

# CORRA Analysis

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CORRA Advisory Group initial meeting

October 6<sup>th</sup> 2020

Bank of Canada



# Agenda

- 1) Publication process
- 2) CORRA rate setting
- 3) Trading volume
- 4) Future work: in arrears rate and transparency policy

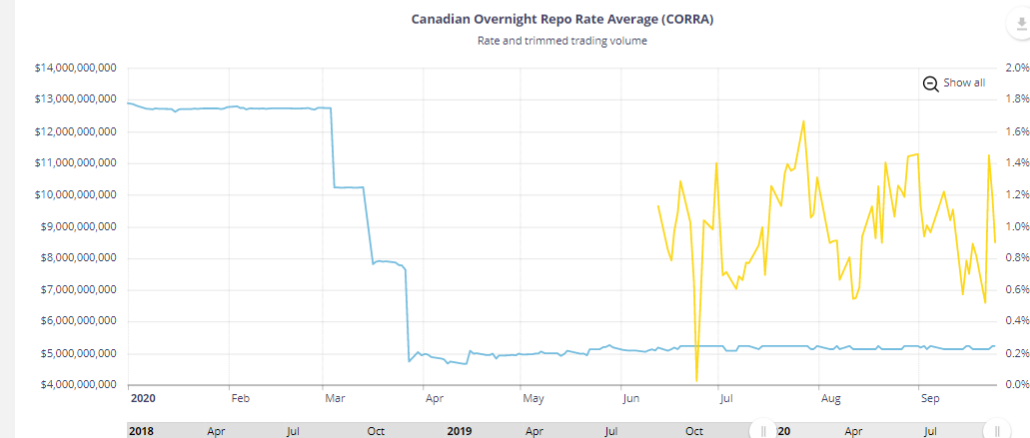
# CORRA Publication

- The Bank of Canada took over as the administrator for CORRA on June 15<sup>th</sup> as planned.
- [Webpage](#) went live on that date as the free public source of daily information.
- Only minor issues have occurred:
  - › “revised” percentile publication on July 22
  - › “delayed” publishing on Sep 17
  - › in both cases process followed [methodology](#)

## Canadian Overnight Repo Rate Average (CORRA)

View or download the latest data for CORRA, Canada's risk-free rate. See the [methodology](#) for details on calculation, publishing and governance.

CORRA measures the cost of overnight general collateral funding in Canadian dollars using Government of Canada treasury bills and bonds as collateral for repurchase transactions. The Bank provides CORRA as a public good, at no cost to users and data distributors.



### Recent data

Data available as: [CSV](#), [JSON](#) and [XML](#)



Our Valet API is designed to help you integrate your applications and processes with our data. For details, please see our [documentation](#).

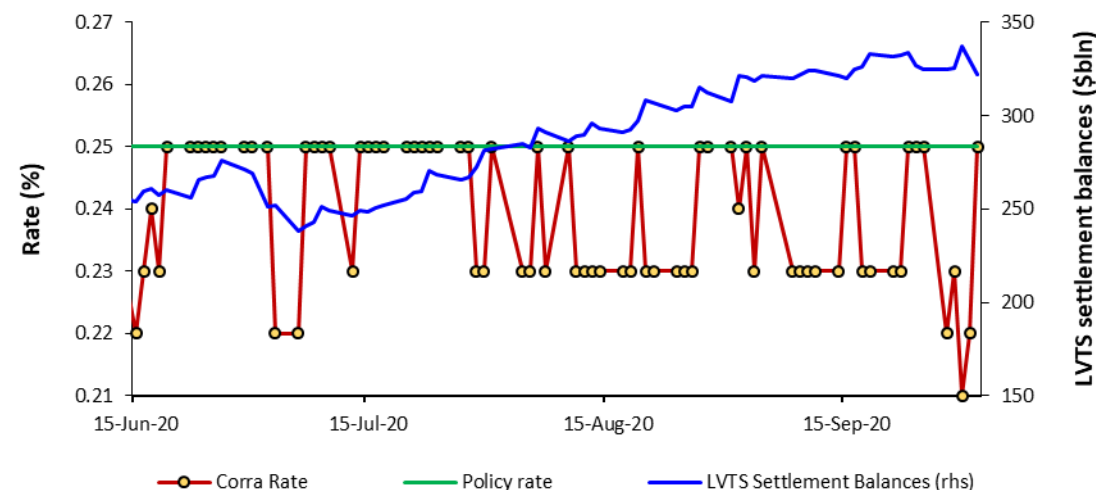
	2020-09-18	2020-09-21	2020-09-22	2020-09-23	2020-09-24
Canadian Overnight Repo Rate Average (CORRA) (%)	0.2300	0.2300	0.2300	0.2500	0.2500
Total dollar trading volume of all trades eligible for CORRA (\$)	10,777,873,020	8,811,846,900	15,016,009,888	13,206,412,299	11,322,312,960
Trimmed dollar volume of trades eligible for CORRA (\$)	8,083,404,765	6,608,884,500	11,262,007,416	9,904,809,224	8,491,734,720
Number of unique data submitters for CORRA	14	13	14	13	13
Rate at which daily CORRA trading volume is trimmed (%)	0.1800	0.1400	0.1300	0.1500	0.1500
Rate at 5th percentile of the trimmed trading volume (%)	0.2000	0.1500	0.1500	0.1500	0.1500
Rate at 25th percentile of the trimmed trading volume (%)	0.2300	0.1800	0.1800	0.2000	0.2000
Rate at 75th percentile of the trimmed trading volume (%)	0.2500	0.2500	0.2500	0.2500	0.2500
Rate at 95th percentile of the trimmed trading volume (%)	0.2500	0.2500	0.2500	0.2500	0.2500
Publication status	Published	Published	Published	Published	Published
Calculation methodology	Standard	Standard	Standard	Standard	Standard

Note: Revised data are marked with an R.

# CORRA Rate

- CORRA daily rate has been typically setting at 0.23% - 0.25% since the launch
- CORRA on average has been in line with where major dealers finance GoC securities via overnight repo
  - › thus CORRA continues to be a representative rate
- CORRA has been slightly below the Bank of Canada overnight target rate in part due to the abundance of LVTS settlement balances

Chart 1: CORRA, the policy rate, and LVTS settlement balances



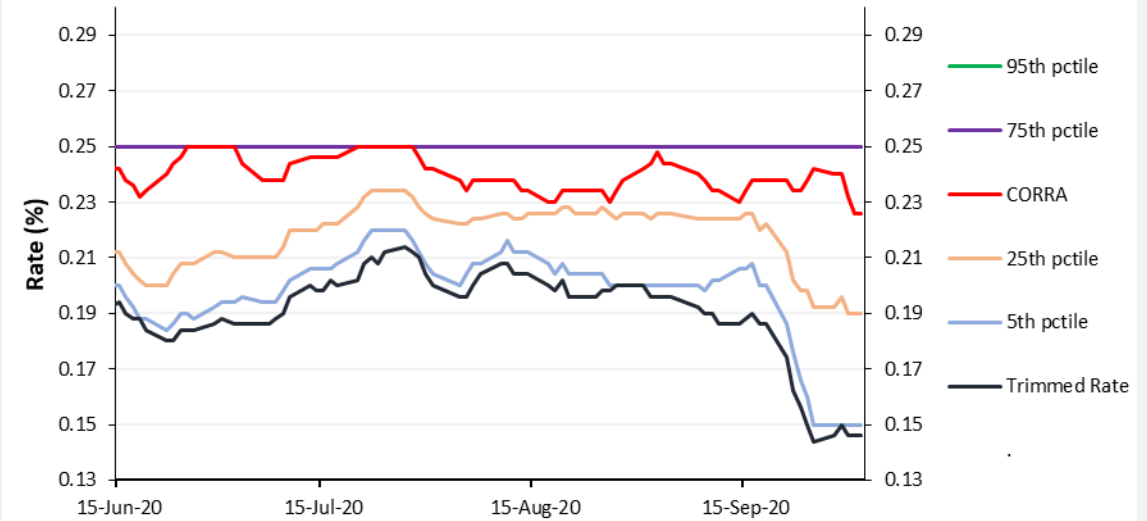
Source: Bank of Canada

Last observation: 02/10/2020

# Repo rate percentiles

- For greater transparency the Bank publishes the rate at which bottom 25% of repo rates are dropped and percentiles for the remaining rates
- Distribution of volume by repo rate indicates the largest amount is traded at 0.25%. There is enough trading at lower rates to set CORRA below 0.25% on some days.
  - › CORRA sets at the repo rate at which half of the trimmed daily volume is done

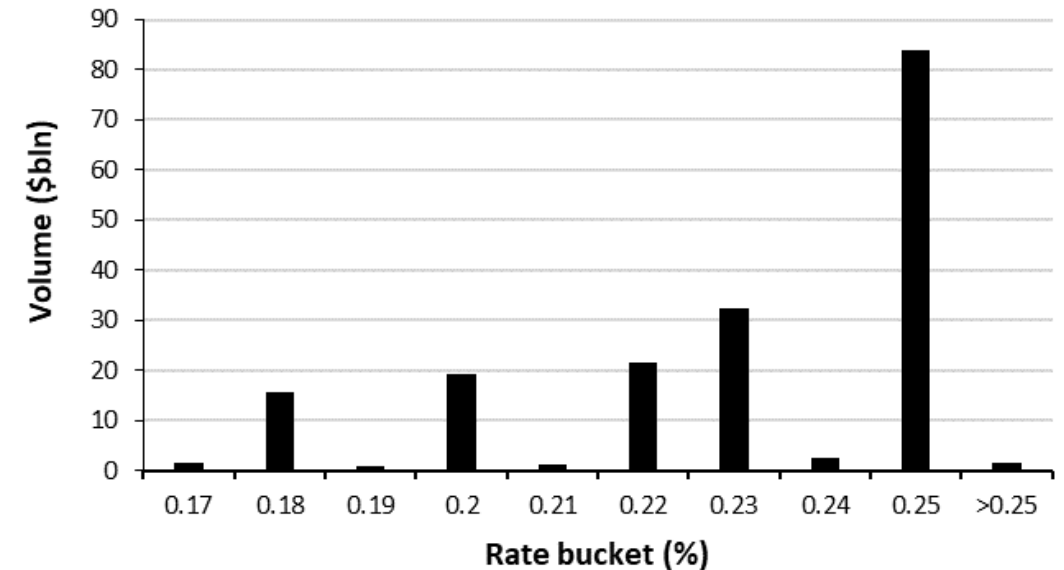
Chart 2: 5-day moving average of CORRA, percentiles, and trimmed rate (bps)



Source: Bank of Canada

Last observation: 02/10/2020

Chart 3: Trimmed repo volume by repo rate, September 2020



Source: Bank of Canada



# CORRA Volume

- CORRA trimmed daily volume has averaged ~\$9bln since the launch.
  - › repo market trading volume has declined relative to pre-launch period due to the COVID policy response resulting in significantly large settlement balances
- Volumes under the new methodology are much larger than under the old approach
  - › since June 15 CORRA has always had enough volume to set above the fallback threshold of \$3 billion
  - › in contrast in 2019 CORRA set to the target rate a number of times due to volume <\$500 million
- There were two instances where daily volumes were quite low yet above the minimum threshold
  - › both cases were due to technical issues at a submitter who failed to send repo trade file
  - › the Bank escalates such issues and works with submitters and IIROC to minimize risk of missed submissions

Chart 4: CORRA daily volumes since June 15

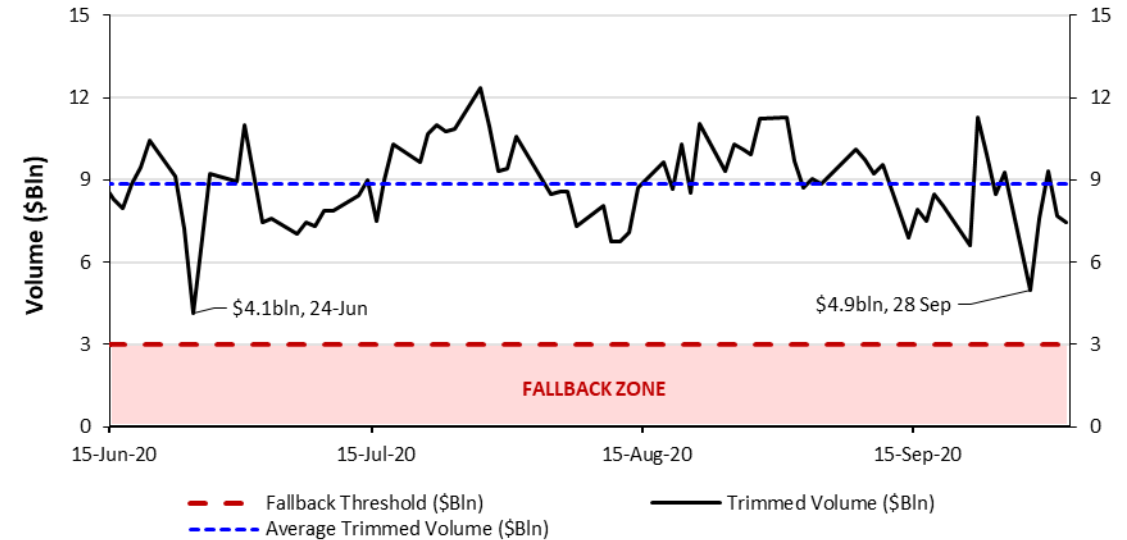
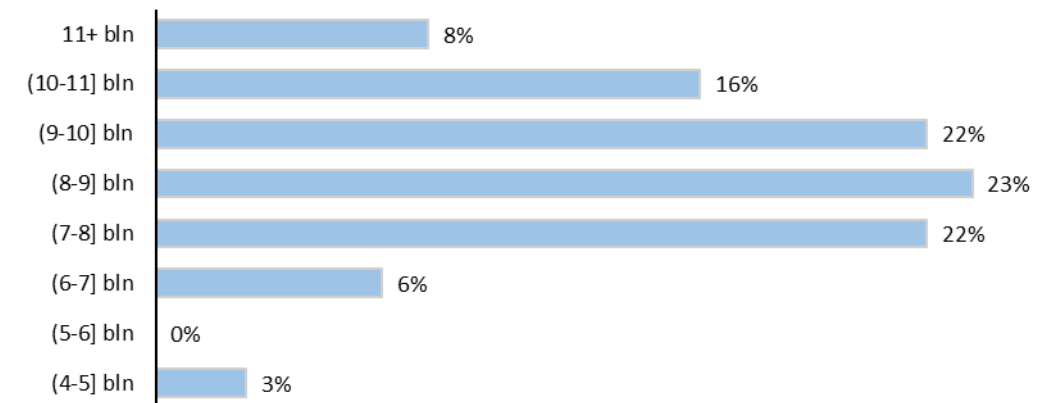


Chart 5: Relative frequency of daily CORRA volume since June 15th



Source: Bank of Canada

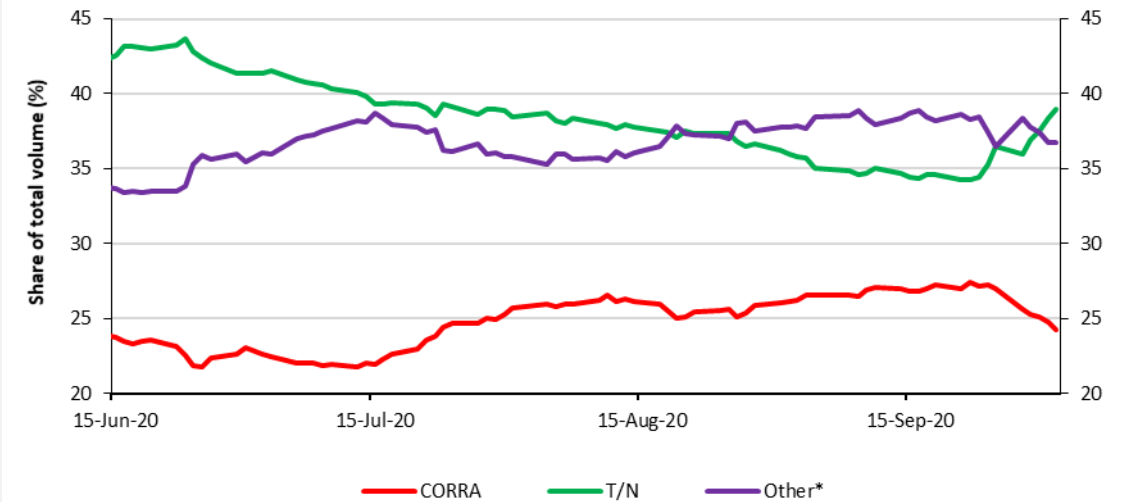
Last observation: 02/10/2020

# CORRA volume

- The share of CORRA eligible repo trades and the share of tom-next repo trades have varied somewhat since the launch on June 15
  - › the Bank monitors composition of repo market trading and its potential implication on CORRA

Chart 6: 20-day moving average of the share of repo trading by CORRA eligibility

\*Other category includes all trades that are not eligible for CORRA and are not Tom-next, ie term, non-CAD and affiliated trades



Source: Bank of Canada

Last observation: 02/10/2020

# Future CORRA work

- In arrears rate
  - › the Canadian Alternative Reference Rate will conduct a public consultation on how to calculate and publish the in arrears CORRA average rates on its website
  - › goal is to provide a free source of in arrears rates and encourage industry to use the same set of conventions
  - › similar to other major jurisdictions
- Transparency policy
  - › the Bank will regularly disclose the summary information on the calculation, publication and data errors that are detected after publication, if any



A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are arranged in a way that they appear to converge towards the top of the frame, creating a sense of height and scale. The sky is a clear, bright blue with scattered white clouds. The glass reflects the sky and each other, creating a complex pattern of light and color. A semi-transparent dark grey horizontal band is overlaid across the middle of the image, containing the word "Questions?" in white, sans-serif font.

Questions?