

Minutes of the Canadian Alternative Reference Rate Working Group

Virtual, 28 June 2021, 11:30 a.m. to 1:00 p.m.

1. Introduction

Members were welcomed to the call.

2. International update

Members discussed the FCA's [consultation](#) on its proposed decision to use its powers, for a limited time period, under the Benchmarks Regulation to require the administrator of LIBOR to change the way 1-, 3- and 6-month sterling and yen LIBORs are determined beyond end-2021 to deal with "tough legacy" contracts (the consultation closes 27 August). Members also briefly talked about ISDA's [consultation](#) on fallbacks for GBP LIBOR Ice Swap Rate and USD LIBOR ICE Swap Rate, which will close on July 2nd.

Members discussed comments arising with respect to the LIBOR transition at the June 11th FSOC meeting, as well the SOFR first derivatives initiative which will go into effect on July 26th once it has been passed at the upcoming CFTC's Market Risk Advisory Committee (MRAC) meeting on July 13.

Members also discussed term SOFR, including ARRC's [market indicators](#) that would support an ARRC recommendation of a forward-looking term rate. ARRC's recommendation is expected to follow after the launch of the SOFR first initiative which is expected to increase SOFR derivative volumes.

Finally, members discussed the Financial Stability Board's [statements](#) to support a smooth transition away from LIBOR by end-2021. In particular, members took note of the FSB's paper on [overnight risk-free rates and term rates](#), which encouraged global derivative markets to transition to primarily using risk-free rates in both LIBOR and non-LIBOR jurisdictions. Members also took note of the FSB's [statement](#) encouraging all global market participants to discontinue new use of USD LIBOR-linked contracts, as soon as practicable and no later than end-2021, and the recent [statement](#) by OSFI expecting a transition by Canadian federally-regulated financial institutions along this timeline.

3. Transition Subgroup

The Subgroup leads noted that the results of CARR's consultation would be published on July 6th, along with CARR's recommended fallback language for FRNs referencing CDOR. Members discussed the draft CORRA fallback language being developed by the Fallbacks subgroup. Members also discussed draft CORRA FRN conventions and interbank swap conventions.

4. Credit Sensitive Subgroup

The Subgroup leads noted that Oliver Wyman had joined the subgroup to support the work. It was noted that a survey on the size and scope of CDOR and BAs had been distributed to a set of key participants in the Canadian market. The preliminary analysis of the responses to the survey on CDOR submission processes and oversight was discussed. Members were also informed of three upcoming workshops to discuss CDOR and BAs from the perspective of investors, issuers, and borrowers as part of the review of the efficacy of CDOR.

5. Other items

CARR is holding a series of virtual sessions with providers of US dollar credit sensitive benchmarks. These sessions are meant to allow Canadian market participants to both better-understand the current landscape of USD credit sensitive rates, as well as to facilitate a more in-depth discussion in Canada as we review the status of CDOR. A session was held with Bloomberg earlier this month and sessions with the AFX on Ameribor and ICE on its Bank Yield Index are planned over the coming weeks.

The next CARR meeting will take place virtually on 26 July 2021.

List of attendees

Market representatives

Douglas Paul, AIMCO
Philip Lunn, BMO
Mario Pereira, BMO Capital Markets
Karl Wildi, Canadian Imperial Bank of Commerce
Brent Clode, Central1
Louise Stevens, CHMC
Guillaume Pichard, Ministère des Finances du Québec
Tom Wipf, Morgan Stanley
Jean-Sebastien Gagne, National Bank Financial
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
Alan White, Rotman School of Management

Bank of Canada

Harri Vikstedt
Wendy Chan
Kaetlynd McRae
Thomas Thorn
Andriy Stolyarov