



FTSE Canada Bond Indexes – Results of Market Consultation on Index Eligibility of New Coupon Structure for Hybrid Capital Securities

30 June 2021

On 22 March 2021, FTSE Russell opened a market consultation to solicit feedback on the index eligibility of a new coupon reset structure of recently issued hybrid capital securities in the FTSE Canada Bond Index Series. FTSE Russell has reviewed the feedback and two central themes were identified during extensive discussions with index stakeholders:

- Clarity on the eligibility of new issues is of paramount importance for index stakeholders; and
- The intended permanence of capital should be considered to evolve index rules in line with market structure developments for hybrid capital

Based on these two guiding principles, FTSE Russell announces that the following exclusion language will be incorporated in the Ground Rules for the FTSE Canada Bond Index Series effective 2 July 2021:

Regulatory capital that counts towards Additional Tier 1 (AT1) debt for deposit taking institutions, Tier 1 capital for life insurers, and Category B capital for property and casualty, and mortgage insurers is excluded from the FTSE Canada Bond Index Series.

For the avoidance of doubt, this language expands the current exclusion language for Limited Recourse Capital Notes (LRCNs), which remain ineligible for FTSE Canada Bond Indexes. There will be no impact to index membership as a result of this rules clarification.

With respect to hybrid capital securities not covered by this exclusion language, FTSE Russell confirms that these securities will continue to be index eligible regardless of the coupon structure after their initial rate reset date, which is set as the effective maturity date for purposes of index rebalancing. Securities will not be reconsidered for index inclusion after their exit. Coupon Type inclusion rules will be updated to codify that “Fixed-to-Variable” structures are eligible and defined, for purposes of index inclusion, as a coupon structure that includes a subsequent reset to a rate that is not predetermined at issuance and based on a prescribed formula. These changes will be reflected in the FTSE Canada Bond Index Ground Rules, effective 2 July 2021.

As a result of this announcement, the following recently issued securities will be added to the FTSE Canada Universe Bond Index on 19 July 2021:

- Intact Financial Corporation 4.125% (45823TAD8)
- TransCanada Trust 4.20% (89356BAF5)
- Sagen MI Canada Inc. 4.95% (786688AC5)

The following security will be added to the FTSE Canada High Yield Bond Index on 19 July 2021:

- Keyera Corp 5.95% (493271AD2)

Please contact pcbond@ftserussell.com / 416.572.7979 with any questions or comments.

¹ This includes, but is not limited to, securities with coupon types referred to as Fixed-to-Float, Fixed-to-Fixed and Fixed-to-Resettable.

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