

Minutes of the Canadian Alternative Reference Rate Working Group

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

1. Review of international developments

The CARR co-chairs informed members about the Canadian Securities Administrators (CSA) proposed rules to implement a comprehensive regime for the designation and regulation of benchmarks and their administrators. At this stage, the CSA intends to designate Refinitiv Benchmark Services (UK) Limited (RBSL) as an administrator, and the two benchmarks it administers, CDOR and CORRA, as its designated benchmarks. Members were asked to submit any comments on the proposed rules by the June 12, 2019 deadline.

The co-chairs informed CARR members of the Official Sector Steering Group's letter to ISDA which, amongst other issues, asked ISDA to consult on the addition of a third trigger that would take effect in the event that the Financial Conduct Authority (in its capacity as the regulator of LIBOR) found LIBOR to be non-representative.

Finally, members were updated on the ARRC cross-currency subgroup's near-final recommendations for market conventions in the interdealer cross-currency swap market. The key issues were whether to recommend standardizing the quarterly resetting of the notional principal and the discounting of cashflows.

2. Updates from subgroups

The Fallback Language subgroup presented updated draft fallback language for cash products that reference Canadian Dollar Offered Rate (CDOR). There was a discussion around the potential triggers for fallback provisions, and the waterfalls for the fallback rate.

The Transition subgroup presented details on its work plan and workstreams within the subgroup. It will provide the underlying framework to help financial products transition to the enhanced CORRA, and act as a steering committee for the various workstreams. Proposed workstreams are: calculation conventions for cash products, CORRA futures production and CORRA swap development. Proposed membership for both the subgroup and various workstreams was discussed.

The Term Risk-Free Rate subgroup presented its initial priorities and potential members for the subgroup. The co-chairs proposed conducting a survey of stakeholders to determine the need and use cases for term risk-free rates. The need to survey a broad range of potential end-users was emphasized.

3. Enhanced CORRA Consultation

The public consultation on the enhanced CORRA methodology was released on February 26, 2019. Comments are due by April 30, 2019. Members discussed the proposed dates and times for

the roundtables in Calgary, Montreal, Toronto, Vancouver and New York, as well as the two webinars. At these events, CARR co-chairs will provide an update on global and domestic benchmark reforms, present the work done by CARR on the proposed enhancements to CORRA and answer market participants' questions. CARR members were requested to forward the registration details to all the relevant stakeholders in their client base.

List of attendees

Market representatives

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
Philippe Seyer-Cloutier, National Bank Financial
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
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

Harri Vikstedt
Jean-Philippe Dion
Samantha Sohal
Zahir Antia