

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

Toronto, May 27, 2019, 11:30 a.m. to 1:30 p.m.

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

The co-chairs informed CARR members that the ISDA [consultation on benchmark fallbacks for derivatives contracts in four currencies](#) – USD LIBOR, CDOR, HIBOR (Hong Kong Interbank Offered Rate) and SOR (Singapore Swap Offer Rate) - was released May 16<sup>th</sup>. Comments on the consultation are due by July 12<sup>th</sup>. ISDA also launched concurrently a separate consultation on how to deal with a potential pre-cessation trigger for LIBOR-based derivatives. Members were encouraged to respond to both consultations and also use it as an opportunity to engage with clients to make them aware of the issues.

The co-chairs notified members of an upcoming ARRC roundtable on June 3<sup>rd</sup>.

## **2. Updates from subgroups**

The Fallback Language subgroup reminded members that draft fallback language for cash products referencing Canadian Dollar Offered Rate (CDOR) was published in the [minutes](#) of the May 2<sup>nd</sup> CARR meeting. The subgroup noted that it would wait for the results of the ISDA consultation to finalize the language. Until then, it was mentioned that the market was moving forward, with some issuance programs, including CMB, amending their fallback language for new issues.

The Transition subgroup presented an updated inventory of conventions for floating rate debt issuance in non-Canadian dollar currencies. There was a discussion of a recent test CORRA FRN issue by a supranational agency. While there were no significant issues entering the trade into systems from the dealer's and issuer's perspective, there were some minor issues around rounding conventions that needed to be clarified. Subgroup members highlighted that many Canadian investors would need to adjust their trade entry and pricing systems for in-arrears CORRA coupon calculations. The subgroup also provided draft specifications of CORRA futures which were broadly consistent with international risk-free rate futures contracts. While there was agreement of most of the key specifications by subgroup members, further work on dating conventions will be needed.

The Term Risk-Free Rate subgroup presented an updated draft survey and background document that will be sent to stakeholders to determine whether there is a need for term risk-free rates and, if so, under what use cases. Feedback on the document was largely focused on simplifying some of the technical aspects. It was agreed that the survey would be distributed to stakeholders only after the CORRA consultation methodology was endorsed by the Canadian Fixed-Income Forum (CFIF).

## **3. Enhanced CORRA Consultation**

The Alternative Rate subgroup presented a summary of the public responses to the consultation on enhancements to CORRA. Respondents were very supportive of the proposed methodology for enhancing CORRA. The most frequent responses focused on the treatment of “tomorrow-next” (tom-next) trades and on ensuring that the methodology proposed for an enhanced CORRA remained appropriate going forward. There was a discussion on how best to address these issues raised in the consultation responses, including potentially developing parameters to determine when a review of the calculation methodology would be needed. CARR members endorsed the CORRA methodology as was proposed in the recent consultation paper, with no changes. The final recommendation will now be sent to members of the CFIF for their approval.

### **List of attendees**

#### **Market representatives**

Douglas Paul, AIMCO  
Nick Chan, BMO Capital Markets  
Mario Pereira, BMO Capital Markets  
Karl Wildi, Canadian Imperial Bank of Commerce  
Alex Prole, Canadian Imperial Bank of Commerce  
Louise Stevens, Canada Mortgage and Housing Corporation  
Dave Duggan, National Bank Financial  
Philippe Seyer-Cloutier, National Bank Financial  
Audrey Gaspar, OTPP  
Renaud de Jaham, PSP  
Jim Byrd, Royal Bank of Canada  
Paul Hildebrand, Royal Bank of Canada  
John Gjata, Scotiabank  
Alejandro Stanco, Scotiabank  
Michael Lin, TD Bank  
Nicholas Jewitt, TD Bank

#### **Observers**

Jacques Caussignac, Montréal Exchange  
Joshua Chad, McMillan

#### **Bank of Canada**

Harri Vikstedt  
Jean-Philippe Dion  
Samantha Sohal  
Zahir Antia