



July 6, 2016

**Cooperative Capital Markets Regulatory System (Canada)**

Submitted Via Electronic Mail: [comment@ccmr-ocrmc.ca](mailto:comment@ccmr-ocrmc.ca)

**Re: Proposed Capital Markets Stability Act – Draft for Consultation**

Dear Sirs/Mesdames:

The London Stock Exchange Group (“LSEG”) welcomes the opportunity to respond to the revised consultation draft of the Capital Markets Stability Act (“CMSA”),<sup>1</sup> which will form part of the legislative framework for the Canadian Capital Markets Regulatory System (“CCMRS”).

LSEG is a diversified international market infrastructure and capital markets business sitting at the heart of the world's financial community. LSEG operates a broad range of international equity, bond and derivatives markets, offers post trade and risk management services, is a global leader in indexing and analytic solutions and a developer of high performance trading platforms and capital markets software.

FTSE Russell<sup>2</sup> is the brand name adopted for the index businesses that are owned and operated by LSEG and its applicable group undertakings. FTSE TMX Global Debt Capital Markets (formerly PC-Bond / DEX) is the predominant provider of fixed income indices in Canada, best known for the Universe Bond Index, and also is the leading provider of Gilt (UK government bond) indices and also a significant fixed income player in international markets.

We have supported regulatory reform enhancements to the global structure governing financial markets that have resulted in a comprehensive, stronger, and more robust global marketplace. Our specific comments on the Consultation focus on the provisions impacting the proposed regulation of benchmarks.

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<sup>1</sup> Revised Consultation Draft CMSA, <http://ccmr-ocrmc.ca/wp-content/uploads/cmsa-consultation-draft-revised-en.pdf> (“Consultation”).

<sup>2</sup> FTSE Russell is a global index leader that provides innovative benchmarking, analytics and data solutions for investors worldwide. FTSE Russell calculates thousands of indexes that measure benchmark markets and asset classes in more than 80 countries, covering 98% of the investable market globally. FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. Approximately \$10 trillion is currently benchmarked to the FTSE Russell indexes. For over 30 years, leading asset owners, asset managers, ETF providers and investment banks use FTSE Russell indexes to benchmark their investment performance and create ETFs, structured products and index-based derivatives. A core set of universal principles guides FTSE Russell index design and management: a transparent rules-based methodology is informed by independent committees of leading market participants. FTSE Russell is focused on applying the highest industry standards in index design and governance, and embraces the IOSCO principles. FTSE Russell is also focused on index innovation and client collaboration as it seeks to enhance the breadth, depth and reach of its offering.



## **Systemically Important Benchmarks**

We have generally supported the reforms to the regulation of benchmarks, including the IOSCO Principles for Financial Benchmarks, the efforts of the Financial Stability Board (FSB), and specific national-level regulations. We support the intent of the CMSA to complement the existing regulatory framework by providing supplemental powers to address potential regulatory gaps while ensuring coordination and avoiding unnecessary duplication.

LSEG agrees with the need to reform benchmark regulation in order to ensure continued confidence in the financial market. We are pleased that the direction of the proposed benchmark reforms broadly follows the established international principles. This supports global regulatory convergence, aligning the proposed Canadian rules with the frameworks in the United Kingdom, European Union (“EU”), Australia, and other jurisdictions.

We agree with the factors the Authority must consider in designating a benchmark as systemically important.<sup>3</sup> In order to avoid duplication and ensure coordination, it is important that the Authority consider whether and how the benchmark is already regulated in determining whether to designate a benchmark as systemically important.<sup>4</sup>

## **Definition of Benchmark**

LSEG has supported consistent use of benchmark definitions across different regulatory frameworks, in line with the relevant international principles, in order to appropriately capture the scope of financial instruments. We support the general structure of the proposed definition in the CMSA<sup>5</sup> and encourage consistency and alignment of this definition with the scope of the agreed-upon international framework.

## **Benchmark Manipulation**

LSEG agrees that any new benchmark manipulation offence should extend to all financial benchmarks.<sup>6</sup> This would work to promote market integrity across all benchmarks, rather than just significant benchmarks.

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<sup>3</sup> Revised Consultation Draft, Section 18(2)(a) – (h).

<sup>4</sup> Revised Consultation Draft, Section 18(2)(g).

<sup>5</sup> Revised Consultation Draft, Interpretation, Definitions, p. 1. “*benchmark*” means a price, estimate, rate, index or value that is (a) determined from time to time by reference to an assessment of one or more underlying interests; (b) made available to the public, either free of charge or on payment; and (c) used for reference for any purpose, including (i) determining the interest payable, or other sums that are due, under a security or derivative, (ii) determining the value of a security or derivative or the price at which it may be traded, and (iii) measuring the performance of a security or derivative.

<sup>6</sup> Revised Consultation Draft, Part 5, Criminal Offences, Sections 55.



# London

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## Stock Exchange Group

Thank you for the opportunity to comment on the revised consultation draft CMSA. We look forward to continuing our engagement as the CMSA develops.

We would be pleased to discuss any of our comments with you at your convenience. Please do not hesitate to contact me at [JJachym@lseg.com](mailto:JJachym@lseg.com) or +1 202 349 4047.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jonathan Jachym'.

Jonathan Jachym  
Head of North America Regulatory Strategy and Government Relations  
London Stock Exchange Group