

# **Minutes of the Canadian Alternative Reference Rate Working Group**

Toronto, November 19, 2018, 11:30 a.m. to 2:00 p.m.

## **1. Review of international developments**

Paul Scurfield, co-chair of the [Alternative Reference Rates Committee](#) (ARRC) Term Rate subgroup, provided an overview of the subgroup's work to develop a US-dollar term risk-free rate. He noted that this work was driven by a demand for a term risk-free rate that arose from some participants' desire for predictable cash flows to meet operational needs. He also discussed the ARRC's proposed methodology to develop a term risk-free rate from overnight rates and the rationale behind the choice of the methodology.

The CARR co-chairs provided a brief update on the work under way in other jurisdictions to develop risk-free reference rates. CARR members were encouraged to review the Financial Stability Board's just-released [progress report on the reform of major interest rate benchmarks](#). The co-chairs also provided a brief update on the work of the global working group focused on the functioning of the cross-currency basis swap market.

## **2. Updates from subgroups**

The Alternative Rates subgroup presented its [recommendation](#) on the methodology for calculating an enhanced Canadian Overnight Repo Rate Average (CORRA). The recommended calculation approach encompasses the daily median rate of Government of Canada bonds and bills repo transactions after excluding the lower 25<sup>th</sup> percentile of trades each day by rate to mitigate the impact of special transactions on the rate. The recommendation was endorsed unanimously by CARR members and will next be reviewed by the [Canadian Fixed-Income Forum](#) in December. It is currently expected that a white paper on the proposed methodology will be published later in January.

The Fallback Language subgroup presented draft principles for fallback language for use in Canadian non-derivative products and contracts. CARR members provided comments and agreed to seek views from their respective institutions. Members discussed publishing the principles for comment in the first quarter of 2019. Members also discussed next steps for the subgroup, including the need to develop consistent fallback language across different cash products. Members agreed to develop new draft fallback language, for use in new transactions, in the first half of 2019.

## **3. Administrative items**

The co-chairs gave a brief overview of upcoming outreach initiatives to raise awareness about work performed by CARR and about potential workstreams for CARR for 2019. Members agreed to further discuss the 2019 workplan at the next meeting.

The next meeting will take place on December 17, 2018.

#### **4. List of attendees**

##### **Market representatives**

Doug Paul, Alberta Investment Management Corporation

John McArthur, Bank of America Merrill Lynch

Mario Pereira, Bank of Montreal

Nick Chan, Bank of Montreal

Karl Wildi, Canadian Imperial Bank of Commerce

Louise Stevens, Canada Mortgage and Housing Corporation

Daniel Duggan, National Bank Financial

Jason Chang, Ontario Teachers' Pension Plan

Edward Devlin, PIMCO

Eric Ruest, 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

Paul Scurfield, Bank of America Merrill Lynch (present for agenda item 1 only)

##### **Observers**

Luc Fortin, Montréal Exchange

Glenn Goucher, CDCC

Philip Whitehurst, LCH

Joshua Chad, McMillan

##### **Bank of Canada**

Harri Vikstedt

Jean-Philippe Dion

Samantha Sohal

Ilya Vorobyev