



SUMMARY OF THE DISCUSSION

Virtual Meeting, Apr 26, 2022, 4:00 p.m. to 6:00 p.m.

1. Recent market development

Jason Daw, Head of North American Rates Strategy (RBC Capital Markets), and Ian Pollick, Managing Director & Head, FICC Strategy (CIBC Capital Markets) summarized recent market developments and provided members with a broad overview of their outlook on interest rates.

Both speakers agreed that there is high level of uncertainty around the terminal interest rate in this cycle, and this uncertainty will likely persist until at least second half of the year. One thought that the level of interest rate in most segments of the yield curve has peaked and noted that the market is pricing Canada and the US in the same way, which is inconsistent, according to the speaker, with fundamentals, given the higher household debt level in Canada.

The other noted the strong active foreign investor purchase of Government of Canada securities and thought that the private sector should be able to absorb the increased net supply of bonds resulting from quantitative tightening (QT) by the Bank of Canada. There was also a brief discussion on the Government of Canada Debt Management Strategy (DMS) and its impact on market liquidity.

2. Debrief of CFIF workshop on impact of potential cessation of CDOR on Canadian money market

The co-leads of the CFIF workshops on the impact of potential cessation of CDOR on Canadian money market provided a debrief of the second workshop to CFIF members.

The workshop was well attended with over 60 industry participants joining the meeting. It included discussions on Bank Deposit Notes (BDNs), bi-lateral and tri-party repo, potential creation of a secured repo product (see item 3), and evergreen structures. The co-leads noted that a single solution will unlikely be able cover all the needs currently served by Bankers' Acceptances (BA). Instead, a variety of options may need to be deployed.

Two additional workshops are planned in June. The first workshop aims to clarify constraints, with a focus on regulatory, legal, system and operational aspect, of the options brought up at previous discussions. The second workshop will focus on expanding involvement by regulatory bodies, and to update them on the issues.

3. CDCC presentation on securitized general collateral basket

George Kormas, President (CDCC), and Lara Krivokucha, Director, CCP Services (CDCC) presented CDCC's Securitized General Collateral ("GC") Basket initiative to CFIF members. The presenters noted that this

product can potentially address some of the needs of investors seeking alternatives to BAs in the context of potential upcoming CDOR cessation¹.

The current proposal converts dealers' inventory to standardized liquid tradeable units. Units are created via dedicated repo 'issuance' trades. Dealer members may issue units for different issuance terms (e.g., 30/60/90 days), and create multiple generic baskets with specific collateral eligibility requirements². CDCC will guarantee redemption if the units are centrally cleared, and redemption will be through bank sponsor if bilaterally traded.

CDCC will continue to work on product features and design and pending industry consensus and regulatory approvals, aims to run industry testing in mid-2023

4. CARR update

CARR's co-chairs provided a brief overview of the results of the RBSL [consultation on the potential cessation of CDOR](#). RBSL has received 33 responses and is expected to release its decision by the end of Q2 2022.

The co-chairs also updated CFIF on work progress for CARR's seven subgroups.³ These subgroups have been working together to create a comprehensive transition plan for the potential move from CDOR to CORRA, in case RBSL announces that it will discontinue CDOR. The Term CORRA subgroup has made good progress in identifying a potential high-level methodology for a Term CORRA benchmark. The subgroup is now finalising a consultation document on whether there is demand for such a rate and will circulate the final draft to CFIF for approval.

5. Initiatives to enhance GoC Market Functioning

GoC Market Functioning Steering Group (GMF) co-chairs shared an update on the progress of the GMF work.

¹ The initiative was also presented at the second CFIF workshop on impact of potential cessation of CDOR on Canadian money market

² For example, High Credit Quality Liquid Asset (HQLA), investment grade bonds, asset backed securities, and equities.

³ The subgroups cover the following areas: (1) Securities, (2) Loans, (3) Term CORRA, (4) Derivatives, (5) Operations and Infrastructure, (6) Outreach and Communication, and (7) Accounting, Taxing and Regulation.

Meeting participants:**CFIF members:**

Jim Byrd, RBC Capital Markets, Co-Chair
Sandra Lau, Alberta Investment Management Corporation
Brian D'Costa, Algonquin Capital
John McArthur, Bank of America Securities
Nick Chan, BMO Capital Markets
Daniel Bergen, Canada Life Assurance Company
Karl Wildi, CIBC World Markets
Marlene Puffer, CN Investment Division
Philippe Ouellette, Fiera Capital
Rob Goobie, Healthcare of Ontario Pension Plan
Graeme Robertson, Phillips, Hager and North Investment Management
Jason Lewis, Provincial Treasury of BC

External participants:

Jason Daw, RBC Capital Markets (Item 1)
Ian Pollick, CIBC Capital Markets (Item 1)
George Kormas, CDCC (Item 3)
Lara Krivokucha, CDCC (Item 3)

Bank of Canada:

Toni Gravelle, Co-Chair
Wendy Chan, Secretariat
Zahir Antia
Mark De Guzman
Annick Demers
Mark Hardisty
Grahame Johnson
Sheryl King
Alexandra Lai
Michael Mueller (Item 3)
Thomas Thorn
Harri Vikstedt
Sabrina Wu (Item 3)