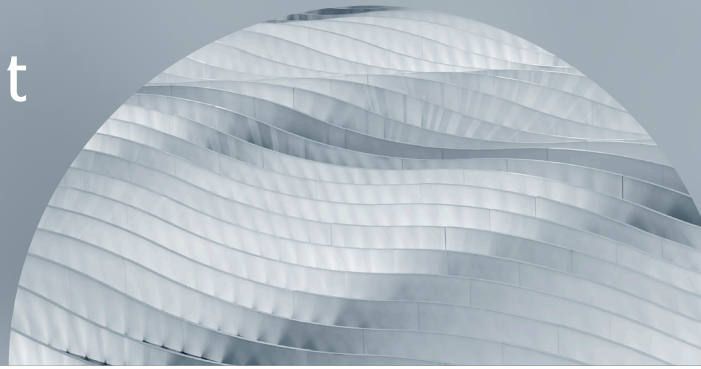


# FTSE Canada Bank Credit Spread Index Series

An innovative approach to benchmarking Canadian credit risk



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## FTSE Russell's Partnership with Canadian Fixed Income Community

FTSE Russell is committed to fostering evolution in the markets it serves and has been working closely with key industry partners to support the development of credit risk transfer solutions for the Canadian market. Through extensive research and in-depth analysis, FTSE Russell have designed a liquid, simple and transparent benchmark that isolates the credit spread component to provide a standardised gauge of credit market conditions In Canada. By effectively isolating Canadian corporate credit risk, market infrastructure providers will be able to use the FTSE Canada Bank Credit Spread Index to develop investment and risk management solutions for buy- and sell-side participants.

## About FTSE Canada Bank Credit Spread Index Series

The FTSE Canada Bank Credit Spread Index Series is Canada's first representative credit spread index that isolates domestic credit risk.

The Index represents the spread between a basket of Canadian Bank bonds and their benchmark Government of Canada securities as a measure of Canadian financial sector credit risk.

To create the FTSE Canada Bank Credit Reference Basket ("Reference Basket"), which is set from the constituents of the FTSE Canada Universe Bond Index, FTSE Russell applies a transparent selection and screening criteria to the domestic corporate financial bank sector. Each security in the Reference Basket is then mapped to an appropriate benchmark Government of Canada security, where a yield differential between the two securities is calculated, and aggregated across all Reference Basket securities to produce a spread index.

The resulting FTSE Canada Bank Credit Spread Index tracks the spread of the FTSE Canada Credit Reference Basket relative to a benchmark Government of Canada, providing a representative measure of Canadian corporate credit risk.

## How is the Index Series constructed?

The index series addresses the need for a domestic representative spread product that isolates credit risk exposure while focusing on liquid securities to balance capacity, tradability and spread movement.

The design for the FTSE Canada Bank Spread Index Series is informed by 3 key considerations:

- **Liquidity:** the selected basket of underlying securities should be highly liquid
- **Simplicity:** the selection methodology and weight allocation should be easily understood; and
- **Transparency:** the selection methodology should be replicable and the index data available for access



## Construction of the FTSE Canada Bank Credit Spread Index involves 3 stages:

1. Creation of the FTSE Canada Bank Credit Reference Basket
2. Mapping of the FTSE Canada Bank Credit Reference Basket to Government of Canada securities
3. Calculation and aggregation of the FTSE Canada Bank Credit Spread Index

### 1 Creation of the FTSE Canada Bank Credit Reference Basket

The FTSE Canada Bank Credit Reference Basket is a liquid representation of the domestic FTSE Canada Corporate Financial Bank Bond Index. By applying simple and transparent screening and selection criteria, the overall universe is reduced from 100+ securities to up to 24 Canadian Bank bonds<sup>1</sup>.

- Simple and transparent screening criteria are applied to select most liquid securities from the FTSE Canada Corporate Financial Bank Bond Index into the basket
- The basket rebalances on a quarterly basis at the close on the last business day of the month each February, May, August, and November
- Selected securities are weighted by market capitalization with par outstanding fixed as of the rebalance date

### 2 Mapping to Government of Canada Securities

- Each corporate bond selected in the Reference Basket is mapped to a benchmark Government of Canada bond, with mapping sourced from CanDeal DNA.
- Mapping remains fixed between rebalances, is sourced from CanDeal DNA and reported in the index files for transparency
- Weights of GOC securities are set equal to their mapped corporate bonds

### 3 FTSE Canada Bank Credit Spread Index

- Spread is calculated as the yield differential between the Reference Basket Bank Bond yield (YTW) and respective Government of Canada Bond yield (YTW)
- Spread value is calculated daily, based on 4 pm mid market prices, for each position in the reference basket and aggregated to Index level based on market capitalization weights of the reference basket bonds
- Spread Index value captures changes in credit spreads without exposure to interest rates and will serve as the basis for the Futures contract

## In what cadence will the Indices be created?

A new FTSE Canada Bank Credit Spread Index series will be created on a quarterly basis on the last business day of February, May, August, and November based on the constituents of the FTSE Canada Bank Credit Reference Basket. Each spread index series will expire four months after issuance, aligned with the life of the future contract written against the series.

The spread index values are calculated daily, and are weighted by market capitalisation, so that the return on a bond influences the return on the index in proportion to its market value.

## How will the Spread be calculated and published?

The Spread Index value will be calculated daily for each position in the basket, as well as an index level, and published in the standard index files. It is expressed and reported as bps (basis points). This Spread Index value will serve as the basis for the Futures.

Securities are priced in line with base index, using 4 pm mid-market close CanDeal Composite prices. The mapping to Government of Canada bonds is sourced from CanDeal DNA contributed composite and is consistent with quoted screens on CanDeal Markets.

<sup>1</sup> Based on a universe of 8 qualifying issuers as of 30 May 2025.

## How will the Indices be named and what are the tickers?

The spread index series will be set on a quarterly basis (on the last business day of the month each February, May, August, and November) and named as series of the expiry month (such that the spread index series set at February month end will be named as the June series).

The index series naming convention will include a three-character code indicating the delivery date (i.e., one-character for month and two-characters for year) that follows the standard ticker convention observed in the futures market with the reference letters H, M, U, and Z corresponding to March, June, September, and December, respectively. For example:

- FTSE Canada Bank Credit Spread Index H25 (ticker: CBCH25) for an index series created on the last business day of November 2024 and to mature at the end of March 2025
- FTSE Canada Bank Credit Spread Index M25 (ticker: CBCM25) for an index series created on the last business day of February 2025 and to mature at the end of June 2025
- FTSE Canada Bank Credit Spread Index U25 (ticker: CBCU25) for an index series created on the last business day of May 2025 and to mature at the end of September 2025
- FTSE Canada Bank Credit Spread Index Z25 (ticker: CBCZ25) for an index series created on the last business day of August 2025 and to mature at the end of December 2025

## How do clients get access to the Index?

The FTSE Canada Bank Credit Spread Index Series will be available through the same delivery channel (FTP) as the standard index files in .csv format, available daily in their corresponding folders. They will be licensed and enabled based on subscription to the FTSE Canada Universe Bond Index, the parent index of FTSE Canada Bank Credit Spread Index. For commercials and licensing, please reach out to your FTSE Russell account manager or [fi.index@ftserussell.com](mailto:fi.index@ftserussell.com) for more information.

## How will the index be used by the Futures market?

The spread values published in the FTSE Canada Bank Credit Spread Index Series will serve as the Canada Bank Credit Index Futures (CBC) contract underlying. The Futures are cash settled to the value of the respective index on quarterly IMM dates (i.e. the 3<sup>rd</sup> Wednesday of the contract month). Based on the Index, the Futures contract isolates the credit spread component of a portfolio of Canadian Bank bonds. This provides transparent, flexible and direct exposure to Canadian financial sector credit risk, which could give participants a significant edge in managing credit exposure.

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## About FTSE Russell

FTSE Russell is a leading global provider of index and benchmark solutions, spanning diverse asset classes and investment objectives. As a trusted investment partner we help investors make better-informed investment decisions, manage risk, and seize opportunities.

Market participants look to us for our expertise in developing and managing global index solutions across asset classes. Asset owners, asset managers, ETF providers and investment banks choose FTSE Russell solutions to benchmark their investment performance and create investment funds, ETFs, structured products, and index-based derivatives. Our clients use our solutions for asset allocation, investment strategy analysis and risk management, and value us for our robust governance process and operational integrity.

For over 35 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

## Contact Us

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