

CanDeal Benchmark Solutions

Procedures applicable to Significant Changes or Cessation of Term CORRA Benchmark

Purpose

This document sets out the procedures by which CanDeal Benchmark Solutions (the “DBA”) ensures that significant changes to the methodology or potential cessation of Term CORRA are conducted in compliance with the applicable regulatory requirements, notably those contained in Multilateral Instrument 25-102 *Designated Benchmarks and Benchmark Administrators* (“MI 25-102”) and equivalent rules under other Canadian legislation that applies to benchmarks.

Introduction

Factors, including external factors such as an enduring period of insufficient input data, a lack of adoption by market participants, or changes in the needs of the market, beyond the control of the DBA, could necessitate changes to, or the cessation of, the designated benchmark. Similarly, internal changes such as a change in the identity of the DBA could necessitate such changes.

The DBA will not cease to provide the Term CORRA rate unless the DBA has provided notice of the cessation on a date that provides benchmark users and other members of the public with reasonable time to consider the impact of the cessation.

In case of an event that requires an immediate cessation of Term CORRA, the DBA will announce a timetable detailing the schedule of dates and events regarding the cessation of the Benchmark as soon as possible. The DBA encourages all stakeholders who rely on Term CORRA as a determinant or a performance measurement in a financial contract/instrument to ensure robust contingency measures are contained within such contracts/instruments.

Role of the Oversight Committee

The Oversight Committee will:

- oversee any changes to the methodology of the designated benchmark, including requesting that the DBA consult with benchmark contributors or benchmark users as required by s 17(2) of MI 25-102 and overseeing the resulting consultation process.
- review and approve procedures for any cessation of the designated benchmark.

Process for Methodology Reviews

The DBA will carry out a review of the methodology on at least an annual basis. Additional reviews may be conducted at the DBA’s discretion. Such additional reviews may be triggered by (i) events affecting Term CORRA that are not appropriately addressed by the methodology, (ii) events in the underlying market, (iii) developments in the source of input data, and (iv) issues raised by stakeholders.



Reviews will include an analysis of the underlying market represented by Term CORRA, adequacy of data contributed and analysis of other sources of data. Reviews will confirm that Term CORRA is traceable and verifiable.

The objectives of the review will be to ensure that Term CORRA is still representative of the underlying market, that the data contributed is adequate, timely and representative of the underlying market. The Oversight Committee will provide input in the review and the reviews will be approved by the board.

Back-testing will take place at least at each annual review of the methodology and following significant changes to the methodology. The methodology will include an assessment of the bac-testing results.

Significant Change to Methodology

To determine if a proposed change to the benchmark calculation methodology would constitute a significant change, the DBA will use the following criteria:

- **Magnitude of the change:** consider the extent of the proposed change to the benchmark calculation methodology. If the change significantly affects the benchmark's calculation or methodology, it is more likely to be considered a significant change.
- **Benchmark calculation history, Market Participant needs and benchmark best practices:** consider any instances in which the benchmark could not be calculated or where complaints about calculations were found to be well-founded or where fall-back methodology had to be relied upon excessively, or where the needs of the market participants were not met by the benchmark or best practices followed by other benchmark administrators suggested a change in methodology might be appropriate. If a proposed change deviates significantly from established practices or is likely to face resistance from market participants, it could be viewed as significant.
- **Regulatory requirements:** consider relevant regulatory guidelines and requirements in defining significant changes. If a change is mandated or recommended by the regulators, it is more likely to be considered significant.

Consultation and Notification to Regulators of Proposed Significant Changes to the Methodology

The DBA will invite market participants and stakeholders to participate in a public consultation process to assess:

- the proposed significant methodology changes
- the rationale for a proposed change or cessation
- the seriousness of the issues
- potential alternatives
- the end users' mitigation plans



In the event a suitable alternative cannot be identified, and the continuation of the Benchmark is not possible or meaningful, the DBA will discontinue the administration and maintenance of the Benchmark completely.

The DBA will provide at least 45-day prior notice to the securities regulatory authorities of a proposed significant change to the methodology. If, however, the changes must be implemented within 45 days of the date of the decision to make the change in limited circumstances, as set out in subsection 17(3) of MI 25-102, a shorter notification period would be acceptable.