

THOMSON REUTERS

Canadian Dollar Offered Rate (CDOR) Submitter Code of Conduct

Issue Date: 8 Jan 2018

Thomson Reuters Document Classification: Public

CONTENTS

Section 1 – Background	3
Section 2 – Code of Conduct	3
Section 3 – Definition of CDOR	3
Section 4 – Submission Methodology	3
Section 5 – Submission Procedures	4
Section 6 – Designation of Individuals	4
Section 7 – Qualifications and Training	4
Section 8 – Improper Market Conduct	5
Section 9 – Conflicts of Interest	5
Section 10 – Oversight	5
Section 11 – Escalation Procedures	6
Section 12 – Policies and Procedures	6
Section 13 – Record Keeping	6
Section 14 – Business Continuity	7
Section 15 – Voluntary Participation	7

© Thomson Reuters 2018. All Rights Reserved.

Thomson Reuters, 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 Thomson Reuters, 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 Thomson Reuters.



1. Background

- 1.1. CDOR was originally developed to establish a daily benchmark reference rate for Bankers Acceptance borrowings.
- 1.2. CDOR is now also used to establish the floating benchmark rate for Canadian dollar derivatives, including for interest rate swaps, floating rate notes and as the final settlement price for the three month Bankers Acceptance futures contracts traded on the Montreal Exchange.
- 1.3. The Submitting Banks routinely accept Bankers Acceptances issued by borrowers and are, directly or through an affiliate, market makers in Bankers Acceptances.

2. Code of Conduct

- 2.1. The CDOR Code of Conduct was developed by the Submitting Banks and adopted by the Administrator to meet the requirements of IIROC Administrative Notice 13-0010 – “IIROC review of CDOR supervisory practices” dated January 10, 2013 and the final report of the Board of the International Organization of Securities Commissions on the “Principles for Financial Benchmarks” dated July 17, 2013.
- 2.2. The CDOR Code of Conduct also demonstrates the commitment by the Submitting Banks to industry best practices with respect to CDOR as a financial market benchmark.
- 2.3. The Submitting Banks endorsing the CDOR Code of Conduct agree to meet the standards of conduct set out in the CDOR Code of Conduct.
- 2.4. The CDOR Code of Conduct shall be reviewed by the Administrator annually and updated if necessary to promote the integrity, quality and robustness of CDOR.
- 2.5. Capitalized terms used in the CDOR Code of Conduct shall have the meanings given in Appendix “A”.

3. Definition of CDOR

- 3.1. CDOR is the arithmetic average of the Bids submitted by each Submitting Bank for Primary BA Market issuances prior to 10:15 a.m. on each Business Day with terms of maturity of approximately 1, 2, 3, 6 and 12 months after removing the highest and lowest submissions. CDOR for each term of maturity is annualized based on a 365-day year.
- 3.2. The Bids submitted to the Administrator by each Submitting Bank represent the rate at which the Submitting Bank would be willing to lend (offer) funds against Primary BA Market issuances to clients with existing credit facilities that reference CDOR plus a fee.
- 3.3. CDOR is calculated and published by the Administrator at 10:15 a.m. ET on each Business Day.

4. Submission Methodology

- 4.1. The Bid submitted for each maturity band by the Submitting Bank shall be *anchored* in the following bona fide arm’s-length transactions:
 - (i) Primary BA Market issuances; and
 - (ii) Secondary BA Market transactions,if any, completed after the publication of CDOR on the prior Business Day but prior to the



submission of the Bid in respect of such maturity band. The Bid submitted shall also reflect the adjustments made by the Submitter, if any, upon the consideration of Market Data and other Expert Judgment.

- 4.2. If the Submitting Bank did not complete any bona fide arm's-length Primary BA Market issuances or Secondary BA Market transactions after the publication of CDOR on the prior Business Day but prior to the submission of the Bid for the applicable maturity band, the Primary BA Market issuances or Secondary BA Market transactions on the most recent Business Day will be considered by the Submitter but there will be a greater emphasis on Market Data and other Expert Judgment.
- 4.3. 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 Submitting Bank to the Administrator prior to the publication of CDOR.
- 4.4. The Submitting Bank shall determine to what extent, if any, a Bid should be subject to a review prior to its submission to the Administrator in addition to the post-submission review required under the "Oversight" provisions of the CDOR Code of Conduct.
- 4.5. The Submitting Bank shall notify the Administrator immediately in the event that the Bids submitted by the Submitting Bank are inconsistent with the Bids published by the Administrator of that Submitting Bank.

5. Submission Procedures

- 5.1. Each Submitting Bank shall have written procedures in place with respect to the submission of Bids to the Administrator prior to 10:15 a.m. on each Business Day and which shall include, without limitation, the responsibilities of the Submitting Bank under the "Submission Methodology" provisions of the CDOR Code of Conduct.

6. Designation of Individuals

- 6.1. Each Submitting Bank shall formally designate a Submitter and a Supervisor and, at their discretion, one or more alternate Submitters and Supervisors and then promptly inform the Administrator of such designation.
- 6.2. The formal designation of any Submitter or Supervisor by a Submitting Bank shall include the documentation of the name, title and reporting line.
- 6.3. Each Submitting Bank shall promptly notify the Administrator upon any change in its Submitter.

7. Qualifications & Training

- 7.1. The Submitters and Supervisors shall have relevant expertise in markets that are relevant to CDOR. The level of expertise required to be demonstrated shall be appropriate to the responsibilities of the functions performed.
- 7.2. The Submitters and Supervisors shall have adequate training on the CDOR Code of Conduct, the Submitting Bank's policies and procedures with respect to CDOR and any relevant regulations applicable to CDOR.



8. Improper Market Conduct

- 8.1. Each Submitting Bank agrees that all Bids submitted by it to the Administrator shall represent an honest and accurate assessment of the Bid rate from the Primary BA Market and be free from any undue or improper influence.
- 8.2. Each Submitting Bank agrees that any conduct involving the submission of Bids that is intentionally manipulative (or an attempt thereof), collusive or involves anti-competitive discussions and/or agreements with competitors, including other Submitting Banks, is strictly prohibited.
- 8.3. Submitting Banks acknowledge that Bids may be market sensitive and must not be misused or improperly disclosed in advance of the publication of CDOR.

9. Conflicts of Interest

- 9.1. Each Submitting Bank is responsible for identifying and reporting to the Administrator any material conflicts of interest applicable to the submission of Bids by it in connection with CDOR, and for implementing procedures to avoid or mitigate any such material conflicts of interest to the extent possible. The identification of material conflicts of interest shall include, without limitation, a consideration of whether any conflicts of interest that may exist between the Submitting Bank, its respective divisions, and its affiliates.
- 9.2. In meeting the standard required under Section 9.1, each Submitting Bank shall consider to what extent any restrictions may be required with respect to the following:
 - 9.2.1. the proximity of the Submitter to other employees that routinely trade in derivatives and other financial products that are sensitive to CDOR;
 - 9.2.2. the supervision or management by the Submitter of traders that routinely trade in derivatives and other financial products that are sensitive to CDOR;
 - 9.2.3. trading by the Submitter in derivatives and other financial products that are sensitive to CDOR; and
 - 9.2.4. the compensation of the Submitter with respect to trading in derivatives and other financial products that are sensitive to CDOR.

10. Oversight

- 10.1. The Board of Directors or a senior governance committee of the Submitting Bank is responsible for overseeing the governance structure in place with respect to the Submitting Bank's participation in CDOR. This governance structure shall include supervisory, compliance and internal audit controls that are appropriate for the Submitting Bank.
- 10.2. In complying with the standards required under Section 10.1, each Submitting Bank shall establish and maintain compliance policies and procedures that are reasonably designed and adapted for the Submitting Bank as it deems appropriate to comply with the CDOR Code of Conduct. These policies and procedures shall include at a minimum:
 - 10.2.1. the post-submission monitoring of Bids by Compliance or other non-front office personnel and a requirement to query the Submitter when a Bid differs from the previous day's Bid by a pre-determined threshold;



- 10.2.2. the post-submission monitoring of Bids by Compliance or other non-front office personnel against a sampling of: (i) positions and transactions in derivatives and other financial products that are linked to CDOR, including those with reset dates that correspond to Bids; and (ii) trading in the Secondary BA Market by the Submitting Bank;
- 10.2.3. a requirement for the Supervisor to supervise the activities of the Submitter and the Submitting Bank with respect to compliance with the CDOR Code of Conduct and the Submitting Bank's policies and procedures with respect to CDOR;
- 10.2.4. a requirement for Compliance to report material violations of the CDOR Code of Conduct and the Submitting Bank's policies and procedures with respect to CDOR to the Administrator; and
- 10.2.5. a requirement for Internal Audit, or an external audit firm where deemed appropriate, to conduct a periodic audit of the supervisory and compliance controls that are in place within the Submitting Bank with respect to the CDOR Code of Conduct, and report all material findings to the Board of Directors or a senior governance committee of the Submitting Bank.

11. Escalation Procedures

- 11.1. The policies and procedures of each Submitting Bank shall require the immediate escalation of improper market conduct or material breaches of the CDOR Code of Conduct or the Submitting Bank's policies and procedures with respect to CDOR to the Administrator.
- 11.2. Employees of each Submitting Bank shall be protected from any adverse repercussions arising from the good faith reporting of improper market conduct or material breaches of the CDOR Code of Conduct.
- 11.3. Each Submitting Bank shall report any internal or external complaints received by it with respect to the "Improper Market Conduct" provisions of the CDOR Code of Conduct to the Supervisor and Compliance.

12. Policies & Procedures

- 12.1. Each Submitting Bank shall implement written policies and procedures that outline the manner in which the Submitting Bank will comply with the CDOR Code of Conduct and applicable laws.
- 12.2. The policies and procedures established by the Submitting Bank with respect to the CDOR Code of Conduct shall be updated as necessary and reviewed no less than annually.
- 12.3. The policies and procedures established by the Submitting Bank with respect to the CDOR Code of Conduct and any material amendments shall be approved by the Board of Directors or a senior governance committee of the Submitting Bank.

13. Record Keeping

- 13.1. Each Submitting Bank shall retain the records prescribed in Section 13.2 for a period of not less than 5 years.



13.2. Each Submitting Bank shall retain the following records in connection with its participation in CDOR:

- all Bids (the Administrator should retain a record of any Bid submitted and amended);
- the Data Inputs relating to all such Bids;
- the formal designation of any Submitters and Supervisors by the Submitting Bank;
- any violations of the CDOR Code of Conduct or applicable laws relating to CDOR by the Submitting Bank;
- complaints with respect to any violation of the CDOR Code of Conduct or applicable laws relating to CDOR by the Submitting Bank;
- records of the monitoring and internal audits undertaken by the Submitting Bank pursuant to Section 10.2;
- policies and procedures of the Submitting Bank with respect to the CDOR Code of Conduct including approvals; and
- all inquiries received by the Submitting Bank from a regulatory authority with respect to any Bid.

14. Business Continuity

14.1. Each Submitting Bank shall have appropriate business continuity procedures in place to ensure that Bids are submitted to the Administrator in accordance with Section 4 of the CDOR Code of Conduct without material interruption in the event of human or technical failure.

15. Voluntary Participation

15.1. The Submitting Banks acknowledge that their participation in the CDOR panel is voluntary.

15.2. The Submitting Banks acknowledge the importance of CDOR as a reference rate for certain Canadian dollar financial products, and that a minimum number of Submitting Banks are needed to contribute to the setting of CDOR.

15.3. Each Submitting Bank agrees that it will provide 90 days advance notice to the Administrator prior to the Submitting Bank terminating its voluntary participation in the CDOR panel, other than in circumstances where the Submitting Bank is unable to continue its voluntary participation in the CDOR panel due to circumstances beyond its reasonable control, in which case, such Submitting Bank must notify the Administrator of such termination as soon as possible.



The CDOR Code of Conduct is agreed to and accepted by the Submitting Banks listed below as of this 13th December, 2017.

Bank of Montreal

The Bank of Nova Scotia

Canadian Imperial Bank of Commerce

National Bank of Canada

Royal Bank of Canada

The Toronto-Dominion Bank



APPENDIX “A”

Term	Definition
Administration	Includes all stages and processes involved in the production and dissemination of CDOR, including: a) Collecting, analysing and/or processing information or expressions of opinion for the purposes of the determination of CDOR; b) Determining CDOR through the application of a formula or another method of calculating the information or expressions of opinions provided for that purpose; and c) Dissemination to users, including any review, adjustment and modification to this process.
Administrator	An organisation or legal person that controls the creation and operation of the CDOR Administration process, whether or not it owns the intellectual property relating to the CDOR. In particular, it has responsibility for all stages of the CDOR Administration process, including: a) The calculation of CDOR; b) Determining and applying the CDOR Methodology; and c) Disseminating CDOR. As of the effective date of the CDOR Submitter Code of Conduct, Thomson Reuters Benchmark Services Limited is the Administrator for CDOR.
Bankers Acceptance or BA	A bill of exchange under the Bills of Exchange Act (Canada) or a depository bill under the Depository Bills and Notes Act (Canada), drawn by a borrower and accepted by a bank generally with a tenor of one, two or three months, or, subject to availability, a shorter or longer period of time (up to 365 days), and generally issued in Canadian dollars and payable in Canada.
Bid(s)	The bid side rates of Canadian dollar Primary BA Market issuances with a term of approximately 1, 2, 3, 6 and 12 months submitted by each Submitting Bank to the Administrator for the purposes of establishing CDOR.
Business Day	Any day that Schedule 1 banks under the Bank Act (Canada) are open for business in Toronto, Ontario, Canada.
CDOR	The Canadian Dollar Offered Rate (formerly referred to as the Canadian Dealer Offered Rate).
Compliance	The control function of the Submitting Bank that is responsible for the establishment of policies and procedures for assessing compliance with applicable securities laws, and the monitoring and assessment of compliance with such policies and procedures.
Data Inputs	Refers to Primary BA Market issuances, Secondary BA Market transactions and Market Data.
Expert Judgment	Refers to the exercise of discretion by the Submitter with respect to the use of Market Data and market events in determining a Bid.
Internal Audit	The control function that is responsible for the internal audit within the Submitting Bank and is independent of the business unit in which the CDOR submission process is based.
IIROC	Investment Industry Regulatory Organization of Canada.
Market Data	Refers to one or more observable external transactions, rates or benchmarks in the financial markets that are considered by the Submitter in applying Expert Judgment which shall include, but is not limited to, the Bank of Canada target “overnight rate”.
Methodology	The written rules and procedures according to which information is collected and the CDOR is determined.
Primary BA Market	The market in which a bank client draws down against their previously negotiated



	credit facility through the issuance of a BA and includes the payment of a borrower specific fee to the bank guaranteeing the BA generally referred as a “stamping fee” or an “acceptance fee”. BAs issued under a credit facility referencing CDOR as the underlying interest rate benchmark are only issued after CDOR has been published at 10:15 a.m. on the applicable Business Day.
Secondary BA Market	The market where existing BA securities are bought and sold as distinguished from the Primary BA Market.
Submitter	The natural person that has been designated by the Submitting Bank to calculate and submit Bids to the Administrator on behalf of the Submitting Bank.
Submitting Bank	The Schedule I, II or III bank under the Bank Act (Canada) that submits Bids to the Administrator in connection with CDOR.
Supervisor	The natural person that has been designated by the Submitting Bank as responsible for the supervision of the Submitter and the Submitting Bank’s policies and procedures with respect to CDOR.

© 2015 Thomson Reuters. All rights reserved. Reproduction or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks and trademarks of Thomson Reuters and its affiliated companies.

