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Fixed Income Indices Join Equities Under the TSX Umbrella

The Scotia Capital Universe Bond Index is moving. The venerable index, owned by Scotia Capital, has been the standard of measurement for the Canadian bond market since 1947.

The TSX Group has purchased the index from Scotia Capital. In addition, the TSX also bought Scotia Capital's other indices which track other segments of the fixed income market, including High Yield, Euro, Maples, Yankee bonds, Real Return Bonds, T-Bills and Residential and Commercial Mortgage-Backed Securities. The terms of sale also include a long-term license deal for Scotia Capital to continue to provide fixed income pricing data. Key personnel from Scotia Capital will move to the TSX Group. It is expected that the transition will be completed by the second half of 2007.

CIBC Global Asset Management recently met with executives of the TSX Group to discuss their plans for the index.

The TSX feels that the Scotia Capital indices are the most widely accepted tools for measuring the returns of the Canadian bond market on a daily basis. Building on the benefits of the Scotia indices, the TSX will invite other dealers, besides those at Scotia Capital, to contribute their bond prices so that pricing of securities will become more broad-based and be reflective of pricing differential that exist in the market place.

They also intend to upgrade the technology that supports the indices and the analytics. This will pave the way for the introduction of derivative bond products based on their indices, which will allow investors more opportunity to manage their assets.

The TSX plans to implement a user advisory group to advise on current and future composition and maintenance to the fixed income indices, as they do with their equity indices. We anticipate that CIBC Asset Management will participate in the advisory group.

With the addition of the Scotia Capital indices to the TSX Group portfolio of products and the improved pricing, the need to maintain the Standard and Poor's Canadian Bond Index is questionable.

CIBC Asset Management believes that having a neutral, third party provider of the index is positive and that further enhancements and products will provide additional opportunities for the management of Canadian fixed income portfolios.

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