Refinitiv Benchmark Services Limited

Benchmark Statement

Canadian Overnight Repo Rate Average (CORRA)

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Introduction

The Canadian Overnight Repo Rate Average ("CORRA" or "the benchmark") is a measure of the average cost of overnight collateralized funding. It is the volume weighted average rate of repo transactions conducted onscreen through designated interdealer brokers. Transactions eligible for inclusion in CORRA are Government of Canada general collateral (GC) repo transactions.

The Government of Canada general collateral (GC) repo market exists primarily within Canada. Refinitiv Benchmark Services Limited ("RBSL" or "the Administrator") is the administrator of CORRA.

CORRA is an interest rate benchmark based on readily available data and subject to the EU Benchmark Regulation[1] ("BMR") ("Interest Rate Benchmarks"). RBSL has adopted policies and procedures to comply with this Regulation. CORRA is not considered a "critical" benchmark for the purposes of Article 20 in the EU BMR.

CORRA is calculated using input data delivered by three interdealer brokers[2] (the "Data Sources"). Input data are the overnight Government of Canada GC repo transaction rates and volumes executed onscreen through the Data Sources. Input data is aggregated for bilateral and for cleared transactions by each Data Source. CORRA is therefore a benchmark for the cost of collateralized overnight funding in Canadian dollars. Counterparties to repo transactions executed through the Data Sources are typically sell-side banks.

CORRA is considered to be reliable provided that

- there are transactions in the overnight Government of Canada GC repo market conducted onscreen through the Data Sources, and
- such transactions conducted onscreen through the Data Sources are representative of the wider market for overnight Government of Canada GC repo transactions.

Both conditions should be satisfied in order for CORRA to be a reliable reference rate for the cost of collateralized overnight funding in Canadian dollars.

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 CORRA are delivered by the Data Sources. CORRA constitutes a single benchmark. Input data are overnight Government of Canada GC repo transacted rates and volumes executed onscreen through the Data Sources. Input data are aggregated for bilateral and for cleared transactions by each Data Source. Aggregated rates are volume weighted.

In the event that input data in respect of less than CAD$500 million in eligible repo transactions is delivered by all Data Sources in aggregate, CORRA is set at the Bank of Canada's target for the overnight rate.

Input data is made available to RBSL by Data Sources between 16:00:00 ET and 17:59:59 ET on each business day subject to early market closes[3]. Input data can be amended at any time up to 17:59:59 ET. RBSL will use reasonable efforts to include additional or amended input data delivered after 17:59:59 ET. CORRA is published at 09:00:00 ET on the following business day.

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[1] Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016
[2] See the CORRA Methodology for a list of the interdealer brokers
[3] See the CORRA Methodology for more details on the delivery of input data on business days with early market closes

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If RBSL becomes aware of any error affecting CORRA within fifteen minutes of the 09:00:00 ET publication time, including input data errors and calculation errors, CORRA will be recalculated. From fifteen minutes following the 09:00:00 ET publication time but before 09:45:00 ET on the day of publication, if RBSL becomes aware of any error affecting CORRA by two basis points or more, CORRA will be recalculated. After 09:45:00 ET on the day of publication, CORRA will not be refixed regardless of any error.

No models or method of extrapolation or interpolation are used by RBSL when determining CORRA. Further, CORRA is not determined by means of a portfolio of constituents. No discretion is exercised by any Data Source or by the Administrator in the provision of input data or determination of CORRA. As input data are repo transactions executed onscreen through interdealer brokers, which are readily available to the public via subscription to an interdealer broker product, CORRA is not determined using contributions of input data as defined by the EU Benchmark Regulation.

Potential Limitations of the Benchmark

Determination of CORRA is dependent on receiving sufficient input data from data sources. Technical problems or extreme market events may lead to no data sources delivering input data to RBSL or to input data in respect of less than CAD$500 million in eligible transactions being delivered, resulting in CORRA being set at the Bank of Canada's target for the overnight rate. There may also be insufficient market liquidity to achieve the CAD$500 million minimum required to determine and publish CORRA.

In the event that such technical problems, an extreme market events or loss of liquidity result in CORRA being set at the Bank of Canada's target for the overnight rate, CORRA would not necessarily be representative of market rates for the average cost of overnight collateralized funding in Canadian dollars.

Methodology Changes and Benchmark Cessation

The CORRA Methodology has been adopted as being a reliable and resilient means for providing a benchmark that accurately represents the cost of overnight collateralized funding in Canadian dollars.

The CORRA 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 Government of Canada GC repo market and (ii) a loss of Data Sources such that input data is no longer representative of wider market activity in Government of Canada GC repo transactions.

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, the Administrator 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 Benchmark Methodology used in the determination and administration of CORRA is available on RBSL's website.

Further information about the Canadian repo market can be found in "Canadian Repo Market Ecology", Bank of Canada Staff Discussion Paper, August 2016.

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