

Minutes of the CORRA Advisory Group

Teleconference, 4 February 2021, 3:30 p.m. to 4:30 p.m.

1. Introduction

The Chair (Dave Duggan, National Bank of Canada) welcomed members. The Chair noted that this ad-hoc meeting was called in reflection of CAG's [terms of reference](#), which mandates that the CAG "provide insight on the structure and functioning of the Canadian repo market as it relates to the calculation of CORRA". CAG members were encouraged to raise any observations about the behaviour of CORRA, both at CAG's meetings and between meetings.

2. Discussion of CORRA trends and market developments

Danny Auger (Bank of Canada) presented an overview of CORRA trends, including factors that affect repo market behaviour and CORRA setting. These factors include excess LVTS settlement balances (also referred to as "excess liquidity"), generally high demand/low yields for short maturity investment assets such as Treasury Bills and gradual evolution of repo rates to slightly under the Bank's target rate.

Members discussed the presentation and what they had observed in the market. Members discussed how CORRA is meant to track the cost of funding in the general collateral repo market and is not meant to replicate the Bank of Canada's target rate. Deviations between these two rates under the current monetary policy regime are not unexpected and similar deviations have been observed in foreign markets.

It was noted that some market participants had questioned the reason for occasional gap between overnight general collateral repo quotes on the inter-dealer broker screens and CORRA's published rate. Members clarified that these gaps were easily explained as inter-dealer broker trades make up a small fraction of the overall transaction volume used to set CORRA. In the past, CORRA was based only on brokered repo trading. In June 2020 the Bank of Canada began calculating CORRA using an enhanced methodology developed by the Canadian Alternative Reference Rate working group. This methodology includes a much larger set of transactions across more counterparty types. In the current environment of excess liquidity the repo rates on broker screens might at times reflect demand and supply dynamics of market participants that do not have access to the Bank of Canada deposit facility.

It was also noted that, even as repo rates in some market segments such as interbank brokered market fell below the Bank of Canada's policy rate, some banks may have continued to trade repos close to the Bank of Canada target rate as a means of maintaining stable long-term client relationships. There is some indirect evidence of this in the distribution of repo rates underpinning CORRA in recent months.

3. Wrap-up and next steps

CAG members will continue monitor the Canadian repo markets and alert the CAG Chair or the Bank of Canada if they note any substantial developments.

List of attendees

Market representatives

Vincent Benoliel, Addenda
Annaleigh Greene, BMO Capital Markets
Adolfo Sastron, CDCC
Paul Kirk, HOOPP
Marty Halpin, HSBC Bank
David Peters, Ontario Financing Authority
Robin Das, RBC Dominion Securities
Brett Pacific, Sun Life
Greg Moore, TD Bank

Observers

Rick Brown, IIROC
Alan White, Rotman School of Management

Bank of Canada

Harri Vikstedt
Maksym Padalko
Danny Auger
Zahir Antia
Thomas Thorn