORRA products (e.g. corporate borrowers) will not require a licence through to June 28, 2024, the CDOR cessation date, but will have to agree to standard terms and conditions of use. Following June 28, 2024 end-users may be required to enter into licensing agreements.

CanDeal and TSX are targeting Q2-2023 to begin publishing the rate in beta form in advance of a targeted official publication date at the end of Q3-2023. CanDeal and TSX will provide more information on the administration of Term CORRA in due course.

## Sustainability of Term CORRA

CARR has worked with subject matter experts across the various stakeholders in the financial industry to create an IOSCO compliant, forward looking, Term CORRA benchmark. While CARR has endeavoured to create a robust and sustainable benchmark, there are certain dependencies underpinning Term CORRA that mean its long-term sustainability is not guaranteed. In particular, the ongoing viability of Term CORRA will depend on the liquidity of the underlying CORRA futures contracts that are used to derive Term CORRA. If the depth of liquidity in these contracts is not sufficiently robust, the benchmark administrator will be required to amend its methodology.<sup>4</sup> If changes to the methodology do not result in a sufficiently robust benchmark, the benchmark administrator will be required to either (i) take steps necessary to ensure that the benchmark accurately and reliably represents that part of the market or the economy that it is intended to represent or (ii) to cease the publication of the benchmark with appropriate notice. **CARR therefore expects any users of Term CORRA to have robust fallback language in place, in most cases referencing overnight CORRA calculated in-arrears. Users also need to build the operational capacity to transact in these fallback rates should Term CORRA cease to be published in the future.**

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<sup>2</sup> This is similar to CME's Term SOFR.

<sup>3</sup> Term CORRA will be available for viewing on either or both of the CanDeal and TSX websites on a delayed basis for free.

<sup>4</sup> Changing the methodology could result in Term CORRA becoming a T+1 instead of a T+0 rate.