

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

Virtual, 13 December 2021, 11:30 a.m. to 1:30 p.m.

## **1. Introduction**

Members were welcomed to the call.

## **2. International update**

CARR members discussed the CFTC's Market Risk Advisory Committee's (MRAC) announcement that interdealer swap conventions would switch trading conventions from LIBOR to SOFR on 13 December. It was noted that, although euro cross-currency swaps were not included in MRAC's SOFR first cross-currency swap recommendations, the market has nonetheless migrated, with 80-90% of euro cross-currency basis swaps using risk-free rates for both legs (SOFR and €STR). It was also noted that the EUR Risk Free Rates Working Group put out a [statement](#) on 2 December supporting MRAC's recommendations and also recommending the adoption of €STR for the EUR leg as of 13 December.

Members discussed LCH's conversion of yen and Swiss franc LIBOR swaps (to TONA and SARON swaps, respectively) over the previous weekend, as well as the upcoming conversion of pound sterling LIBOR (to SONIA) over the next weekend.

Members noted that US House of Representatives had passed the federal Adjustable Interest Rate (LIBOR) bill to provide continuity of contracts by providing robust fallback language, as well as legal safe harbour. The bill now moves to a Senate vote.

## **3. Update from UK National Working Group**

Alastair Hughes from the Bank of England discussed the lessons learned from the transition from GBP LIBOR to SONIA by the UK National Working Group that could potentially be relevant to a Canadian transition, should RBSL decide to discontinue CDOR.

He noted the importance of consistency and credibility in public communications, as well as the importance of ensuring market participants were united behind benchmarks-related decisions.

Members discussed the UK NWG's structure, and how it was able to include broad representation from across the UK financial system without hindering its ability to accomplish its goals. The importance of ensuring members contributed ideas and work rather than passively collecting information was stressed.

The importance of milestones and conventions were seen as particularly helpful.

## **4. Credit Sensitive Subgroup**

CARR's co-chairs discussed details of the upcoming publication of CARR's White Paper.

## **5. Accounting, Taxation and Regulation Subgroup**

The Subgroup leads noted that the upcoming White Paper release would allow the subgroup to focus its efforts on a specific set of potential outcomes.

## **6. Transition Subgroup**

The Subgroup leads noted that the Bank of Canada would soon publish a [calculator](#) for its CORRA Compounded Index, and that it had been tested by several CARR members.

Members discussed the SOFR-first initiative and its implications for the Canadian dollar leg of the cross-currency basis swap markets.

## **7. Next steps for CARR**

The co-chairs noted that, with the publication of CARR's white paper, CARR will need to adjust its structure. In particular, if RBSL agrees with CARR's recommendation to cease CDOR's publication, CARR will need to adjust its structure so it can better-coordinate efforts to transition away from CDOR. The co-chairs noted that CFIF had already agreed, in order to be proactive, to an expansion of CARR's mandate to this effect.

Members discussed possible options for restructuring CARR as well as potential additional members for CARR and its subgroups.

## **8. Other items**

The next full CARR meeting will take place virtually on 18 January 2022.

## **List of attendees**

### **Market representatives**

Sandra Lau, AIMCO  
John McArthur, Bank of America  
Philip Lunn, BMO  
Karl Wildi, Canadian Imperial Bank of Commerce  
Louise Stevens, CHMC  
Glenn Taitz, Invesco  
Jean-Sebastien Gagne, National Bank Financial  
Adam Schneider, Oliver Wyman  
Mike Manning, Ontario Financing Authority  
Audrey Gaspar, OTPP  
Renaud de Jaham, PSP  
Guillaume Pichard, Quebec Ministry of Finance  
Jim Byrd, RBC Capital Markets  
Bruce Wagner, Rogers Communications  
Anuj Dhawan, Scotiabank  
Greg Moore, TD Bank  
Wilfred Au, TD Bank

### **Guests**

Alastair Hughes, Bank of England

### **Observers**

Philip Whitehurst, LCH  
Joshua Chad, McMillan LLP  
Alan White, Rotman School of Management  
Robert Catani, TMX

### **Bank of Canada**

Harri Vikstedt  
Wendy Chan  
Zahir Antia  
Kaetlynd McRae  
Thomas Thorn  
Andriy Stolyarov