

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

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

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

The CARR co-chairs provided a debrief of the Official Sector Steering Group (OSSG) meeting held in Basel on November 26, which was attended by both OSSG members and representatives from ISDA and various national benchmark working groups (NWG). The focus of the meeting was an update on the various global developments, including the recently concluded ISDA consultation on fallbacks (see report [here](#)). ISDA also discussed the process going forward, including having a second fallback consultation in early 2019 on the USD LIBOR, as well as potentially other currency benchmarks, including CDOR. CARR members were supportive of including CDOR in the second consultation. There was also discussion on how to expand the outreach activities of the NWGs to other stakeholders that may not be aware of the implications of global benchmark reform to their activities.

The co-chairs also provided feedback from their meetings with market participants in London. It was noted that the Sterling floating rate note (FRN) market has gravitated quickly to embracing SONIA (in arrears) as the benchmark, away from GBP LIBOR. The co-chairs provided a brief update on the work of the global working group on the functioning of the cross-currency basis swap market.

## **2. Updates from subgroups**

The Alternative Rates subgroup reviewed the current status of the recommendation for enhanced Canadian Overnight Repo Rate Average (CORRA). There was consensus agreement on the methodological decisions made to date, but it was highlighted that one remaining issue, related to overnight repo transactions of bank affiliates, required further analysis and discussion.

CARR members endorsed the Fallback Language subgroup's updated [principles](#) for fallback language for use in Canadian cash (non-derivative) products and contracts. Next the subgroup will develop draft fallback language based on these principles to be used across different cash products.

## **3. Enhanced CORRA White Paper**

The CARR co-chairs presented the up-to-date status of CARR's approach to enhanced CORRA to the Canadian Fixed-Income Forum (CFIF) on December 11 via a conference call. CFIF members agreed and endorsed the conclusions presented to date. CARR and CFIF members were asked to review an initial draft of the consultation paper, with the understanding that further refinements were still to be expected. It is expected that a final draft will be presented to CARR for approval in February. The paper will seek comments on all aspects of the final recommended

methodology for enhancing CORRA. A summary and response to comments would be produced following the 60 day consultation.

#### **4. 2019 Workplan**

The co-chairs presented the 2019 Workplan, highlighting the need to create two new subgroups (i) CORRA transition subgroup and (ii) Term Risk-free Rate subgroup. Workstreams focusing on specific aspects would be created to support the subgroups.

Proposed meetings dates for 2019 were endorsed by CARR members. The next meeting will take place on January 21, 2019.

#### **5. List of attendees**

##### **Market representatives**

Doug Paul, Alberta Investment Management Corporation  
Mario Pereira, Bank of Montreal  
Nick Chan, Bank of Montreal  
Alex Prole, Canadian Imperial Bank of Commerce  
Karl Wildi, Canadian Imperial Bank of Commerce  
Louise Stevens, Canada Mortgage and Housing Corporation  
David McKinnon, Manulife  
Edward Devlin, PIMCO  
Renaud de Jaham, PSP Investments  
Jim Byrd, Royal Bank of Canada  
Paul Hildebrand, Royal Bank of Canada  
Alejandro Stanco, Scotiabank  
Brett Pacific, Sun Life Financial  
Mike Lin, TD Securities  
Nicholas Jewitt, TD Securities

##### **Observers**

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

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

Harri Vikstedt  
Jean-Philippe Dion  
Samantha Sohal  
Zahir Antia