



Update from the GoC Market Functioning Steering Group (GMF)

April 6, 2021

Recap: GMF mandate and background

- ❖ CFIF approved in October in 2019 the formation of a working group to review GoC market functioning in a low-rate environment
- ❖ The Government of Canada Market Functioning Steering Group (GMF) was formed in 2020, with the following agreed mandate:
 - Study and design a framework for supporting GoC market functioning in a low-rate environment (**Design Phase**) and present design recommendations to CFIF
 - **Framework** to include a financial incentive mechanism for timely settlement applicable to all market participants, criteria for implementing/activating the framework
 - **Complementary policies or market practice changes** that seek to improve market functioning and mitigate any potential unintended consequences
 - Pending endorsement and further direction from CFIF, take steps to implement the framework (**Implementation Phase**)

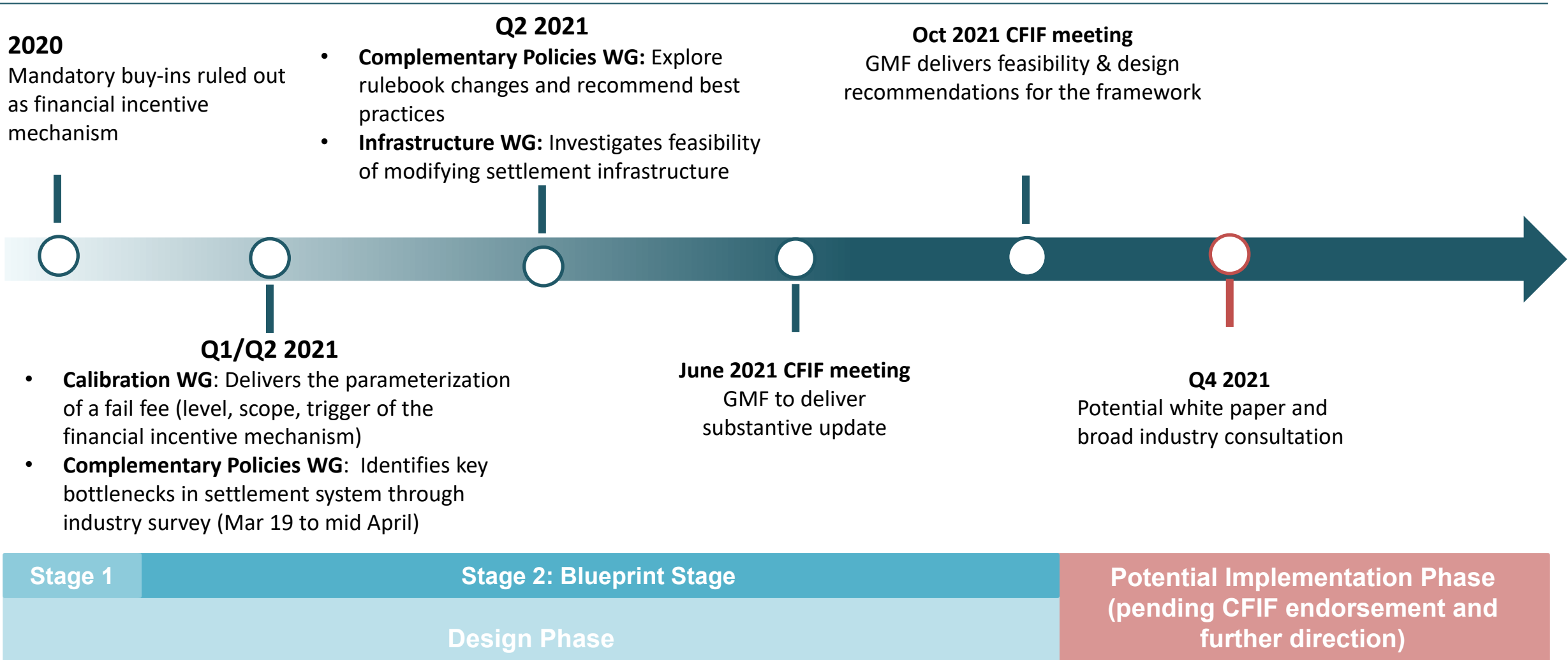
Update on the progress of the GMF's recent work

- ❖ Complementary Policies WG (CPWG)
 - launched an industry survey to better understand settlement frictions in the GoC market
 - Survey will close in mid-April, with analysis of responses to follow
 - CPWG is also exploring rulebook changes and recommendations for best practices

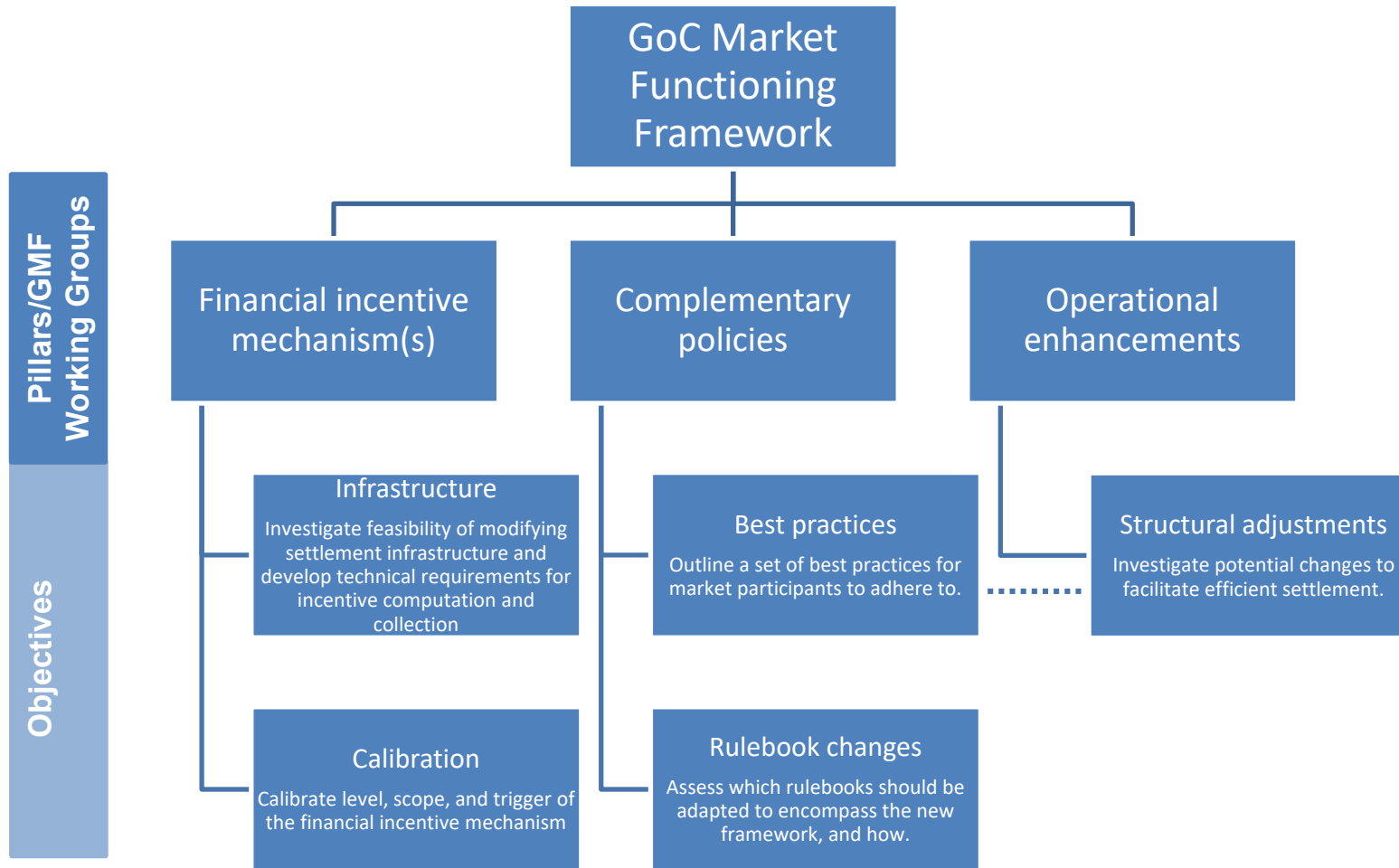
- ❖ Calibration WG (CWG) is making good progress on calibration issues
 - CWG is nearing consensus on calibrating the fail fee mechanism (incl. level, triggers, success metrics)
 - CWG is making progress on defining fails (scope of transactions)
 - Treatment of Delivery versus Delivery (DvD) and Free of Payment (FoP) transactions, common in securities lending, is still being examined, as there are unique challenges (e.g., establishing when a fail has occurred, what amount to apply the fee to, what platform/infrastructure captures the fail)

- ❖ GMF will need to also consider the governance around any proposed framework

The GMF is in the middle of the Blueprint Stage of the Design Phase



Appendix: Approach for the framework in the Blueprint Stage



The “Blueprint” deliverable to CFIF:

- A document on feasibility and design recommendations for a framework
 - Objectives for each pillar of the framework are shown in the diagram
- Overall, a high-level approach, but for each pillar also tackling questions on:
 - Operational considerations
 - Cost to implement
 - Timeline to build

Thank you
