

Minutes of the Canadian Alternative Reference Rate Working Group

Virtual, 18 January 2022, 11:30 a.m. to 1:30 p.m.

1. Introduction

Members were welcomed to the call.

The co-chairs mentioned that CARR's membership was being further broadened, in response to CARR's recommendations with respect to CDOR, to include four new members representing lenders and corporate borrowers. Three of these members were welcomed to the meeting: Luke Francis (Brookfield), Yassir Berbiche (Desjardins), and Elaine Wright (Samuel, Son & Co.).

The co-chairs also noted that, due to the upcoming retirement of Phil Lunn (BMO), he will be replaced by Carol McDonald (BMO).

2. International update

CARR members noted that there were no major issues with cessation of the publication of four of the LIBOR currencies (GBP, EUR, CHF and JPY) at the end of December. They also discussed the very successful GBP LIBOR derivatives conversion at LCH in December, where over 10 trillion GBP of LIBOR derivatives were converted to SONIA. Members noted that this was a useful learning exercise as we approach the much larger conversion for centrally cleared USD LIBOR derivatives in mid-2023 before the cessation of USD LIBOR.

Members also discussed the USD LIBOR transition, including in lending markets and swaps markets. Members noted that there were different levels of preparedness across jurisdictions and product types, especially given global use of USD across the global financial system. However, overall members felt that most markets and participants were transitioning away from using USD LIBOR.

3. Feedback on White Paper

Members discussed feedback they heard from CARR's December 2021 [White Paper](#) on CDOR. Feedback was almost exclusively supportive of the White Paper. Many market participants noted that the global LIBOR transition left them well-prepared for a potential transition away from CDOR. Members discussed several questions they were frequently asked about the White Paper. Members noted there were several questions about the implications for the BA market. It was noted that, as had been noted in the White Paper, it is not clear what will happen to BAs as an investment product, but that CFIF will hold a series of workshops in early 2022 to discuss. Members had also been asked about whether a term CORRA will be established. CARR members discussed how this work had just begun, and that CARR would consult on the topic of a term CORRA later in 2022.

Members also noted a number of questions about the ARRC-style transition milestones that CARR has begun developing. Finally, members noted questions on how CARR's two-stage transition would be enforced. Members noted that CARR is not a regulatory body, and does not have any

legal authority with which to enforce its two-stage transition. Nonetheless, CARR represents a broad cross-section of Canadian industry that has unanimously agreed with the two-stage transition process.

4. RBSL update

CARR's co-chairs noted that they had informed RBSL of CARR's recommendations ahead of the publication of the December White Paper.

5. CARR restructuring

CARR's co-chairs explained how CARR will now be structured, as it begins work to prepare on the transition from CDOR to CORRA in case RBSL eventually agrees with CARR's analysis and recommendations and announces the cessation of the publication of CDOR.

CARR will have seven subgroups, each directly reporting to CARR:

- Accounting, Tax and Regulation
- Derivatives
- Loans
- Operations and infrastructure
- Outreach and communications
- Securities
- Term CORRA

Preliminary deliverables for these groups, including transition milestones and consultative documents, were discussed. Membership and objectives for these subgroups will be completed for CARR's next meeting. Any recommendations made by these subgroups will need to be approved by CARR, and depending on the materiality, by CFIF as well.

6. Term CORRA

CARR's co-chairs noted that the new Term CORRA subgroup has been tasked to determine whether a forward-looking term CORRA benchmark will be needed for the Canadian loan market, as well as whether and how an IOSCO compliant rate can be structured. Members discussed the use and methodology of the term rates in the UK and US.

7. Accounting, Taxation and Regulation Subgroup

The Subgroup co-chairs noted that their membership had discussed the White Paper and the implications it had for the subgroup's work going forward.

8. Loan fallback language

The loan fallbacks workstream noted that their work was underway, having identified key issues and established a timeline. Members discussed the potential options and implications for the fallback for BAs which, as a discount instrument, cannot fall back to an in-arrears rate.

9. Other items

The next CARR meeting will take place virtually on 28 February 2022.

List of attendees

Market representatives

Sandra Lau, AIMCO
John McArthur, Bank of America
Carol McDonald, BMO
Philip Lunn, BMO
Luke Francis, Brookfield
Brent Clode, Central1
Karl Wildi, Canadian Imperial Bank of Commerce
Louise Stevens, CHMC
Yassir Berbiche, Desjardins
Glenn Taitz, Invesco
Tom Wipf, Morgan Stanley
Jean-Sebastien Gagne, National Bank Financial
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
Elaine Wright, Samuel, Son & Co.
Anuj Dhawan, Scotiabank
Brett Pacific, Sunlife
Greg Moore, TD Bank
Wilfred Au, TD Bank

Observers

Philip Whitehurst, LCH
Joshua Chad, McMillan LLP
David Duggan, National Bank Financial
Alan White, Rotman School of Management
Robert Catani, TMX

Bank of Canada

Harri Vikstedt
Wendy Chan
Zahir Antia
Thomas Thorn
Andriy Stolyarov