

Minutes of the Canadian Alternative Reference Rate Working Group

Toronto, February 25, 2019, 11:30 a.m. to 1:30 p.m.

1. Review of global work on interest rate benchmarks

A CARR co-chair provided a brief update on the work under way in other jurisdictions to develop risk-free reference rates. The co-chair mentioned that a public consultation by International Swap Dealers Association (ISDA) on fallback language that will include US and Canadian dollar is likely to be launched in March. CARR members also discussed the recent speech by the UK Financial Conduct Authority (FCA's) Edwin Schooling Latter on LIBOR transition, which urged market participants to replace or amend existing contracts that reference LIBOR before fallback provisions are triggered.

LCH provided an overview of its recent consultation on approaches to transfer the discounting of outstanding derivatives contracts to the Secured Overnight Financing Rate (SOFR).

2. Updates from subgroups

The Fallback Language subgroup presented draft fallback language for cash products that reference Canadian Dollar Offered Rate (CDOR). Members discussed potential triggers for fallback provisions, the replacement benchmark waterfall, adjustment spread waterfall principles and how prescriptive the fallback language should be. The subgroup will aim to publish draft fallback language for public consultation by Q2 2019. Members agreed that the public consultation on draft fallback language should be started after the public consultation on enhanced CORRA methodology is completed.

The Transition subgroup presented a conceptual work plan including major workstreams, suggested chairs and types of members, as well as major issues that need to be addressed. The subgroup was asked to more actively involve representatives from corporate treasuries. CARR members discussed opportunities to reach out to corporate treasurers via different industry associations. Members discussed the importance of maintaining liquidity in both listed and OTC markets that reference CDOR/CORRA through the transition period.

The Term Risk-free Rate subgroup presented its initial thoughts on the subgroup composition and priority tasks. The co-chairs identified the first body of work is proposed to examine the need for a term risk free rate. CARR members discussed approaches to obtain input from different types of market participants on the requirement for a term rate. Members highlighted the importance of reaching out to corporates and smaller financial institutions.

3. Enhanced CORRA consultation

Members agreed to launch [the public consultation on the Enhanced CORRA methodology](#) on February 26, 2019 with a comment submission deadline being set at April 30, 2019. CARR

members also preliminarily agreed that round tables should be held for market participants during the consultation period in Calgary, Montreal, Toronto, Vancouver and New York. Public webinars will also be held. At these events, CARR co-chairs plan to provide an update on global and domestic benchmark reforms, present the work done by CARR on Enhanced CORRA and answer market participants' questions.

4. Administrative items

The next meeting will take place on March 25, 2019. The April meeting was rescheduled for May 2, 2019.

5. List of attendees

Market representatives

Doug Paul, Alberta Investment Management Corporation
John McArthur, Bank of America Merrill Lynch
Mario Pereira, Bank of Montreal
Karl Wildi, Canadian Imperial Bank of Commerce
Louise Stevens, Canada Mortgage and Housing Corporation
Dave Duggan, National Bank Financial
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
Patrick Russett, Scotiabank
Brett Pacific, Sun Life Financial
Michael Lin, TD Bank

Observers

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

Bank of Canada

Zahir Antia
Jean-Philippe Dion
Samantha Sohal
Ilya Vorobyev