

S&P Global Inc.'s Comments on the draft Capital Markets Stability Act published by The Department of Finance Canada on May 5, 2016

S&P Global Inc. (f/k/a McGraw Hill Financial, hereinafter "SPGI") is a leading US-headquartered financial intelligence company providing the capital and commodity markets with independent benchmarks, credit ratings, portfolio and enterprise risk solutions, and analytics. We are pleased to have the opportunity to provide our comments on the draft Capital Markets Stability Act proposed by The Department of Finance Canada (the "CMSA").

Two of the core divisions of SPGI, S&P Dow Jones Indices (S&P DJI) and S&P Global Platts (Platts), are producers and distributors of benchmarks used by the global financial and commodity markets. S&P DJI is a leading, global provider of financial market benchmarks formed in 2012 by combining the S&P Indices business and the Dow Jones Indexes business of the CME Group. Platts is a leading global provider of energy, petrochemicals, metals and agriculture information, and a premier source of benchmark price assessments for those commodity markets. Both Platts and S&P DJI are independent and separate from market participants, product providers and government entities. These businesses do not participate in the markets which their benchmarks measure and have no vested interest in the value of any of their benchmarks or price assessments.

In Canada, S&P DJI has partnered with TSX, Inc. to provide the Canadian marketplace with transparent and independently governed equity benchmarks using constituents listed on and data sourced from TSX, Inc. exchanges. As part of that relationship, S&P DJI serves as the benchmark administrator for the co-branded family of equity indices offered to the Canadian marketplace. S&P DJI administers such co-branded indices using the same robust infrastructure and sound governance regime as we do for our other proprietary index offerings.

IOSCO Principles

As independent benchmark providers whose benchmarks are used as the basis for financial products, both S&P DJI and Platts are fully supportive of the IOSCO Principles for Financial Benchmarks and the IOSCO Principles for Oil Price Reporting Agencies (the "IOSCO Principles") and the objective of fostering integrity, transparency and efficiency of financial and commodity benchmarks. The IOSCO Principles are very much in line with how both S&P DJI and Platts transparently and independently govern our benchmarks. Indeed, we had many of the practices called for by the IOSCO Principles in place before they were disseminated by IOSCO.

Benchmark administrators should avoid actual and potential conflicts of interest and demonstrate proper governance, sound controls and a robust operating infrastructure, all of which benefit the markets as a whole and various stakeholders including market participants. Further, utilizing an independent third party auditor to provide an independent assessment of a benchmark administrator's achievement of aligning with or adhering to the IOSCO Principles is an appropriate and practical approach to ensure such benchmark administrators publish robust and reliable benchmarks.

S&P DJI and Platts are proud to be at the forefront of the industry with a comprehensive set of policies and practices in place that seek to achieve these concepts and align with the IOSCO Principles. On July 21, 2015, S&P DJI announced the completion of our second annual review of our alignment with the

IOSCO Principles. S&P DJI engaged an internationally recognized audit firm to assess our governance, operations and transparency against the IOSCO Principles and we received an unqualified reasonable assurance. Similarly, Platts successfully completed its second annual review of its oil benchmarks and its first annual review of its non-oil benchmarks in 2015. Both organizations are currently undertaking a similar assessment process for 2016.

General Comment on Regulation

Ensuring the integrity of financial benchmarks does not require designating it as systemically important. As noted above, S&P DJI and Platts have already taken sufficient steps to ensure that they employ a sound governance regime, mitigate conflicts of interest, operate their businesses using a robust infrastructure and maintain transparent methodologies. The use of constituent prices obtained from regulated exchanges, a sound governance regime, a transparent benchmark determination process and a robust oversight function together produce benchmarks which are not prone to manipulation.

To protect the integrity of their Benchmark offerings, S&P DJI and Platts maintain robust and transparent governance arrangements for the maintenance of their Benchmarks, a sound and efficient control framework to facilitate the accurate and timely calculation, publication and distribution of their Benchmarks, an oversight function that provides effective scrutiny of their governance, quality and operational standards, as well as adherence with the IOSCO Principles and other applicable regulatory principles or guidelines and accountability procedures for the Benchmark determination process.

In addition, directly regulating benchmark providers, many of whom operate globally with a diverse benchmark offering cutting across various asset classes, can create significant unintended consequences, including jurisdictional overreach and the possibility inconsistent regulatory regimes among jurisdictions. One can look at Europe's third country equivalence issues as an example here. It is more practical to regulate the product providers as they are already under CMRA's jurisdiction. In addition, as S&P DJI is a partner with TSX, an exchange over which CMRA has regulatory authority, CMRA has indirect influence on S&P DJI as the benchmark administrator.

Following are more specific comments to the CSMA provisions pertaining to benchmarks.

Definition of "benchmark"

"Made available to the public" is listed as one of the three components to define a benchmark. This concept should be defined and we feel it should be defined in an open manner and as broadly as possible so as to not unduly restrict the number of benchmarks in scope. We consider that an appropriate interpretation of "made available to the public" to be the provision of any index to another entity for the purposes of issuing or creating a financial instrument or financial contract or benchmarking the performance of an investment fund.

Designation systemically important benchmark (Section 18 CSMA)

The CMSA includes a list of factors to be considered by the Capital Markets Regulatory Authority ("CMRA") when designating a benchmark systemically important under Section 18(2). We agree with a risk-based approach in designating systemically important benchmarks. Factors such as the independence of the benchmark provider and whether associated conflicts of interest exist in the benchmark administration process (a criterion set forth in Section 18(2)(f)) are the most important criteria for meeting the regulatory objective of ensuring that benchmarks are sound and robust. For example, equity benchmarks using regulated data produced by an independent benchmark provider, such as the S&P/TSX 60, do not suffer from the same types of conflicts of interest as other types of

benchmarks. Indeed, if CMRA were to designate any equity benchmark as a systematically important benchmark it would be the first jurisdiction to deem an equity benchmark that uses regulated data as its primary input as systemically important.

The S&P/TSX 60 and the various other equity indices offered by S&P DJI, whether under the co-branded partnership with the TSX or otherwise, are administered and published by S&P DJI using several underlying practices that would set it apart from the other benchmarks generally deemed systematically important by other regulators. A major catalyst of the current wave of regulatory activity regarding benchmarks were concerns with those benchmarks which rely on submissions in relatively opaque, sometimes illiquid markets (e.g. LIBOR and CDOR). Submissions to such benchmarks are more prone to manipulation than those using data from regulated exchanges, which are transparent and already regulated by the exchange. Benchmarks that utilize data sourced from regulated markets or exchanges with mandatory post-trade transparency requirements need not be subject to extra scrutiny due to the nature of checks and monitoring of such data in place at the regulated markets or exchanges, as well as a regulator's authority over rules governing the listing and trading of financial instruments referencing these benchmarks. In addition, manipulation of the data would likely be detected by a variety of market participants who continually monitor such benchmarks for their own investment purposes, often in real time. The proportional implementation of the IOSCO Principles allows for consideration of such important differences.

The IOSCO Principles focus on benchmarks based on submissions and/or those developed by benchmark providers with ownership structures or governance regimes that could lead to increased conflicts of interest. As previously noted, S&P DJI and Platts do not participate in the markets our benchmarks measure and we have no vested interest in the value of any of our benchmarks. In addition, as an independent benchmark provider we maintain a robust governance regime that separates commercial aspects of our business from editorial/analytical governance of our benchmarks, mitigating any potential or actual conflicts of interest. Our independent editorial/analytical staff is responsible for the development and governance of our benchmarks and their corresponding methodologies. They seek to ensure that existing benchmarks continue to achieve their stated objectives.

Another important factor to consider, as set forth under Section 18(2)(e), is the availability of substitutes. Substitutability is an appropriate criterion for designating a benchmark as systemically important, the thought being that market participants should have the ability to change benchmarks if concerns emerge with the benchmark. This is also being considered by policymakers and regulators in various other jurisdictions. If market participants have substitute benchmarks offered by a variety of competitors who have access to the necessary data and have been producing benchmarks that may be used as a substitute for a particular benchmark, the underlying concerns to regulate a benchmark as systemically important are mitigated. For example, if S&P DJI or any other benchmark administrator does not produce and publish a robust and reliable benchmark, market participants have options to use a substitute benchmark.

Content of regulation (Section 19 of the CMSA)

Section 19 of the Regulation appears to encompass all functions or aspects of the benchmark determination. S&P DJI and Platts approach each concept set forth in Section 19 with care and rigor but we do not feel that a regulatory requirement to ensure they are addressed is necessary. We feel the

market demands a sound and integral benchmark and the IOSCO Principles set international standards that address all items set forth in Section 19(a)-(d).

At S&P DJI, the Index Committees, including the committee responsible for the S&P/TSX 60 and the various other S&P/TSX co-branded family of indices, govern our benchmarks in accordance with these practices and work with S&P DJI's New Index Review Committee so that new indices are appropriately developed, defined and structured prior to any launch. In an effort to mitigate any potential conflict of interest, the Index Committees and the Index Management & Production Group (IMPG) are segregated from commercial activities through the maintenance of separate reporting lines to S&P DJI executive management and the physical segregation of the Index Committees and the IMPG from other groups within S&P DJI as required by the S&P DJI's Confidential Information, Conflicts of Interest and Firewalls Policy. Both the Index Committees and IMPG are also required to protect and treat as confidential any material non-public information which includes any benchmark rebalance and add/drop decisions made by the Index Committees prior to public announcements. Platts has similar separation of functions and policies in place to ensure that its commodity benchmarks are produced independently and transparently, and free from any commercial influence. Both organizations employ an oversight function that monitors and enforces, among other things, S&P DJI's compliance with the aforementioned conflicts of interest policies and practices and ensures a control framework with accountability.

For transparency purposes, S&P DJI and Platts publish our methodology documents. Such methodology documents include a description of the applicable benchmark(s) objective and design as well as the benchmark determination process.

Finally, both organizations have established a multi-layered operational infrastructure that balances people and technology and is comprised of various teams responsible for ensuring operational efficiency and integrity. This includes a robust business continuity plan.

Contact

S&P Global welcomes the opportunity to provide comments to the CMRA's draft CMSA. We hope that our comments are helpful. If you have any questions on the issues raised, or if you would like to discuss any points further please contact: Joe DePaolo, Associate General Counsel, S&P Global, Chief Legal Officer, S&P Dow Jones Indices, at the following email address: joseph.depaolo@spglobal.com or, Pierre Davis, Associate General Counsel, S&P Global, Chief Legal Officer, S&P Global Platts at pierre.davis@spglobal.com.