

Minutes of the Canadian Alternative Reference Rate Working Group

Toronto, September 23, 2019, 11:30 a.m. to 1:30 p.m.

1. Review of international developments

The co-chair encouraged members to read John C William's [speech](#) at the fifth annual US Treasury Market Conference, in which he discussed the transition from LIBOR to risk-free rates (RFRs). The speech covered recent activities and outreach efforts by the US Alternative Reference Rate Committee (ARRC), as well as recent events in US repo markets.

The co-chair also provided members with a brief summary of recent visits with market participants in New York, which covered issues related to the transition from LIBOR to SOFR. Topics included transition plans, system preparedness, and ARRC members' educational outreach efforts to clients.

2. Update from ISDA

A guest speaker from ISDA provided an overview of ISDA's [consultation](#) on final parameters for benchmark fallback adjustments. This consultation seeks input on the final parameters that will apply to RFRs if derivative fallbacks are triggered and interbank offered rate contracts convert to contracts referencing adjusted versions of the RFRs. One of the adjustments is a spread adjustment based on the historical differences between interbank offered rates like LIBOR and RFRs. ISDA stressed the importance of providing feedback on this consultation by 23 October, given its importance to global derivative markets.

The guest speaker also discussed ISDA's protocol process to incorporate the new fallbacks in legacy contracts.

3. Updates from subgroups

The Transition subgroup discussed its one-page summary of key global interest rates, for inclusion on CARR's website, and noted that it is working on a transition document for CORRA. The subgroup noted that it had received many responses to its short survey for CARR members to help determine what systems (e.g. 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 CORRA Production workstream presented an overview of its membership, workplan, key questions, and deliverables. The Futures workstream noted its progress in developing a market for CORRA futures. The Cash Conventions workstream discussed including additional information on CARR's website to help promote consistency for cash products referencing CORRA.

Based on CARR member feedback the Term Risk-Free Rate subgroup agreed to adjust the wording of its upcoming survey to determine whether there is a need for a forward-looking term RFR in

the Canadian market. CARR members will be asked to distribute the final survey to the relevant end-users of existing term rates (i.e. CDOR). The survey will also be shared with various industry associations/groups. Any market participants interested in participating in the survey are asked to email their contacts details to CARR-WG@bank-banque-canada.ca.

4. CORRA Update

The Bank of Canada presented a case study on how CORRA would have behaved under the enhanced calculation methodology compared to the current methodology during abnormal market conditions seen on 12 June 2019 when CORRA set 14 bps below the Bank of Canada's target rate. Enhanced CORRA was found to have better-reflected overall market conditions because it represents a much larger volume of trades and trims the lowest 25% of trades, by repo rate.

5. Other items

The co-chairs noted that they had recently met with a group of corporate treasurers, who expressed significant interest in CARR's work.

It was agreed that the next meeting will take place on 21 October 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, OTPP
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

Guest

Ann Battle, ISDA

Bank of Canada

Harri Vikstedt
Tamara Gomes
Zahir Antia
Thomas Thorn
Adrian Walton
Jesse Johal