

Minutes of the Canadian Alternative Reference Rate Working Group

Toronto, October 15, 2018, 11:30 a.m. to 2:00 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 notified that the deadline for the International Swaps and Derivatives Association (ISDA) [market consultation](#) on approaches to term and spread adjustments for derivatives fallbacks was extended by 10 days. Members were encouraged to familiarize themselves with the [report](#) on term risk-free rates published by the Intercontinental Exchange (ICE) and with its recently launched [ICE Term RFR Portal](#). Co-chairs also notified members that a new working group focusing on the functioning of the cross-currency basis swap market had been convened by the Alternative Reference Rates Committee. Members were asked to provide names of potential representatives from their institutions to join the working group.

2. Updates from subgroups

The Alternative Rates subgroup presented a detailed analysis of various methodologies for calculating an “Enhanced CORRA,” highlighting different approaches to filter the underlying data. Members discussed the pros and cons of the various methodologies, focusing on issues such as fair representation of market funding conditions, complexity of calculation and volatility of the resulting rate. A preliminary recommendation was discussed on which approach should be highlighted for public consultation. Members agreed that the subgroup should perform additional analysis of the proposed methodologies (including simulation of alternative rates’ behaviour in extreme market circumstances). The goal is to reach a final recommendation on the direction for consultation on the “Enhanced CORRA” methodology once the analysis is finalized.

The Fallback Language subgroup provided a brief update on their work to develop new fallback language for use in Canadian non-derivative products or contracts. The subgroup is progressing in its development of principles for new fallback language for use in these products or contracts and starting the work on developing a draft fallback language.

3. Update from the Working Group on Sterling Risk-Free Reference Rates

Nick Sagers, Chair of the Term SONIA Reference Rates subgroup, provided an overview of the group’s work to develop a term risk-free rate. He reported the group’s view that a term rate is needed for the bond and loan markets. He gave an overview of the issues discussed by the working group, including different methodologies for calculating a term risk-free rate and next steps.

4. Administrative items

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

The next meeting will take place on November 19, 2018.

5. List of attendees

Market representatives

Doug Paul, Alberta Investment Management Corp
Nick Chan, Bank of Montreal
Karl Wildi, Canadian Imperial Bank of Commerce
Alex Prole, Canadian Imperial Bank of Commerce
David McKinnon, Manulife Financial
Louise Stevens, Canada Mortgage and Housing Corp
Daniel Duggan, National Bank Financial
Andrew Bastien, 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
Mike Lin, TD Securities
Nick Saggars, Bank of America Merrill Lynch (present for item 3 only)

Observers

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

Bank of Canada

Harri Vikstedt
Jean-Philippe Dion
Jean-Sebastien Fontaine
Adrian Walton
Zahir Antia
Samantha Sohal
Ilya Vorobyev