Minutes of the Canadian Alternative Reference Rate Working Group

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

1. Introduction

The co-chairs announced that the Goldman Sachs representative on CARR had been replaced by Tom Wipf (Morgan Stanley, ARRC chair). Members welcomed Tom to the group.

2. Canadian benchmark regulation

Representatives from the Ontario Securities Commission (OSC) and Québec Autorité des marchés financiers (AMF) provided an overview of new benchmark rules developed by the securities regulatory authorities of British Columbia, Alberta, Saskatchewan, Ontario, Québec, New Brunswick and Nova Scotia, which were published on April 29, 2021. Subject to Ministerial approvals, these rules will come into force on July 13, 2021.

It was noted that these rules were established in a "designation regime", only applying to benchmarks and benchmark administrators that are designated. The OSC and AMF, as co-lead regulators, intend to designate CDOR and its administrator, Refinitiv Benchmark Services Limited, in August.

Members discussed the implications of this regulation, particularly for CARR's work in assessing the effectiveness of CDOR as a benchmark.

3. International update

Members discussed ARRC's "The SOFR Symposium: The Final Year", which highlighted the significance of the LIBOR transition for financial stability, the importance of moving off of LIBOR, and included a discussion of SOFR loan market development (a recording of the symposium is available here).

Members discussed the Bank of England's consultation on modifying the scope of contracts subject to derivatives clearing obligation to reflect interest rate benchmark reform, and the implications for CARR's Accounting, Taxation and Regulation workstream.

Members also discussed developments related to CME's term-SOFR rate and credit sensitive benchmarks including AFX's Ameribor rate, Bloomberg's BSBY Index, ICE's Bank Yield Index, and IHS Markit's new USD Credit Inclusive Term Rate (CRITR) and Credit Inclusive Term Spread (CRITS).

4. Transition Subgroup

The Subgroup discussed the Accounting, Tax, and Regulation workstream's broadened membership. The Fallback Language workstream noted it was on track to finalize its CORRA

FRN fallback language. The Cash workstream's work on developing market conventions for CORRA FRNs was also discussed.

5. Credit Sensitive Subgroup

Workstream co-leads updated CARR members on their progress. Both the Market and Scope and CDOR Submission Workstreams discussed their upcoming surveys, including timelines.

6. Competition law guidance

Members discussed the written competition law guidance, which formalizes CARR's guidelines and procedures related to competition law. This document has been provided to all CARR members and will be made publicly available on CARR's website. Market participants who are engaged in the work of CARR, including through various subgroups or workstreams, are expected to review this guidance before participating in the work.

7. Other items

The next CARR meeting will take place on 28 June 2021 by video conference.

List of attendees

Market representatives
Douglas Paul, AIMCO
Sandra Lau, AIMCO
John McArthur, Bank of America-Merrill Lynch
Carol McDonald, BMO
Mario Pereira, BMO Capital Markets
Stephanie Robinson, BMO
Karl Wildi, Canadian Imperial Bank of Commerce
Louise Stevens, CHMC
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
Jacques Caussignac, TMX

Guests
Serge Boisvert, AMF
Kevin Fine, OSC
Melissa Taylor, OSC
Michael Bennett, OSC

Bank of Canada
Harri Vikstedt
Mark Hardisty
Wendy Chan
Zahir Antia
Kaetlynd McRae
Thomas Thorn
Andriy Stolyarov