



SUMMARY OF THE DISCUSSION

Virtual Meeting, March 17, 2022, 4:00 p.m. to 6:00 p.m.

1. OSC presentation on the Exempt Marketplace Regulatory Framework

Heather Cohen (Senior Legal Counsel) and Timothy Baikie (Senior Legal Counsel) from the Ontario Securities Commission (OSC) provided members with a broad overview of the Exempt Marketplace Regulatory Framework in Ontario, with reference to [OSC Staff Notice: 21-702 Regulatory Approach for Foreign-Based Stock Exchanges](#) and [CSA Staff Notice 21-328 Regulatory Approach to Foreign Marketplaces Trading Fixed Income Securities](#).

The presenters reiterated the importance for banks to check that the platforms on which they are trading are authorized in Ontario, either as a recognized exchange, a registered alternative trading system (ATS), or as an exempted exchange or ATS. Moreover, there may still be registration obligations even if the entity is not defined as a marketplace. Banks should also check that they are trading in accordance with the exchanges or ATS' registration status and exemptions. This may mean they can only trade certain products on certain platforms with certain counterparties.

2. Recent bond market developments

The discussion began with three members recapping fixed income markets developments since the last CFIF meeting. Members shared their perspectives on how markets are adjusting to recent geopolitical events, as well as to an environment of liquidity withdrawal from central banks.

A member presented an update on the primary issuance market for bonds. Although the primary issuance market is still functioning well, it was noted that investors have become more hesitant to join the transaction early, and the book building process for new issuance could be more challenging going forward given heightened volatility. The number of available issuance dates are also declining with increased likelihood of data releases becoming market moving events.

Another member shared insights from their proprietary fixed income quantitative model platform.

The conversation then turned to spread adjustments in the credit markets, and potential long-term impact of recent geopolitical events. A member pointed out that it is uncommon to see such large spread widening in absence of a deterioration in credit quality. It was also noted that the number of buyers in recent transactions has been lower, echoing comments made earlier during the discussion. Members also debated the longer-term impact of recent geopolitical events on the way companies may view supply lines in the future and the potential downstream impact on inflationary pressures and fixed income investments over the medium to long term.

3. Initiatives to enhance GoC Market Functioning

GoC Market Functioning Steering Group (GMF) co-chairs shared an update on the progress of the GMF work. The co-chairs informed CFIF that the consultation for the fail-fee component and the release of the whitepaper are planned for late Q2. The associated documents will be tabled for CFIF's review and approval at a future date.

In their update, the co-chairs also presented a summary of CFIF member feedback on the best practice recommendations and potential operational enhancements by the Complementary Policies Working Group. The high-level recommendations will form the basis of an industry best practice guidance document for the GoC settlement process.

4. CARR update

CARR's co-chairs provided a brief recap of the RBSL [consultation](#), and updated CFIF on work progress for the seven CARR subgroups.¹ In case RBSL affirms CARR's recommendations, the co-chairs noted that the working group is developing a consultative document on a potential forward-looking Term CORRA rate, assessing the extent to which there may be "tough legacy" exposures to CDOR in the Canadian market, and developing a well-defined transition plan for the Canadian market.

¹ 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: (agenda item 1 only)

Heather Cohen, Senior Legal Counsel, Ontario Securities Commission
Timothy Baikie, Senior Legal Counsel, Ontario Securities Commission

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)