

# **Minutes of the Canadian Alternative Reference Rate Working Group**

Virtual, 25 January 2021, 11:30 a.m. to 1:30 p.m.

## **1. International update**

The co-chairs noted that the Ice Benchmark Administration's (IBA) [consultation](#) on its intention to discontinue LIBOR tenors closed today.

The co-chairs also noted that ISDA's new fallbacks and protocol officially became effective on 25 January, so any new derivatives that use ISDA's standard documentation and that are transacted after that date will now reference ISDA's new fallbacks. The co-chairs noted that over [12,000 entities](#), including almost all CARR members, had signed onto ISDA's protocol, which incorporate ISDA's new fallbacks into legacy contracts between signatories.

The co-chairs discussed CORRA's recent decline as well as the recently [announced](#) changes to the Bank of Canada's Securities Repo Operation framework. The co-chairs also noted that the [CORRA Advisory Group](#) will call an ad-hoc meeting to further explore repo market functioning.

A member noted that two SONIA term rates are now available for licensing for use in contracts, and that the FICC Market Standards Board's Term Rate Working Group would [publish](#) in the first quarter a document that "describes the circumstances in which it may be more or less appropriate to use Term SONIA for transactions in the loan, bond and derivatives markets".

## **2. ARRC Update**

The co-chairs introduced Tom Wipf (ARRC chair and Vice Chair of Institutional Securities at Morgan Stanley) and his colleague Matt Ochs (Associate at Morgan Stanley).

The ARRC chair began by detailing how 2021 will be a pivotal year for benchmark transition, particular given IBA's recent consultations on the end of LIBOR. He reiterated the importance of following ARRC's [best practices](#) for LIBOR transition and noted that supervisory guidance in the US is clear: organizations should not enter into new LIBOR exposures after end-2021.

Members discussed ARRC's progress in benchmark reform, and what CARR members could learn from these experiences. This included the importance of incorporating a wide variety of stakeholders from an early stage and making sure there were clear use cases for CARR's outputs and for risk-free rates across different market segments.

The ARRC chair discussed tough legacy contracts. ISDA's protocol and New York's [draft](#) LIBOR fallback legislation, which was proposed in the New York recent stage budget [proposal](#), were good steps towards introducing fallbacks for contracts, but there are economic and operational advantages to moving to new contracts that do not reference LIBOR instead of relying on the fallbacks.

Members then discussed credit sensitive benchmarks, including the demand for such rates by lending markets and the difficulty in developing rates that are not subject to the same frailties as LIBOR (i.e. avoiding submission-based rates).

### **3. Transition subgroup**

The Transition subgroup's co-leads provided a preliminary overview of the results of CARR's [consultation](#) on CDOR fallback language for floating rate notes and a calculation methodology for [compounded] CORRA-in-arrears. Members discussed whether the Bank of Canada should publish the CORRA-in-arrears averages based on the consultation feedback.

A representative from TMX detailed recent activity in CORRA futures, noting that they have performed in-line in the first six months when compared to similar futures products in other jurisdictions.

### **4. Credit sensitive benchmark subgroup**

The co-leads discussed the Credit Sensitive Benchmark subgroup's proposed structure, its proposed subgroups and their mandates. The co-leads also discussed the potential membership of these subgroups.

### **5. Review of competition law guidance**

Joshua Chad (McMillan) outlined the basic rules to follow to minimize legal risks related to competition law. He reiterated that legal counsel will be present at each CARR meeting.

### **6. Other items**

The next CARR meeting will take place on 22 February 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  
Jean-Sebastien Gagne, National Bank Financial  
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**

Tom Wipf, Morgan Stanley  
Matt Ochs, Morgan Stanley  
Douglas Paul, AIMCO  
Mario Pereira, Bank of Montreal

### **Bank of Canada**

Harri Vikstedt  
Mark Hardisty  
Maksym Padalko  
Tamara Gomes  
Zahir Antia  
Kaetlynd McRae  
Thomas Thorn  
Andriy Stolyarov