

Minutes of the Canadian Alternative Reference Rate Working Group

Toronto, September 17, 2018, 11:30 a.m. to 1:30 p.m.

1. Review of international developments

The CARR co-chairs provided a brief update on the work under way in other jurisdictions to develop new risk-free or nearly risk-free reference rates. CARR members were encouraged to respond to the International Swaps and Derivatives Association (ISDA) market consultation on approaches to term and spread adjustments for derivatives fallbacks by the October 12 deadline. Members discussed the importance of the choice of spread adjustment mechanism to be used in the fallback provisions. The co-chairs noted that other jurisdictions have started discussions on developing risk-free term rates in addition to overnight risk-free rates. Members agreed that results of this work could be considered by CARR when looking at the possibility of developing a risk-free term rate in Canada. Members also discussed the recent announcement that the euro short-term rate (ESTER) had been chosen as the preferred euro risk-free rate.

2. Updates from subgroups

The Scope of Work subgroup provided members with a draft presentation summarizing the results of their analysis to determine the size and scope of financial products that currently reference the Canadian Dollar Offered Rate (CDOR) and the Canadian Overnight Repo Rate Average (CORRA). The subgroup stated that it was their intention to publish the [presentation](#) on the CARR website following final approval.

The Fallback Language subgroup provided an update on their work to develop a new fallback language for use in Canadian non-derivative products or contracts. The subgroup presented an overview of existing fallback language in Canadian documentation across different products and contracts. It was noted that next steps for the subgroup would include the development of principles for a new robust fallback language for these products or contracts.

The Alternative Rates subgroup presented their initial analysis of the alternatives to enhancing CORRA. Members discussed the pros and cons of the different methodologies with the goal of determining which methodology best fits the objectives for an “Enhanced CORRA.” Discussions centred on the breadth of eligible collateral, expanding the volume of transactions supporting the benchmark and the methodologies for filtering the data. The subgroup also presented a list of additional individuals who would be invited to participate in this group in order to gather views from a wider set of stakeholders.

3. Administrative items

The CARR co-chairs discussed their recent public outreach initiatives to raise awareness and generate feedback for CARR-related work. Members shared their views on how outreach initiatives could be expanded, particularly for corporate issuers.

Members also briefly reviewed the 2018–19 timeline and milestones for CARR.

The next meeting will take place on October 15, 2018.

4. 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
Karl Wildi, Canadian Imperial Bank of Commerce
Alex Prole, Canadian Imperial Bank of Commerce
David McKinnon, Manulife Financial
Simon Labrosse, National Bank of Canada
Ed Devlin, PIMCO
Renaud De Jahem, PSP Investments
Jason Chang, Ontario Teachers' Pension Plan
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

Observers

Jacques Caussignac, Montréal Exchange
Philip Whitehurst, LCH
Joshua Chad, McMillan

Bank of Canada

Harri Vikstedt
Jean-Philippe Dion
Scott Kinnear
Ilya Vorobyev