

Minutes of the Canadian Alternative Reference Rate Working Group

Virtual, 29 March 2021, 11:30 a.m. to 1:30 p.m.

1. Update from UK National Working Group

Representatives from the UK National Working Group (UKNWG) updated CARR on recent progress in the UK in transitioning away from GBP LIBOR and discussed the challenges and lessons the working group has learned in coordinating the transition away from LIBOR.

The representatives noted and discussed the UK FCA's March [announcement](#) confirming the end of LIBOR, including the FCA's intention to consult on creating a "synthetic" version of GBP and JPY LIBOR, and that it will continue to consider the case for developing a similar rate for USD LIBOR.

The representatives highlighted LIBOR's clear deficiencies as an interest benchmark and the need to move away from it. They discussed difficulties in improving the liquidity of products linked to risk-free rates and in addressing tough legacy contracts. The representatives discussed the importance of developing market conventions for financial products referencing risk-free rates to facilitate their usage. It was noted that credit sensitive rates are seen as less necessary for the UK, as banks there are already accustomed to loans based on the Bank of England's bank rate.

2. International update

Members discussed the US ARRC's March [announcement](#) that a term SOFR would not be recommended by mid-2021, and perhaps not by the end of 2021. Members noted that the ARRC has urged market participants not to wait for a forward-looking term rate for new contracts.

Members noted the development of credit sensitive rates in other jurisdictions, such as the Bloomberg [Short-Term Bank Yield Index \(BSBY\)](#) and the IBA [Bank Yield Index](#).

Members also discussed the New York State's "legislative solution" for tough legacy contracts, which was passed by the New York legislature and was awaiting to be signed into law.

3. Transition Subgroup

The subgroup noted their recent progress. Members discussed the re-write of CARR's recommended CDOR FRN fallbacks. A final draft was nearly drafted, with approval for publication to be sought at CARR's next meeting.

CARR members discussed the results of its surveys on exposures to LIBOR written under Canadian law. Given the size of these exposures, CARR members agreed that there was no need [for CARR] to recommend that a [potential] legislative solution should be pursued in Canada.

Members discussed issues associated with developing recommended market conventions for CORRA FRNs.

4. Credit Sensitive Subgroup

The workstreams established for this subgroup have now all begun their work. The Market and Scope Workstream has drafted a survey on BA and CDOR exposures, while the CDOR Submission Workstream said it will soon circulate a survey to CDOR submitting banks on their internal submission processes. Finally, the Bankers Acceptance Workstream noted it is seeking broad input from different types of firms involved with CDOR (including borrowers, banks, and investors).

5. Other items

The next CARR meeting will take place on 26 April 2021 by video conference.

List of attendees

Market representatives

Douglas Paul, AIMCO
Sandra Lau, AIMCO
John McArthur, Bank of America-Merrill Lynch
Philip Lunn, BMO
Mario Pereira, BMO Capital Markets
Stephanie Robinson, BMO
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
Kevin Hsu, TD Bank
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

Andreas Giannopoulos, Barclays
Tom Horn, Bank of England
Alastair Hughes, Bank of England

Bank of Canada

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