

Refinitiv Benchmark Services Limited

Benchmark Statement

Canadian Dollar Offered Rate (CDOR)

Date of issue: 24 July 2018

The Financial and
Risk business of
Thomson Reuters
is now Refinitiv.

REFINITIV™


Contents

Introduction	Error! Bookmark not defined.
Overview of Methodology	3
Potential Limitations of the Benchmark	4
Methodology Changes and Benchmark Cessation	5
Further Information	5

© Refinitiv 2019. All Rights Reserved.

Refinitiv, by publishing this document, does not guarantee that any information contained herein is or will remain accurate or that use of the information will ensure correct and faultless operation of the relevant service or associated equipment. Neither Refinitiv, nor its agents or employees, shall be held liable to any user or end user for any loss or damage (whether direct or indirect) whatsoever resulting from reliance on the information contained herein.

This document may not be reproduced, disclosed, or used in whole or part without the prior written consent of Refinitiv.

Introduction

The Canadian Dollar Offered Rate (“CDOR” or “the benchmark”) was developed to establish a daily benchmark reference rate for Canadian Bankers’ Acceptance borrowings (“BAs”). The Canadian BA market exists primarily within Canada and as of 2017 constituted the largest sector of the Canadian dollar money market after Government of Canada treasury bills. Refinitiv Benchmark Services Limited (“RBSL” or “the Administrator”) is the administrator of CDOR.

CDOR is an interest rate benchmark subject to the EU Benchmark Regulation¹ (“BMR”) (“Interest Rate Benchmarks”). RBSL has adopted policies and procedures to comply with this Regulation. CDOR is not considered a “critical” benchmark for the purposes of Article 20 in the EU BMR.

CDOR is calculated using input data (each a “Contribution”) submitted by a panel of banks² (each a “Contributor”). Each Contribution is the rate at which each Contributor would be willing to lend (offer) funds against primary BA issuances with terms to maturity of approximately 1, 2, 3, 6 and 12 months to clients with existing credit facilities that reference CDOR plus a fee³. This represents the bid side of primary BA issuance. The majority of BA facilities reference CDOR as the lending rate to which a stamping fee is added by the lending bank. CDOR is therefore a committed lending rate, not a borrowing rate.

CDOR is considered to be reliable provided that

- there is activity in the primary issuance market or the secondary market for BAs or in related or correlated instruments that allows contributors to establish a representative market level for BAs when making contributions, and
- the panel of contributing banks is sufficiently representative of the banks involved in lending funds against primary BA issuances.

Both conditions should be satisfied in order for CDOR to be a reliable reference rate for both the Canadian BA market and for short-term unsecured Canadian dollar interest rates. The panel banks as listed in the CDOR Methodology account for an overwhelming majority of primary BA issuances in a given year³.

This benchmark statement shall be updated whenever there is a material change to either the type of the benchmark or to the Methodology used in the determination of the benchmark.

Overview of Methodology

Input data for the determination of CDOR is submitted by a panel of banks (each a “Contributor”) for each of the CDOR tenors (1, 2, 3, 6 and 12 months). Each Contribution is the rate at which the Contributor would be willing to lend (offer) funds against primary BA issuances with terms to maturity approximately matching each CDOR tenor to clients with existing credit facilities that reference CDOR plus a fee. Each Contributor shall formally designate employees to act as the Submitter and a Supervisor and, at their discretion, one or more alternate Submitters and Supervisors to contribute and check input data for the CDOR benchmark.

Each Contribution by each Contributor for each CDOR tenor shall be anchored in any primary BA market issuance and secondary BA market transactions completed after the publication of CDOR on the previous business day but prior to the Contribution being delivered to RBSL. Contributions shall also reflect any adjustment made by the Contributor upon consideration of market data and other expert judgment.

¹ Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016

² See the CDOR Methodology for a list of the panel banks

³ See “A Primer on the Canadian Bankers’ Acceptance Market”, Bank of Canada Staff Discussion Paper, June 2018

If the Contributor did not complete any such primary BA market issuance or secondary BA market transactions after the publication of CDOR on the previous business day, the primary issuance and secondary market transactions on the most recent business day will be considered by the Contributor but there will be greater emphasis on market data and other expert judgment.

If five or more Contributions are received, the Contributions shall be ranked, the highest and lowest discarded and the remaining rates averaged to determine CDOR at each tenor. If more than one but fewer than five Contributions are received, the rates will be averaged to determine CDOR at each tenor (no rates will be discarded). If only one Contribution is received, the contribution window shall be extended and RBSL will contact all Contributors to encourage additional Contributions. If no additional Contributions are forthcoming, the single Contribution received will stand alone as the CDOR benchmark for the day for that tenor. In such an event that zero Contributions are received, the Administrator will re-publish the previous day's published CDOR rate for the affected tenor(s).

Contributors may make and amend Contributions during the contribution window from 09:40:00am ET and 10:14:59am ET. CDOR is then determined and published by the Administrator at 10:15:00am ET. CDOR may be refixed after the publication time of 10:15:00am ET if a Contributor identifies a material error in its Contribution(s) or if RBSL finds a material error in the calculation of CDOR, where a material error is one that has an impact of two basis points or more on the published CDOR benchmark.

No models or method of extrapolation or interpolation are used by RBSL when determining CDOR. Further, CDOR is not determined by means of a portfolio of constituents.

No discretion is exercised by RBSL in the determination of CDOR. In the absence of primary issuance or secondary market transactions the underlying BA market, Contributors will use market data and expert judgment informed by market data from similar unsecured markets or from related markets or by other relevant references.

The CDOR Contributor Code of Conduct requires Contributors to have written procedures in place to ensure that all relevant input data is provided to RBSL, and should include a clear description of the input data, including the type of data taken into account in determining the Contribution. Where expert judgment is used by the Contributor in accordance with the Methodology, the Contributor Code of Conduct requires that expert Judgment shall be free from any undue or improper influence and shall not, for greater certainty, take into consideration any factors that would be contrary to the "Improper Market Conduct" or "Conflicts of Interest" provisions of the CDOR Code of Conduct, such as the consideration of swap resets that are linked to CDOR or with knowledge of any Bid that may be submitted by another Contributor to RBSL prior to the publication of CDOR.

Potential Limitations of the Benchmark

Determination of CDOR is dependent on receiving sufficient input data from Contributors for each CDOR tenor. Technical problems or extreme market events may lead to an insufficient number of Contributions, resulting in no calculation re-publication of the previous day's published CDOR rate. Further, RBSL considers that five Contributors is a realistic minimum to ensure reliable Contributions and avoid concentration in sources of input data.

There may also be insufficient market liquidity to support the panel banks when making Contributions. Contributors have a range of references to use when deciding Contributions in accordance with the hierarchy described in the CDOR Methodology. These include transactions in the underlying primary BA issuance market and secondary BA market and, following that, Contributors may also use expert judgment informed by market data from a range of related markets or by other relevant references.

The design of CDOR is therefore resilient in the event of a lack of liquidity in the underlying BA market alone. However, an extreme market event may lead to a loss of liquidity across a range of markets, or to increased volatility in the spreads between related markets and the BA market, preventing the Contributors from making the Contributions required for the determination of CDOR and resulting in the re-publication of the previous day's published CDOR rate.

Methodology Changes and Benchmark Cessation

The CDOR Methodology has been adopted as being a reliable and resilient means for providing a benchmark that accurately represents both BA lending rates and unsecured interest rates in the Canadian dollar money market.

The CDOR Methodology is subject to a review in order to assess its ongoing fitness for purpose on at least an annual basis. In the event that the review leads RBSL to believe that a change to the Methodology is required and that the change is material in its effect on the benchmark, a market consultation will be conducted in accordance with the RBSL Methodology Change Procedures in order to seek feedback from a representative range of stakeholders. RBSL will review all feedback and, if following such review it resolves to proceed with the proposed change or changes, will provide sufficient notice to users of the benchmark before implementing such change or changes.

Circumstances beyond the control of RBSL may necessitate an immediate change to or the cessation of the benchmark. Such circumstances include without limitation (i) a loss of liquidity in the underlying BA markets and similar markets, or in the related markets used to inform expert judgment and (ii) a loss of Contributors such that a representative panel of banks cannot be maintained.

In the event that an immediate change is required, RBSL will provide as much notice as is practicable and following such change will conduct an internal review of the Methodology.

If it becomes necessary to cease calculation and distribution of the benchmark, RBSL will implement the RBSL Benchmark Cessation Policy. This includes conducting an analysis of the estimated usage of the benchmark and, where feasible, the selection of a credible alternative benchmark. In all cases, RBSL will take all reasonable steps to ensure that all users and other stakeholders are made aware as soon as possible of any intention or possible necessity to cease the benchmark.

Any material change to the Methodology or cessation of the benchmark may have an impact on any financial contract or financial instrument that references the benchmark or on the measurement of the performance of an investment fund that uses or refers to the benchmark. A material change to the Methodology may lead to a change in the economic reality represented by the benchmark and therefore to the economic exposure of any financial contract or financial instrument that references the benchmark. A cessation of the benchmark would require the selection of an alternative benchmark or the implementation of any fallback procedures for financial contracts or financial instruments that reference the benchmark.

Further Information

The following documents used in the determination and administration of CDOR are available on RBSL's [website](#):

- CDOR Methodology
- CDOR Contributor Code of Conduct

Further information on Canadian bankers' acceptances can be found in "A Primer on the Canadian Bankers' Acceptance Market", Bank of Canada Staff Discussion Paper, June 2018.

For further information about CDOR, please contact RBSL at index_queries@refinitiv.com.