

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional): 2021-P-02 **Date:** February 11, 2021

IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.

ORGANIZATION

Bloomberg SEF LLC

FILING AS A:

DCM

SEF

DCO

SDR

ECM/SPDC

TYPE OF FILING

• **Rules and Rule Amendments**

Certification under § 40.6 (a) or § 41.24 (a)

“Non-Material Agricultural Rule Change” under § 40.4 (b)(5)

Notification under § 40.6 (d)

Request for Approval under § 40.4 (a) or § 40.5 (a)

Advance Notice of SIDCO Rule Change under § 40.10 (a)

• **Products**

Certification under § 39.5(b), § 40.2 (a), or § 41.23 (a)

Swap Class Certification under § 40.2 (d)

Request for Approval under § 40.3 (a)

Novel Derivative Product Notification under § 40.12 (a)

RULE NUMBERS

None applicable

DESCRIPTION

CAD OIS CORRA Fixed-to-Floating Swap Contract (“Contract”)

**Bloomberg SEF LLC
New Contract Submission 2021-P-02
February 11, 2021**

1. The Contract's terms and conditions are provided in Attachment A.
2. The intended listing date is February 22, 2021.
3. Attached, please find a certification that, concurrent with this submission, Bloomberg SEF LLC ("BSEF") posted on its website: (a) a notice of pending certification of this Contract with the U.S. Commodity Futures Trading Commission ("Commission"); and (b) a copy of this submission.
4. Attached, please find a certification that the Contract complies with the Commodity Exchange Act (the "Act") and the Commission regulations thereunder.
5. Capitalized terms used but not defined herein have the meaning ascribed to them in the BSEF Rulebook.

**EXPLANATION AND ANALYSIS OF THE CONTRACT'S COMPLIANCE WITH
APPLICABLE CORE PRINCIPLES AND COMMISSION REGULATIONS**

As required by Commission Regulation § 40.2(a), the following analysis demonstrates that the Contract is consistent with the requirements of the Act and the Commission regulations and policies thereunder (in particular, Appendix B to Part 37 and Appendix C to Part 38, respectively).

Appendix B to Part 37—Demonstration of Compliance That a Contract Is Not Readily Susceptible to Manipulation

Core Principle 3 of Section 5h of the Act—Swaps Not Readily Susceptible to Manipulation. The swap execution facility shall permit trading only in swaps that are not readily susceptible to manipulation.

(a) Guidance.

(1) In general, a swap contract is an agreement to exchange a series of cash flows over a period of time based on some reference price, which could be a single price, such as an absolute level or a differential, or a price index calculated based on multiple observations. Moreover, such a reference price may be reported by the swap execution facility itself or by an independent third party. When listing a swap for trading, a swap execution facility shall ensure a swap's compliance with Core Principle 3, paying special attention to the reference price used to determine the cash flow exchanges. Specifically, Core Principle 3 requires that the reference price used by a swap not be readily susceptible to manipulation. As a result, when identifying a reference price, a swap execution facility should either: Calculate

its own reference price using suitable and well-established acceptable methods or carefully select a reliable third-party index.

(2) The importance of the reference price’s suitability for a given swap is similar to that of the final settlement price for a cash-settled futures contract. If the final settlement price is manipulated, then the futures contract does not serve its intended price discovery and risk management functions. Similarly, inappropriate reference prices cause the cash flows between the buyer and seller to differ from the proper amounts, thus benefitting one party and disadvantaging the other. Thus, careful consideration should be given to the potential for manipulation or distortion of the reference price.

Calculation of Canadian Dollar Canadian Overnight Repo Rate Average (“CORRA”)

The reference rate for the floating leg of the swap is CORRA. CORRA measures the cost of overnight general collateral funding in Canadian dollars using Government of Canada treasury bills and bonds as collateral for repurchase transactions. The Bank of Canada provides CORRA as a public good, at no cost to users and data distributors.

CORRA is computed as the daily trimmed volume-weighted median (trimmed median) of eligible repo transactions, as reported by submitters before the Market Trade Reporting System (MTRS) submission deadline of 22:00 ET on the day transactions occurred. Any repo trades that meet the above criteria but that are submitted to the Investment Industry Regulatory Organization of Canada (IIROC) after the deadline are not included in the calculation of CORRA. The rate is published in the percentage format with the same precision as the underlying repo trades, which is currently two decimal places: that is, precision to one basis point (e.g., 1.75 percent).

Specifically, to calculate CORRA, the Bank:

- orders eligible repos from the lowest rate to the highest rate and then removes the 25 percent of the volume of repos with the lowest rates. This trimming aims to exclude transactions initiated to source a specific scarce security (“specials”) rather than general collateral funding.
- finds the volume-weighted median rate of the remaining repos; i.e., CORRA is a rate at which half of the remaining trading volume is above and half is below it.

In the very unlikely event where two rates satisfy the above condition, the average of the two middle rates will be calculated. That average rate will not be rounded and could have a precision of one additional decimal place compared with the underlying repo trades.

CORRA is published each day that Schedule I banks under the *Bank Act* (Canada) are open for business in Toronto, Ontario, Canada. The rate for a given day is published on the Bank of Canada’s [CORRA webpage](https://www.bankofcanada.ca/rates/interest-rates/corra/)¹ at around 09:00 ET on the following business day.

¹ <https://www.bankofcanada.ca/rates/interest-rates/corra/>

CORRA data is redistributed by Bloomberg on the Bloomberg Terminal – Ticker: CAONREPO Index

(3) For swaps that are settled by physical delivery or by cash settlement refer to the guidance in appendix C to part 38 of this chapter—Demonstration of Compliance That a Contract is not Readily Susceptible to Manipulation, section b(2) and section c(4), respectively.

Appendix C to Part 38 - Demonstration of Compliance That a Contract Is Not Readily Susceptible to Manipulation

(c) Futures Contracts Settled by Cash Settlement. (1) Cash settlement is a method of settling certain futures or option contracts whereby, at contract expiration, the contract is settled by cash payment in lieu of physical delivery of the commodity or instrument underlying the contract. An acceptable specification of the cash settlement price for commodity futures and option contracts would include rules that fully describe the essential economic characteristics of the underlying commodity (e.g., grade, quality, weight, class, growth, issuer, maturity, source, rating, description of the underlying index and index's calculation methodology, etc.), as well as how the final settlement price is calculated. In addition, the rules should clearly specify the trading months and hours of trading, the last trading day, contract size, minimum price change (tick size) and any limitations on price movements (e.g., price limits or trading halts).

Essential Economic Characteristics of the Contract

Terms

The terms of the Contract are provided in Attachment A. The Contract is composed of both fixed and variable terms. This combination of standard and flexible terms allows the Contract to have a basic consistent form, while allowing counterparties to tailor the Contract to their economic needs. The structure follows industry convention; the terms of the Contract match the terms of interest rate swaps that are commonly offered in the market.

Contract Not Readily Susceptible to Manipulation

The Contract is not readily susceptible to manipulation for a number of reasons. First, as noted above, all of the essential terms of the Contract are agreed upon at the start of the Contract and remain static throughout the life of the swap, except for the floating leg of the swap. And, as noted, the floating leg is based on CORRA, which is available on the Bloomberg Terminal and on the website of The Bank of Canada – a reliable and widely accepted source. Also, BSEF has a market surveillance program that is designed to effectively be able to surveil this market, detect uncommon activity, and investigate any such activity for signs of manipulation.

CORRA methodology and production is also overseen by the Bank of Canada internal CORRA Oversight Committee and informed by an industry CORRA Advisory Group. In addition, the

Bank's Internal Audit Department reviews the control framework on an annual basis. The Bank of Canada internal CORRA Oversight Committee is composed of senior Bank officers across the various functional areas, including the Chief Risk Officer and a senior representative of the Bank's Internal Audit Department. The committee meets quarterly and monitors the various processes on an ongoing basis to ensure they remain appropriate and satisfy high-quality standards. The committee also subjects the rate production process to regular independent and impartial reviews.

The Bank also monitors the methodology for calculating CORRA on an ongoing basis to ensure it remains appropriate in light of any major changes to the structure of the Canadian repo market. In addition, formal review of the methodology is undertaken by the CORRA Oversight Committee in consultation with the CORRA Advisory Group. These reviews take place under two distinct scenarios.

1. **Sunset provision:** A mandatory review of the CORRA methodology is undertaken every five years to ensure:
 - o it remains representative of the market it measures, and
 - o the data source and the data providers remain optimal for the calculation of the benchmark.

The depth of the review depends on the degree of any changes in the Canadian repo market.

Calculation of Cash Settlement Price

The cash settlement price will be calculated in the following manner:

- I. Fixed Leg – The payment amount is based on the following: Notional, Payment Frequency, Day Count Convention and Fixed Interest Rate.
- II. Floating Leg – The payment amount is based on the following: Notional, Payment Frequency, Day Count Convention, Floating Interest Rate Index and Floating Reset Dates.

All payments are settled in accordance with the payment frequency of the swap.

(2) Cash settled contracts may be susceptible to manipulation or price distortion. In evaluating the susceptibility of a cash-settled contract to manipulation, a designated contract market should consider the size and liquidity of the cash market that underlies the listed contract in a manner that follows the determination of deliverable supply as noted above in (b)(1). In particular, situations susceptible to manipulation include those in which the volume of cash market transactions and/or the number of participants contacted in determining the cash-settlement price are very low. Cash-settled contracts may create an incentive to manipulate or artificially influence the data from which the cash-settlement price is derived or to exert undue influence on the cash-settlement price's computation in order to profit on a futures position in that commodity.

The utility of a cash-settled contract for risk management and price discovery would be significantly impaired if the cash settlement price is not a reliable or robust indicator of the value of the underlying commodity or instrument. Accordingly, careful consideration should be given to the potential for manipulation or distortion of the cash settlement price, as well as the reliability of that price as an indicator of cash market values. Appropriate consideration also should be given to the commercial acceptability, public availability, and timeliness of the price series that is used to calculate the cash settlement price. Documentation demonstrating that the settlement price index is a reliable indicator of market values and conditions and is commonly used as a reference index by industry/market agents should be provided. Such documentation may take on various forms, including carefully documented interview results with knowledgeable agents.

The Contract operates in a liquid market with many participants. Also, the cash settlement price is not easily susceptible to manipulation or distortion, as the method of determining the price is based on factors that are fixed at the start of the Contract (i.e., payment frequency, day count conventions, fixed interest rate, floating reset dates) and CORRA.

(3) Where an independent, private-sector third party calculates the cash settlement price series, a designated contract market should consider the need for a licensing agreement that will ensure the designated contract market's rights to the use of the price series to settle the listed contract.

(i) Where an independent, private-sector third party calculates the cash settlement price series, the designated contract market should verify that the third party utilizes business practices that minimize the opportunity or incentive to manipulate the cash-settlement price series. Such safeguards may include lock-downs, prohibitions against derivatives trading by employees, or public dissemination of the names of sources and the price quotes they provide. Because a cash-settled contract may create an incentive to manipulate or artificially influence the underlying market from which the cash-settlement price is derived or to exert undue influence on the cash-settlement computation in order to profit on a futures position in that commodity, a designated contract market should, whenever practicable, enter into an information-sharing agreement with the third-party provider which would enable the designated contract market to better detect and prevent manipulative behavior.

As the information on CORRA is publicly available, a licensing agreement is not necessary. Moreover, The Bank of Canada uses its existing infrastructure and systems for the submission, calculation and distribution of CORRA to prevent manipulation. As described above, the cash settlement price will be calculated through a cash settlement method that is not easily susceptible to manipulation.

(ii) Where a designated contract market itself generates the cash settlement price series, the designated contract market should establish calculation procedures that safeguard against potential attempts to artificially influence the price. For example, if the cash settlement price is derived by the designated contract market based on a survey of cash market sources, the designated contract market should maintain a list of such entities which all

should be reputable sources with knowledge of the cash market. In addition, the sample of sources polled should be representative of the cash market, and the poll should be conducted at a time when trading in the cash market is active.

Please see above.

(iii) The cash-settlement calculation should involve computational procedures that eliminate or reduce the impact of potentially unrepresentative data.

(iv) The cash settlement price should be an accurate and reliable indicator of prices in the underlying cash market. The cash settlement price also should be acceptable to commercial users of the commodity contract. The registered entity should fully document that the settlement price is accurate, reliable, highly regarded by industry/market agents, and fully reflects the economic and commercial conditions of the relevant designated contract market.

Please see above.

(v) To the extent possible, the cash settlement price should be based on cash price series that are publicly available and available on a timely basis for purposes of calculating the cash settlement price at the expiration of a commodity contract. A designated contract market should make the final cash settlement price and any other supporting information that is appropriate for release to the public, available to the public when cash settlement is accomplished by the derivatives clearing organization. If the cash settlement price is based on cash prices that are obtained from non-public sources (e.g., cash market surveys conducted by the designated contract market or by third parties on behalf of the designated contract market), a designated contract market should make available to the public as soon as possible after a contract month's expiration the final cash settlement price as well as any other supporting information that is appropriate or feasible to make available to the public.

Please see above regarding the calculation of the cash settlement price. CORRA is made publicly available on the website of the Bank of Canada.

(4) Contract terms and conditions requirements for futures contracts settled by cash settlement.

(i) An acceptable specification of the terms and conditions of a cash-settled commodity contract will also set forth the trading months, last trading day, contract size, minimum price change (tick size) and daily price limits, if any.

The Contract's terms are provided in Attachment A. As noted above, while there are common terms such as the trading hours and the reference rate, many of the Contract's terms are flexible. Nevertheless, the terms of the Contract are all within commonly accepted market norms.

(A) Commodity Characteristics: The terms and conditions of a commodity contract should describe the commodity underlying the contract.

The reference to CORRA is included in the Contract's terms and conditions.

(B) Contract Size and Trading Unit: An acceptable specification of the trading unit would be a contract size that is consistent with customary transactions in the cash market. A designated contract market may opt to set the contract size smaller than that of standard cash market transactions.

The size of the Contract is consistent with the customary size of similar transactions in the market.

(C) Cash Settlement Procedure: The cash settlement price should be reliable, acceptable, publicly available, and reported in a timely manner as described in paragraphs (c)(3)(iv) and (c)(3)(v) of this appendix C.

The cash settlement procedure and an explanation of how, in the context of this Contract, it is not readily susceptible to manipulation, is described above.

(D) Pricing Basis and Minimum Price Fluctuation (Minimum Tick): The minimum price increment (tick) should be set a level that is equal to, or less than, the minimum price increment commonly observed in cash market transactions for the underlying commodity. Specifying a futures' minimum tick that is greater than the minimum price increment in the cash market can undermine the risk management utility of the futures contract by preventing hedgers from efficiently establishing and liquidating futures positions that are used to hedge anticipated cash market transactions or cash market positions.

As agreed by the counterparties.

(E) Maximum Price Fluctuation Limits: Designated contract markets may adopt price limits to: (1) Reduce or constrain price movements in a trading day that may not be reflective of true market conditions but might be caused by traders overreacting to news; (2) Allow additional time for the collection of margins in times of large price movements; and (3) Provide a "cooling-off" period for futures market participants to respond to bona fide changes in market supply and demand fundamentals that would lead to large cash and futures price changes. If price-limit provisions are adopted, the limits should be set at levels that are not overly restrictive in relation to price movements in the cash market for the commodity underlying the futures contract. For broad-based stock index futures contracts, rules should be adopted that coordinate with New York Stock Exchange ("NYSE") declared Circuit Breaker Trading Halts (or other market coordinated Circuit Breaker mechanism) and would recommence trading in the futures contract only after trading in the majority of the stocks underlying the index has recommenced.

As agreed by the counterparties.

(F) Last Trading Day: Specification of the last trading day for expiring contracts should be established such that it occurs before publication of the underlying third-party price index or determination of the final settlement price. If the designated contract market chooses to allow trading to occur through the determination of the final settlement price, then the designated contract market should show that futures trading would not distort the final settlement price calculation.

The last trading day will be the maturity date of each contract, which is set by the individual counterparties.

(G) Trading Months: Trading months should be established based on the risk management needs of commercial entities as well as the availability of price and other data needed to calculate the cash settlement price in the specified months. Specification of the last trading day should take into consideration whether the volume of transactions underlying the cash settlement price would be unduly limited by occurrence of holidays or traditional holiday periods in the cash market. Moreover, a contract should not be listed past the date for which the designated contract market has access to use a proprietary price index for cash settlement.

As noted above, payments are settled in accordance with the payment frequency of the Contract, which is a flexible term.

(H) Speculative Limits: Specific rules and policies for speculative position limits are set forth in part 150 and/or part 151, as applicable, of the Commission's regulations.

None required by Parts 150 or 151 of the Commission's regulations.

(I) Reportable Levels: Refer to § 15.03 of the Commission's regulations.

BSEF will adhere to the applicable reporting levels set forth in § 15.03 of the Commission's regulations.

(J) Trading Hours: Should be set by the designated contract market to delineate each trading day.

The Contract is traded twenty-four hours a day (00:01 – 24:00), Sunday to Friday (ET).

CERTIFICATIONS PURSUANT TO SECTION 5c OF THE COMMODITY EXCHANGE
ACT, 7 U.S.C. §7A-2 AND COMMODITY FUTURES TRADING COMMISSION
REGULATION 40.2, 17 C.F.R. §40.2

I hereby certify that: 1) the Contract complies with the Commodity Exchange Act, 7 U.S.C. §1 *et seq.* and regulations thereunder; and 2) concurrent with this submission, Bloomberg SEF LLC posted on its website: (a) a notice of pending certification of this Contract with the Commission; and (b) a copy of this submission.



By: Devi Shanmugham
Title: Chief Compliance Officer

Attachment A
Terms and Conditions

CAD OIS CORRA Fixed-to-Floating Swap Contract

Contract Overview	An agreement to exchange a stream of cash flows by applying a fixed and floating interest rate to a specified notional over a term to maturity.
Ticker	CAD SWAP vs CORRA [Floating Index Maturity]
Currency	CAD
Floating Rate Index	CORRA
Fixed Rate	Par; custom coupon
Quoting Convention and Minimum Increment	As agreed by the counterparties
Contract Size	As agreed by the counterparties
Minimum Size	As agreed by the counterparties
Trading Conventions	Buy = Pay Fixed, Receive Float Sell = Receive Fixed, Pay Float
Swap Conventions	<p>Fixed Leg</p> <ul style="list-style-type: none"> o Payment: Monthly, Quarterly, Semi-Annual, Annual o Day Count Conventions: ACT/365 or as agreed by the counterparties o Holiday Calendar: Canada o Business Day Conventions: Modified Following <p>Floating Leg</p> <ul style="list-style-type: none"> o Payment/Resets: Monthly, Quarterly, Semi-Annual, Annual o Day Count Conventions: ACT/365 or as agreed by the counterparties o Holiday Calendar: Canada o Business Day Conventions: Modified Following
Swap Tenor	The duration of time from the effective date to the maturity date. A contract can have a tenor from 28 days to up to 50 years.
Effective Date	The date on which parties begin calculating accrued obligations such as fixed and floating interest rate payments (i.e., the start date of the swap).
Maturity Date	The final date on which the obligations no longer accrue and the final payment occurs.
Periodic Settlement: Payment and Resets	<p>Fixed Leg: The payment amount of the Fixed Leg is based on the following: Notional, Payment Frequency, Day Count Convention and Fixed Interest Rate.</p> <p>Floating Leg: The payment amount of the Floating Leg is based on the following: Notional, Payment Frequency, Day Count Convention, Floating Interest Rate Index and Floating Reset Dates.</p> <p>Payments are settled in accordance with the payment frequency of the swap.</p>
First Fixing Date	The first CORRA Fixing Date is equal to the Effective Date of the swap
Trade Start Types	<p><u>Spot</u>: A new swap where the Effective Date is T+1 from the trade date.</p> <p><u>Non-Spot</u>: Any date where the Effective Date is a date other than the spot date.</p>
Settlement Procedure	As determined by the Clearing House or an agreement between the counterparties
Trading Hours	00:01-24:00 Sunday-Friday (Eastern Time)
Clearing House	Chicago Mercantile Exchange, Inc., LCH.Clearnet Ltd. or Bilateral
Block Size	As set forth in Appendix F to Part 43 of the CFTC Regulations
Speculative Limits	As set forth in Part 150 of the CFTC Regulations
Reportable Levels	As set forth in CFTC Regulation 15.03