

# Minutes of the Canadian Alternative Reference Rate Working Group

Toronto, July 22, 2019, 11:30 a.m. to 1:30 p.m.

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

The co-chair encouraged members to read Andrew Bailey's [speech](#) from the July SIFMA event, in which he provided an update on the progress made towards the transition from LIBOR to risk-free rates (RFRs). He mentioned the progress being made by the Loan Market Association in Europe and its equivalent in the US to develop standardised documentation for syndicated loans referencing overnight RFRs. The speech also stressed the need for markets to plan to move off LIBOR by end-2021.

The co-chair also provided members with a brief summary of the recent Official Sector Steering Group (OSSG) meeting in New York. Trade associations attending part of the meeting, including those representing non-financial firms, encouraged the various international RFR working groups to develop more educational material on RFRs to help facilitate the transition.

The co-chair noted that, in Europe, the private sector working group on euro risk-free rates published a set of [recommendations](#) on the legal action plan for the transition from EONIA to €STR. The Swiss National Bank had also announced that it will focus on SARON, rather than the three-month Swiss franc Libor, when ensuring that secured short-term money market rates are close to the SNB policy rate.

The co-chair mentioned that the market feedback on the Bank of Canada's [announcement](#) of its intention to take over the administration of CORRA had been very positive.

## **2. Updates from subgroups**

The Transition subgroup provided further details on the membership and objectives of the CORRA Production workstream. The membership will be finalized shortly with the first meeting expected to be held at the beginning of September. The subgroup co-chairs provided a document which summarizes risk-free rates by jurisdiction (see Appendix 1). The subgroup is also working on a short survey for CARR members to help determine what systems (eg. for trade entry, pricing, and risk management) are being used across front-, middle- and back-office functions for Canadian financial products referencing interest rate benchmarks, and to what degree these systems are ready to transition to using CORRA.

The Term Risk-Free Rate subgroup is finalizing its survey to determine whether there is a need for a forward-looking term RFR in the Canadian market. It was agreed that the survey will be sent directly by CARR members to the relevant end-users of existing term rates (i.e. CDOR) in September. The survey will also be posted to the CARR website and shared with various industry associations/groups.

The Fallback Language subgroup noted that more issuers are including more detailed language in their bond documentation to account for a possible cessation of CDOR. While issuers are customizing fallback language based on their requirements, the language is broadly consistent with the updated language used by the Canada Housing Trust in their CMB program.

### **3. Proposed work on interactions between accounting, tax & regulatory frameworks and benchmark reform**

The Bank of Canada presented a proposal to create a subgroup to examine the accounting, tax, and regulatory (ATR) implications of moving from interbank offered rates to overnight risk-free rates, both for existing and new contracts. The focus would cover both USD and CDOR. Potential objectives would be to review domestic (ATR) treatment of exposures to new/revised risk-free rates, benchmark potential challenges in Canada against other jurisdictions, and use CARR's findings to inform global discussions. CARR members endorsed this proposal. A detailed work plan and governance structure for the new subgroup will be provided at the September CARR meeting.

### **4. Other items**

CARR members had a discussion on ways to enhance the outreach material that is currently published by CARR. The co-chairs proposed that the current stakeholder presentation be split, at this stage, into two different presentations: one focused on global and domestic developments, and another detailing the recently announced changes to the CORRA methodology. Other changes, such as providing links to specific sections of the presentations and making the presentations more prominent on the webpage, were also discussed in order to improve user engagement.

It was agreed that the August meeting will be canceled and that the next meeting will take place on September 23<sup>rd</sup>, 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  
Karl Wildi, Canadian Imperial Bank of Commerce  
Louise Stevens, Canada Mortgage and Housing Corporation  
Dave Duggan, National Bank Financial  
Audrey Gaspar, OТПP  
Eric Ruest, 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**

Joshua Chad, McMillan

### **Bank of Canada**

Harri Vikstedt  
Zahir Antia  
Jean-Philippe Dion  
Tamara Gomes  
Samantha Sohal  
Thomas Thorn  
Brianna Hamilton