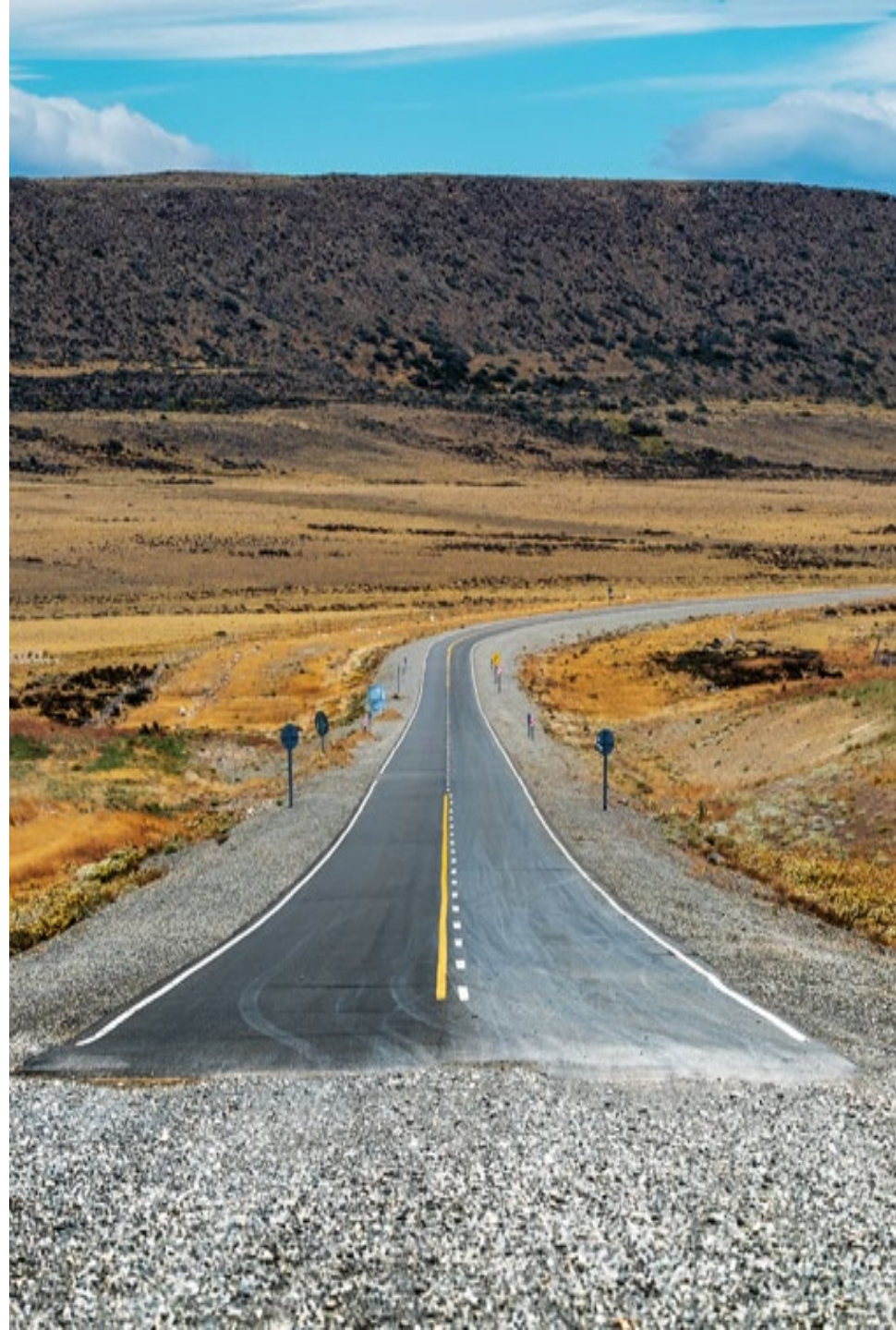


CDOR transition roadmap and milestones

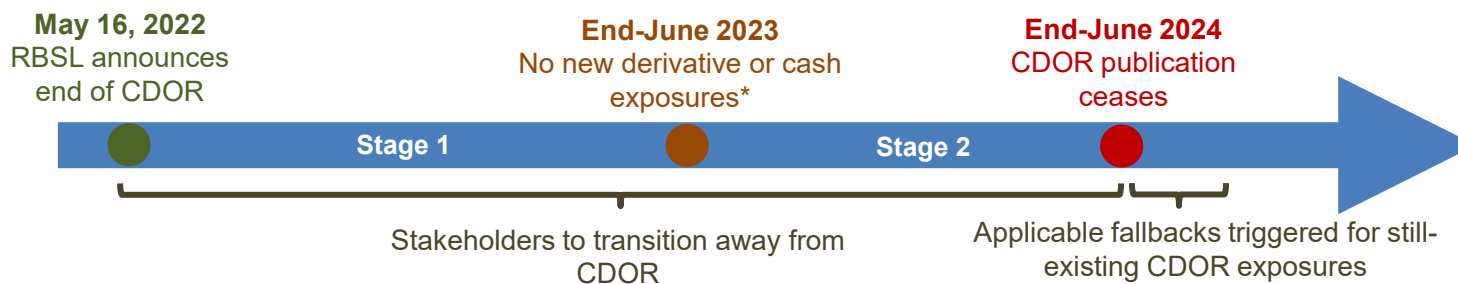
Last updated: May 16, 2022

**This document will be updated regularly
Interim dates subject to change**



Canadian two-stage transition plan for CDOR

- With RBSL's [announcement](#) on May 16, 2022 that it will cease the publication of CDOR after June 28, 2024, CARR will begin to implement the two-stage transition plan published in its December 2021 [White Paper](#):
 - ▶ **Stage 1:** By the end of June 2023 all market participants are expected to transition new derivative (bilateral, cleared and exchanged-traded) and securities contracts or transactions from CDOR to overnight CORRA in-arrears. No new CDOR exposure will be booked after that date with limited exceptions. Those exceptions include derivatives that hedge or reduce CDOR exposures of derivatives or securities transacted before June 30, 2023 or in loan agreements transacted through until June 28, 2024.
 - ▶ **Stage 2:** Market participants would be allowed to continue to transact in new CDOR based loans, with robust CDOR fallbacks, until the cessation of CDOR after June 28, 2024. Market participants can continue to hedge CDOR based loans with CDOR based derivatives until this end date. Market participants can choose to transition their loan facilities to reference CORRA in-arrears, Term CORRA or any other alternative rate that is available at any point during this transition period.
- No CDOR rates will be available or published after June 28, 2024 and any exposure to CDOR after this date will need to revert to any agreed CDOR fallbacks.



* Except where derivatives hedge or reduce CDOR exposures in derivatives or securities transacted before June 30, 2023 or in loan agreements transacted before June 30, 2024.

CARR's key short-term priorities (1)

➤ Term CORRA

- ▶ CARR has today launched a [consultation](#) on the need to introduce a forward-looking Term CORRA benchmark to potentially replace CDOR in certain types of loan agreements/products. The consultation closes on June 13, 2022 and, based on the responses, CARR will decide whether a 1- and 3-month Term CORRA is needed.
- ▶ Should these rates be needed, and can be constructed in accordance with IOSCO principles, they could start to be published by the end of Q3-2023. Term CORRA calculation methodology would be based on trading activity in CORRA futures, similar to the approach used with Term SOFR.

➤ Legacy security exposure

- ▶ CARR is currently assessing the size and nature of the exposure of securities referencing CDOR that mature after the CDOR cessation date of June 28, 2024 to determine the amount and number of “tough” legacy securities (i.e. those securities with weak or no fallbacks and are difficult to modify).
- ▶ The preliminary analysis shows that the amount and number of “tough” legacy securities is relatively small and therefore would not require a legislative solution. The next step is to assess the various options available to resolve the fallback issue with these types of securities.

➤ Derivatives

- ▶ CARR is finalizing the transition path to CORRA based derivatives, including the various “CORRA First” initiatives to generate increased CORRA based liquidity.

CARR's key short-term priorities (2)

➤ **CORRA-based cash securities**

- ▶ A number of Canadian banks have already issued in-arrears CORRA based floating-rate notes and Canada Mortgage Bonds (CMB) will be moving to using in-arrears CORRA for their FRN issuance starting in May 2022.
- ▶ CARR expects the bond market will increasingly move to using in-arrears CORRA as the primary benchmark through the remainder of 2022 until June 2023 after which time in-arrears CORRA will be the only available benchmark.

➤ **Loans**

- ▶ CARR will finalize the recommended fallback language for CDOR based loan facilities that mature after CDOR's end-date. Should the results of the Term CORRA consultation lead to the development of a Term CORRA benchmark, CARR will develop appropriate Term CORRA loan conventions.

➤ **Systems readiness**

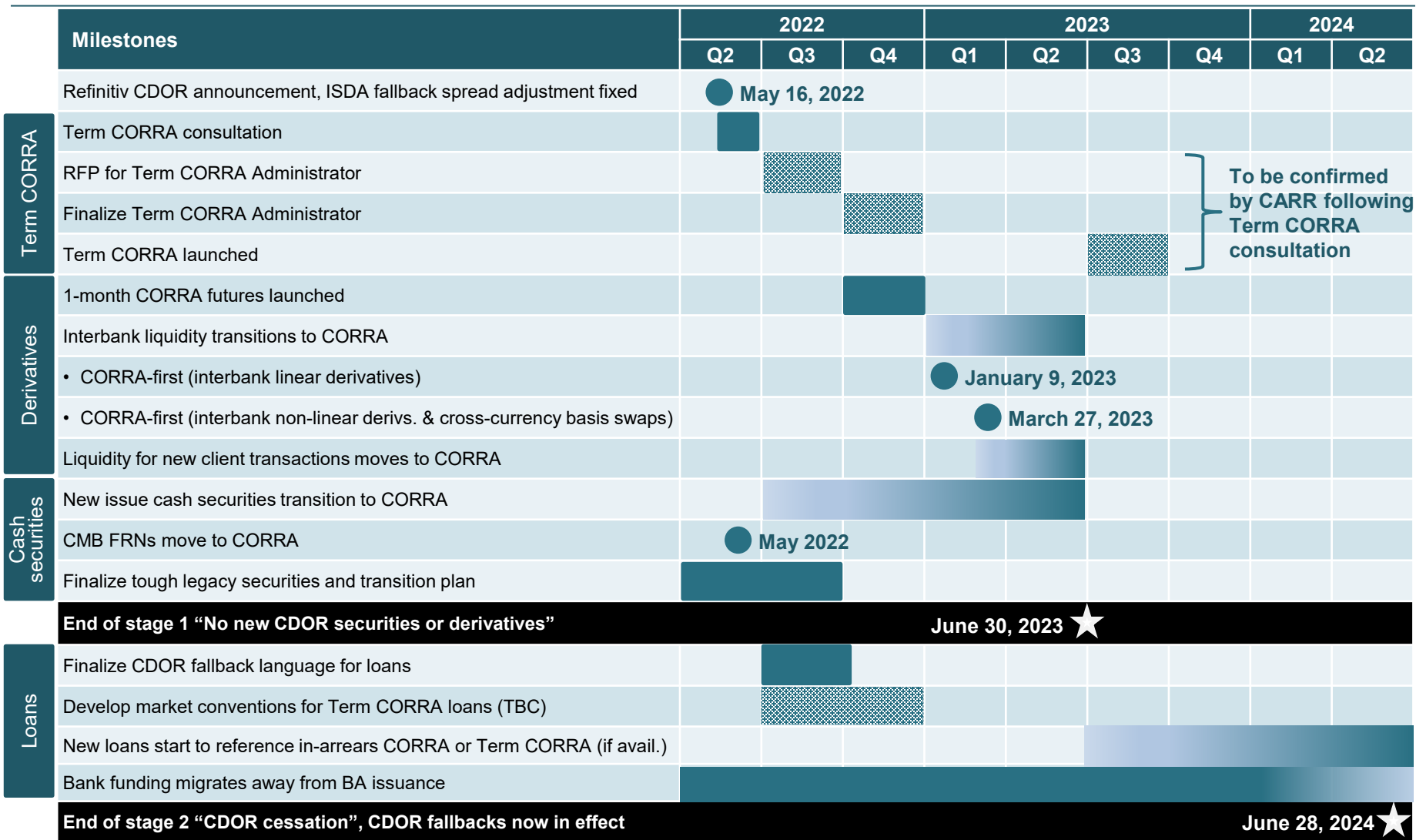
- ▶ CARR will work with major system vendors as they prepare their systems to transition to CORRA within the applicable transition timelines.
- ▶ CARR will develop user guides and checklists.

➤ **Resource material**

- ▶ CARR will continue to update this transition roadmap and milestones as the work progresses. CARR's website will be a key source for further information on the transition and CARR will hold numerous roundtables over the next two years to discuss any issues related to the transition.

CDOR transition roadmap and milestones

■ Phased-in milestone
 ■ To be confirmed



Background resource material

- [CDOR White Paper](#)
See the [executive summary](#) and [size and scope of CDOR and BAs](#).
Read related statements from [RBSL](#) and [ISDA](#).

- [Bank of Canada's CORRA web page](#)

- **Recommended conventions**
 - ▶ [CORRA FRN conventions](#)
Contractual terms for floating rate notes referencing CORRA
 - ▶ Inter-bank swap conventions for [CDOR-SOFR](#) and [CORRA-SOFR](#)
Contractual terms for swaps between two banks that reference CORRA and either CDOR or SOFR
 - ▶ [CORRA loan conventions](#)
Also: a worked Excel [example](#) of these [conventions](#) and a comparison to conventions in other jurisdictions
 - ▶ [Methodology for CORRA compounded-in-arrears](#)
Overview of the methodology

- **Recommended fallback language**
 - ▶ [CDOR FRN fallback language](#)
Language to include in FRNs referencing CDOR to describe what happens to the FRN if CDOR is discontinued. See also the [consultation paper](#).
 - ▶ [CORRA FRN fallback language](#)
Language to include in FRNs referencing CORRA to describe what happens to the FRN if CORRA is discontinued.
 - ▶ [ISDA's Fallbacks Supplement](#)
Legal language that describes what happens to derivatives written under ISDA's standard definitions. See pages 6976 for Canadian rates.