

Minutes of the Canadian Alternative Reference Rate Working Group

Virtual, 14 December 2020, 11:30 a.m. to 1:30 p.m.

1. Introduction

The co-chairs welcomed members. Greg Moore (TD) and Louise Stevens (CMHC) were introduced as the new co-leads of the Credit Benchmark Subgroup. Jim Byrd (RBC) and Brett Pacific (Sunlife) will co-lead the Transition subgroup.

2. International update

The co-chairs provided an overview of Ice Benchmark Administration's (IBA) [consultation](#) on its intention to cease the publication of all GBP, EUR, CHF and JPY LIBOR settings at end-2021, as well as the IBA's [consultation](#) on its intention to cease the publication of USD LIBOR (the 1-week and 2-month tenors at end-2021; other tenors at end-June 2021). They also discussed other announcements accompanying these consultations, including the FCA's [consultation](#) on new benchmark powers and [supervisory guidance](#) on LIBOR transition from US authorities (including the Federal Reserve Board, the FDIC, and OCC). Members discussed the implications of these announcements, including the sharp reaction in swaps markets that followed the USD LIBOR announcement. Members also discussed whether the liquidity for financial products referencing USD LIBOR tenors will likely diminish significantly after the end of 2021, when certain regulated entities will no longer be expected to enter into new USD LIBOR referencing transactions. The co-chairs encouraged members to respond to the consultations by the IBA and FCA.

Members discussed the need for global coordination on LIBOR related regulatory guidelines, as many large institutions are subject to multiple different sets of rules.

3. Transition subgroup

The Transition subgroup's co-leads provided an overview of the subgroup's recent work, including on the development of suggested market conventions for cross-currency swaps. CARR members were encouraged to promote CARR's ongoing [consultation](#) on CDOR fallback language for FRNs and a calculation methodology for CORRA-in-arrears. CARR members then discussed the Accounting, Tax and Regulation workstream's efforts to assess Canadian exposures to financial instruments referencing LIBOR, governed by Canadian law.

4. Credit sensitive benchmark subgroup

The co-leads discussed the Credit Sensitive Benchmark subgroup's mandate, structure and potential composition. Members reviewed how CARR's work on term benchmarks could be incorporated into the efforts of the subgroup's work on credit sensitive benchmarks. Members agreed that this work would depend on the recommendations arising from the CDOR review.

5. Follow-up on termination of 6- and 12-month CDOR

Members discussed CARR's outreach efforts to inform market participants about the termination of these two tenors, including recent discussions with the Canadian Bankers Association, the Canadian Bond Investors' Association and the Investment Industry Association of Canada. Market participants are expected to review their exposure to 6- and 12-month CDOR, including the appropriateness of the applicable fallbacks and address any exposures, as appropriate.

CARR members were again encouraged to keep their organisations apprised of any benchmark related developments discussed at CARR and provide feedback on any related issues at upcoming CARR meetings.

6. Refinitiv CDOR consultation results

Refinitiv provided an overview of CDOR, the current methodology, and a summary of its recent public consultation on the viability of CDOR's 6- and 12-month tenors and the publication of individual contributions to CDOR. Discussion focused on the proposed three-month delay in the publication of individual contributions to CDOR, and the balance between transparency and independence. Refinitiv outlined a further option based on feedback received through the consultation, specifically publishing anonymized individual contributions at the time of CDOR's publication, with attributed individual contributions published after a delay such as one or three months. CARR members were invited to review Refinitiv's proposals and agreed to provide feedback.

7. ISDA on 6- and 12-month CDOR

ISDA provided an overview of its recent work on benchmark reform. ISDA launched on October 23rd a fallback [supplement and protocol](#). The supplement will be published and effective on January 25, 2021 and amends ISDA's standard definitions for interest rate derivatives to incorporate robust fallbacks linked to certain IBORs. The protocol allows market participants to include the same robust fallbacks in existing derivative contracts. ISDA also discussed their [guidance](#) on the cessation announcement for the 6- and 12-month CDOR tenors. The cessation announcement triggered the fallbacks included in the ISDA supplement and protocol which will apply once the cessation takes effect on May 17, 2021. ISDA noted that Bloomberg has [calculated](#) the applicable CDOR-CORRA Bloomberg Spread Adjustment, as of the November 12 tenor cessation trigger date. ISDA also highlighted their December 4th [webinar](#) which discusses the recent announcements regarding IBA's consultation on LIBOR cessation and implications under the fallback calculation methodology.

8. Other items

The next CARR meeting will take place on 25 January 2021 by video conference.

List of attendees

Market representatives

Sandra Lau, AIMCO
John McArthur, Bank of America-Merrill Lynch
Bruno Jarry, BMO Capital Markets
Karl Wildi, Canadian Imperial Bank of Commerce
Brent Clode, Central 1
Louise Stevens, CHMC
Jason Granet, Goldman Sachs
Glenn Taitz, Invesco
Guillaume Pichard, Ministère des Finances du Québec
Mike Manning, Ontario Financing Authority
Audrey Gaspar, OTPP
Renaud de Jaham, PSP
Bruce Wagner, Rogers Communications
Jim Byrd, Royal Bank of Canada
Anuj Dhawan, Scotiabank
Brett Pacific, Sunlife
Greg Moore, TD Bank

Observers

Philip Whitehurst, LCH
Joshua Chad, McMillan LLP
Dave Duggan, National Bank Financial
Alan White, Rotman School of Management
Jacques Caussignac, TMX

Guests

Phoebe Coutts, ISDA
Shirley E. Barrow, Refinitiv
Edward Kendrick, Refinitiv
Robert Walton, Refinitiv

Bank of Canada

Harri Vikstedt
Mark Hardisty
Maksym Padalko
Wendy Chan
Zahir Antia
Kaetlynd McRae
Thomas Thorn
Andriy Stolyarov