



SUMMARY OF THE DISCUSSION

Teleconference, May 13, 2020, 4 p.m. to 5:30 p.m.

1. Recent bond market developments and near-term outlook or issues

CFIF members discussed bond market liquidity dynamics since the last CFIF meeting, focused on the market stress seen starting at end-February. Participants noted that financial markets, including US Treasury markets and Canadian fixed income markets, exhibited extreme signs of stress in March as the fallout from the Covid-19 pandemic spread. It was noted that trading volumes increased sharply across Government of Canada (all maturities), Canada Mortgage and provincial bonds despite the increased cost of liquidity. However, trade sizes were relatively unaffected. Of note, cash and/or repo fails in these markets increased. In contrast, corporate bond trading volumes increased only slightly, and trades were concentrated in bank deposit notes. In contrast to the illiquidity experienced in December 2018, liquidity conditions deteriorated for all corporate bonds, but was most notable for lower-rated issuers.

Nevertheless, participants noted that market liquidity in both domestic and some global markets has improved since end-March, supported by central bank extraordinary operations and new purchase facilities, with some liquidity indicators having returned to levels seen earlier in 2020.

2. ESG mandates and fixed income markets

Peter Johnson, Chair of the Canadian Standards Association's Transition Taxonomy Technical Committee provided an update on the CSA's work. Members discussed the taxonomy's use as a voluntary classification tool for transition-based financial instruments, and the form these instruments could take. Members also had a broader discussion on sustainable investment strategies, including factor-based investing, screening criteria, and the impact of the Covid-19 shock on sustainable investment opportunities.

3. Update on international developments/work

The Bank of Canada presented an update on recent international work. This included a slight delay in the [Global Foreign Exchange Committee](#) work plan to review the FX Global Code, which had been expected to be completed by the end of 2020.

4. CARR update

The CARR co-chairs noted that due to the recent price action in CDOR (and LIBOR) they will be reviewing whether the CARR mandate and transition timelines need to be adjusted. In the meantime, CARR continues its focus on ensuring a smooth transition to the increased use of the Canadian Overnight Repo Rate Average (CORRA) in the Canadian market. The Bank of Canada updated members on progress towards implementation of its role as the administrator of CORRA, scheduled to begin June 15, 2020. In light of recent market events, the Bank of Canada has begun updating, on a weekly basis, the [illustrative time series](#) of CORRA calculated using the enhanced methodology, to be used for informational

purposes only. In light of ISDA's release of [final results](#) of consultation on fallback language, CARR will finalize the previously proposed draft language for Canada.

Other items

CFIF members briefly discussed the previously approved Government of Canada Market Functioning (GMF) Steering Group, and agreed that work should re-start, considerate of any resource constraints.

The next CFIF meeting will take place September 15, 2020. CFIF members stand ready to have ad hoc teleconferences as market conditions warrant.

Meeting participants:

CFIF members:

Jim Byrd, RBC Capital Markets, Co-Chair
Barbara Lambert, Addenda Capital
Sandra Lau, Alberta Investment Management Corporation
Brian D'Costa, Algonquin Capital
John McArthur, Bank of America Securities
Mike Fisher, BMO Capital Markets
Chris Beauchemin, BCIMC
Daniel Bergen, Canada Life Assurance Company
Roger Casgrain, Casgrain & Co
Karl Wildi, CIBC World Markets
Martin Bellefeuille, Desjardins Securities
Philippe Ouellette, Fiera Capital
Graeme Robertson, Philips, Hager and North
Greg Moore, TD Bank
Peter Johnson, Technical Chair, Canadian Standards Association
Transition Taxonomy Technical Committee (agenda item 2 only)
Vanessa Mitchell, Canadian Standards Association (agenda item 2 only)

Bank of Canada:

Toni Gravelle, co-Chair
Tamara Gomes, Secretariat
Paul Chilcott
Mark Hardisty
Grahame Johnson
Harri Vikstedt
Mark de Guzman