

Minutes of the Canadian Alternative Reference Rate Working Group

Toronto, January 21, 2019, 11:30 a.m. to 1:30 p.m.

1. Review of international developments

The CARR co-chairs provided an update on the working group on euro risk-free rates proposed transition path from EONIA to ESTER and the preferred methodology for calculating a term structure based on ESTER derivatives markets. It was also noted that the National Working Group on Swiss Franc Reference Rates has recommended using a compounded in arrears SARON rate as an alternative to CHF Libor. CARR members were updated on the timing of the second ISDA consultation, which will likely happen by the end of Q1. The fallback consultation will focus on the USD LIBOR but will potentially include other currencies/benchmarks, including the Canadian Dollar Offered Rate (CDOR). The co-chairs informed members that draft rules on Canadian interest benchmarks would likely be published for comment, in the upcoming months by the relevant securities regulators.

2. Updates from subgroups

The Alternative Rates subgroup updated the recommendation for an enhanced Canadian Overnight Repo Rate Average (CORRA) to specifically exclude overnight repo transactions between affiliated entities because rates on these transactions may be influenced by other factors (e.g. internal transfer pricing). CARR members endorsed this recommendation subject to some final data verifications.

It was noted that the [principles](#) for fallback language for use in Canadian cash (non-derivative) products and contracts had been published on the CARR website. The subgroup is currently developing draft fallback language based on these principles to be used across different cash products. The subgroup is expected to provide CARR members with a preliminary draft at the next CARR meeting. One member noted that the fallback language does not need to be static and could evolve over time based on market developments. Fallback language could also be tailored to specific products at a later stage. It was also noted that with the ISDA fallback consultation potentially covering CDOR, participants could also reference the ISDA CDOR fallback language once it was updated.

3. Enhanced CORRA White Paper

An updated draft of the consultation paper was presented to CARR members. Members provided feedback on the recent draft with one member noting that it will be important to provide more context around the future work to provide clarity on the specific intent of the consultation. It is expected that a final version will be presented to CARR and CFIF members for approval in February and likely be published soon after. The co-chairs also mentioned that there would be CARR roundtables after the white paper is published to discuss the proposed calculation changes to CORRA.

4. Administrative items

Members discussed ways CARR could improve its outreach to stakeholders, including potentially hosting webinars. It was noted that industry groups should also be engaged to enhance outreach efforts on the work of CARR and the status of the transition to RFRs from the other National Working Groups.

CARR members discussed the formation of two new subgroups - Transition Subgroup and a Term Risk-free Rate Subgroup. The subgroup co-chairs are expected to be in place by the next meeting and the groups to be formed by the end of Q1. Members commented that given the focus of the new work, it would be potentially beneficial to have more non-CARR market participants who are active in Canadian interest-rate benchmarks on the new subgroups.

5. List of attendees

Market representatives

Doug Paul, Alberta Investment Management Corporation
John McArthur, Bank of America
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
Jason Chang, OTPP
Edward Devlin, PIMCO
Renaud de Jaham, PSP Investments
Jim Byrd, Royal Bank of Canada
Paul Hildebrand, Royal Bank of Canada
Alejandro Stanco, Scotiabank
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
Ilya Vorobyev
Zahir Antia

Stephanie Richardson