

Interest Rate Benchmarks

Risk Disclosure for new or amended CDOR lending and trade facilities

The following is provided for general information only and you should conduct your own independent research and analysis regarding the risks involved in conjunction with your legal, tax, accountancy and other advisers. The statements below reflect our information as of the date of this publication and are not exhaustive. HSBC cannot give any statement about the likelihood of any specific outcome or its potential impact on any transaction or customer position nor is HSBC providing any advice or recommendation.

What is CDOR?

Canadian Dollar Offered Rate (CDOR), is a committed bank lending rate or "executable rate" at which each CDOR Contributor is obligated to lend funds to corporate borrowers with existing committed credit facilities referencing CDOR, plus a stamping fee (if applicable).

CDOR comprises three tenors: 1 month, 2 months and 3 months. (Two additional tenors, 6 months and 12 months, ceased to be published after 14 May 2021.) CDOR is calculated using submitted rates (contributions) from a panel of contributor banks that are active in the Canadian Bankers' Acceptance market. CDOR is published Monday to Friday at 10:15am ET, subject to market holidays.

Refinitiv, through its wholly owned subsidiary Refinitiv Benchmark Services (UK) Limited ("RBSL"), is the CDOR Benchmark Administrator that holds the primary responsibility for all aspects of the CDOR determination process.

What is changing?

On May 16, 2022, the administrator of the Canadian Dollar Offered Rate (CDOR) Refinitiv Benchmark Services (UK) Limited (RBSL), announced that it will cease the calculation and publication of CDOR on June 28, 2024. This decision aligns with the recommendation made by the Canadian Alternative Reference Rate (CARR) Working Group in December 2021, and follows a broad public consultation from RBSL regarding that recommendation. CARR welcomed this announcement in its recent [Market Notice](#).

The decision to cease the publication of CDOR was made within the context of a global interest rate benchmark reform effort where the most widely

used benchmarks are based on risk free rates rather than bank credit rates.

The decision has been by the [Ontario Securities Commission \(OSC\)](#) and the [Autorite des marches financiers \(AMF\)](#). The Office of the Superintendent of Financial Institutions (OSFI) has also published an [Industry Notice](#) outlining their expectations for CDOR transition. ISDA has [confirmed](#) that Refinitiv's announcement constitutes an "index cessation event" under the terms of the ISDA IBOR Fallbacks Protocol and Supplement.

Why are we conveying this to you?

The lending and/or trade facility you are considering references CDOR and will include fallback language. It is important that you understand how the fallbacks work, what choices you have and the impacts of these fallbacks on you should they be implemented, following the permanent cessation of CDOR. You will need to understand the triggers and be comfortable that you can operationalise the fallbacks should they be triggered.

We are not able to set out all of the changes that may impact you. You should seek guidance from your professional advisors in deciding whether a product referencing CDOR (and any replacement rate) is right for you and meets your needs and in understanding how the fallback provisions in your facility will impact you should they be triggered.

Fallback language for HSBC's lending and trade facilities referencing CDOR

Where appropriate, HSBC is using the CARR Recommended Fallback language.¹ This language references the overnight Canadian risk-free rate (RFR)

benchmark, known as the Canadian Overnight Repo Rate Average (CORRA), as the replacement rate for the Canadian Dollar Offered Rate (CDOR).

What about hedging?

It is important that you ensure that any hedging product appropriately hedges the exposure under the loan and/or trade facilities and that the requirements for any particular accounting treatment are satisfied. If any fallbacks that might apply to the contract if CDOR is no longer available are not the same as the fallbacks in the hedging product, this could result in the facility not being hedged appropriately. Please

consult with your advisors for any additional possible consequences.

What should you do if you have any questions?

While HSBC is unable to provide you with any specific advice or recommendations on this issue, we are happy to review this information with you. We also strongly recommend you seek guidance from your usual professional advisers if you have any questions.

Further information is available at: www.business.hsbc.com/ibor

1. Recommended fallback language for loans referencing CDOR (bankofcanada.ca)

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