

Minutes of the Canadian Alternative Reference Rate Working Group

Toronto, June 24, 2019, 11:30 a.m. to 1:30 p.m.

1. Review of international developments

The co-chair provided an update on the progress made in the transition to risk-free rates (RFR) in other jurisdictions. He noted that the sterling floating rate note market has successfully transitioned to using SONIA as the benchmark and that there were on-going efforts to facilitate the transition of [loan products](#) to reference SONIA. In addition, three administrators (FTSE Russell, ICE Benchmark Administration and Refinitiv) have confirmed they are working on the development of a [term SONIA RFR](#), derived from executable quotes from banks. The Working Group on Euro RFR has announced that EONIA will be set at €STR plus a spread of 8.5bps. Finally, the co-chair informed members that ARRC had released a [preliminary report](#) on potential interdealer cross-currency swap market conventions.

One member provided an overview of the recent USD floating rate note (FRN) issued by a large supranational organization that referenced SOFR. The deal was unique in that the coupon calculation methodology was based on the format used in the SONIA market - i.e. the coupon will be paid quarterly with daily compounded SOFR, with a 5-day observation lag and no lockout period.

The representative from LCH informed members that the firm will start clearing CORRA overnight indexed swaps out to 31 years, as of July 22, 2019. In addition, work to move to a single-step conversion to SOFR discounting was proceeding as planned, with a planned adoption date of Q3-2020.

2. Updates from subgroups

The Transition subgroup informed members of the formation of a “CORRA Production” workstream. The workstream is tasked to look into various aspects of the production and publication of CORRA. It will also establish a robust governance structure for the CORRA publishing process and calculation methodology, including the future review process of the methodology. CARR members were asked to nominate qualified individuals for the workstream. The workstream on cash FRN conventions continues to work on developing a recommended format for CORRA FRNs. However, the workstream viewed that it was premature to recommend a specific format/convention at this stage as there were still differences around day count conventions between cash products and derivatives that needed to be discussed. The subgroup also provided updated specifications of CORRA futures.

The Term Risk-Free Rate subgroup is finalizing a survey to determine whether there is a need for a term risk-free rate in the Canadian market. A final version of the survey will be presented at the next CARR meeting. It was agreed that the final survey will be sent to the relevant stakeholders by CARR members after next meeting and that the comment period will be long enough to ensure that there is sufficient time to respond despite summer vacations.

3. Enhanced CORRA Consultation

The Alternative Rate subgroup informed members that CFIF approved the recommended methodology for an enhanced CORRA. It was agreed that CARR's responses to the consultation <insert link> comments would be released publicly with the June meeting minutes.

4. Other items

The co-chair provided feedback on a series of meetings with senior bank officials on ways to improve engagement with the broader financial community on benchmark reform in Canada. The co-chair encouraged members to use relevant events or publications, such as the recent [ISDA Consultation](#) on USD LIBOR and CDOR fallbacks, to initiate additional outreach with clients. Members also discussed potentially developing additional educational material with respect to transitioning to CORRA, which could be published on the CARR website.

The next meeting will take place on July 22nd, 2019.

List of attendees

Market representatives

Douglas Paul, AIMCO
John McArthur, Bank of America, Merrill Lynch
Nick Chan, BMO Capital Markets
Mario Pereira, BMO Capital Markets
Craig Bell, Canadian Imperial Bank of Commerce
Louise Stevens, Canada Mortgage and Housing Corporation
Dave Duggan, 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
Brett Pacific, Sunlife Financial
Michael Lin, TD Bank
Nicholas Jewitt, TD Bank

Observers

Joshua Chad, McMillan
Baskar Ramachandran, LCH

Bank of Canada

Harri Vikstedt

Zahir Antia
Jean-Philippe Dion
Tamara Gomes
Samantha Sohal