

Canadian Alternative Reference Rate Minutes

Toronto, March 26, 2018, 11:30 a.m. to 1:30 p.m.

1. Welcome and introductions

Members were welcomed to the inaugural meeting of the Canadian Alternative Reference Rate Working Group (CARR). Sponsored by the Canadian Fixed-Income Forum, CARR's mandate is to help reform a core part of the Canadian financial system by identifying and seeking to develop a new term risk-free Canadian dollar interest rate benchmark. Such a term risk-free rate would operate alongside the existing Canadian Dollar Offered Rate (CDOR). The working group will also review and explore possible enhancements to the existing overnight risk-free rate.

2. Discussion of the Terms of Reference

The co-chairs provided a brief overview of the draft terms of reference, outlining the key objectives and organization of the group. It was highlighted that ad hoc subgroups would be created to focus on specific issues as needed. The composition of these subgroups could be either broader or narrower than existing CARR membership, depending on the required expertise.

The terms of reference will be finalized based on member feedback following the meeting.

3. Review of competition law guidance

Legal counsel outlined for the working group the basic rules to follow to avoid legal risks related to competition law. Legal counsel will be present at each CARR meeting.

4. Review of the global work on interest rate benchmarks

The co-chairs provided a short summary of the work under way in other jurisdictions to develop new risk-free or nearly risk-free reference rates. Members noted the importance of following this work and its potential impact on efforts to develop a rate in Canada.

5. Discussion of work streams and timelines

Members agreed to create two initial subgroups, each to be co-chaired by two CARR members. The first subgroup would identify and evaluate viable options for an alternative risk-free or nearly-risk free Canadian overnight reference rate, while the second would focus on the size and scope of those financial instruments or products that currently reference existing benchmark rates, CDOR and the Canadian Overnight Repo Rate Average (CORRA). It was noted by all members that this initial work was required to lay the groundwork for future work on developing an appropriate reference rate. The subgroup co-chairs were asked to provide a status update on their work at the next meeting.

6. Discussion of the issues to consider with respect to benchmarks

The co-chairs briefly outlined the various issues that need to be considered for any benchmark, including the reliability of data, underlying market structure, benchmark transparency, regulatory adherence, term availability and transition processes.

7. Scheduling of future meetings and other business

Members agreed that CARR would meet approximately once a month. The Secretariat will distribute a meeting schedule for the remainder of the year following the end of the meeting.

The next CARR meeting is scheduled for April 23, 2018.

8. List of attendees

Market representatives

Doug Paul, Alberta Investment Management Corporation
John McArthur, Bank of America Merrill Lynch
Nick Chan, Bank of Montreal
Mario Pereira, Bank of Montreal
Louise Stevens, Canada Mortgage and Housing Corporation
Karl Wildi, Canadian Imperial Bank of Commerce
Alex Prole, Canadian Imperial Bank of Commerce
David McKinnon, Manulife
Daniel Duggan, National Bank of Canada
Simon Labrosse, National Bank of Canada
Jason Chang, Ontario Teachers' Pension Plan
Ed Devlin, PIMCO
Renaud de Jaham, PSP Investments
Jim Byrd, Royal Bank of Canada
Paul Hildebrand, Royal Bank of Canada
Alejandro Stanco, Scotiabank
Patrick Russett, Scotiabank
Brett Pacific, Sun Life Financial
Nicholas Jewitt, TD Bank
Mike Lin, TD Bank

Observers

Glenn Goucher, CDCC
Philip Whitehurst, LCH
Casey Halladay, McMillan
Joshua Chad, McMillan
Jacques-A Caussignac, Montréal Exchange

Bank of Canada

Lynn Patterson (present for agenda item 1 only)

Harri Vikstedt

Scott Kinnear

Zahir Antia

Samantha Sohal