



SUMMARY OF THE DISCUSSION

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

1. Update from CanDeal

Jayson Horner, Co-Founder, President & CEO of CanDeal provided members with an update on electronic trading activities, CanDeal Data & Analytics (DNA), and their 'know your client' (KYC) initiative.

He reported that electronic trading on CanDeal's platform continued to increase. Asset managers accounted for the largest share of volume, from the buy-side perspective, followed by pension fund and leveraged clients. Foreign participants accounted for approximately 26% of bond trading business. He observed more demand from clients on having integrated workflow, and increased focus on transaction cost analysis, with certain trades being split into smaller sized tickets.

The discussion then turned to CanDeal's DNA and KYC initiative.

DNA uses pricing, trades and reference data from banks and dealers to provide a robust pricing benchmark. It follows IOSCO principles and has advisory committees from both sell-side and buy-side participants to ensure good understanding of all Canadian domestic market pricing conventions. He noted that FTSE Russell has just moved to using CanDeal pricing for its Canadian bond indices. CanDeal KYC initiative is a managed and shared services that centralizes key aspect of the 'know your client' and anti-money laundering information management lifecycle. Key upcoming activities include harmonizing data collection rules amongst bank participants and engaging with initial customers to test the product.

2. Recent bond market developments

The discussion began with two CFIF members recapping fixed income markets developments since the last CFIF meeting. Members shared their perspectives on how markets are adjusting to increased volatility and an environment of liquidity withdrawal from central banks.

Both members noted that there has been general increase in volatility and decreased liquidity in fixed income markets. Despite the widening of credit spreads and the more volatile environment, one member felt that investors were compensated in the corporate bond market at current price levels. The member noted that the widening of corporate bond spreads was a result of general risk-off market tone, including from widening new issuance concessions, rather than investors selling their holdings. Several members noted that investment grade corporate balance sheets continued to remain healthy, and that the level of corporate bond yields was starting to be supportive for both institutional and retail demand.

The discussion then turned to the US Treasury market. One member noted that liquidity of US Treasury bonds has deteriorated significantly, and market depth in selected sectors has reached the historical

lows of March 2020. He noted that despite this, there was limited gapping and markets were functioning, although clearing larger trades had become more challenging recently.

3. CFIF Workplan for 2022

Members discussed the 2022 CFIF workplan. The Secretariat sought feedback on work item prioritization, potential external speakers, and suggestions on discussion themes.

Members were comfortable with the progress of existing initiatives and work by CFIF subgroups. Suggestions on discussion themes included potential impact of stablecoins on the financial system, sustainability linked bonds, collateral management optimization, support needed to develop a long-term fixed mortgage product in Canada, and the Canadian securitization market.

The Secretariat will incorporate members' suggestions into the workplan, as appropriate.

4. CARR update

CARR's co-chairs reported that Refinitiv Benchmark Services (UK) Limited (RBSL), CDOR's regulated administrator, had [announced](#) the cessation of the publication of CDOR after June 28, 2024. The [Ontario Securities Commission](#) and the [Autorité des marchés financiers had published their authorization notices simultaneously](#). The International Swaps and Derivatives Association (ISDA) [confirmed](#) that RBSL's statement constituted an "Index Cessation Event" under its IBOR fallbacks supplement, triggering the publication by Bloomberg of the fallback spread adjustment for CDOR under the supplement. RBSL's announcement also triggered the same CDOR spread adjustment for floating-rate notes that have CARR recommended fallback language. The Office of the Superintendent of Financial Institutions (OSFI) also published their [supervisory expectations](#) for federally regulated financial institutions (FRFIs) and federally regulated private pension plans to transition from CDOR.

Following RBSL's decision, CARR released two supporting documents: a [transition roadmap](#) that outlines the processes and timelines needed for the transition from CDOR for market participants; and a [consultation](#) for a potential forward looking Term CORRA benchmark to replace CDOR in certain types of loan facilities. This consultation will form the basis of any decision to create such a rate and will be open until June 13, 2022.

CARR will continue its work to facilitate a smooth transition away from CDOR, and to ensure Canada's benchmark regime is robust, reliable, and effective.

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.

In their update, the co-chairs informed CFIF that the public consultation for the fail-fee component of the Blueprint has been delayed to the fall to avoid consulting during the summer period. The consultation document would be circulated to members for their approval later in the summer.

Meeting participants:

CFIF members:

Jim Byrd, RBC Capital Markets, Co-Chair
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
Kelsey Gunderson, Laurentian Bank Financial Group
Graeme Robertson, Phillips, Hager and North Investment Management
Jason Lewis, Provincial Treasury of BC
Paul Scurfield, Scotiabank
Greg Moore, TD Bank

External participants: (agenda item 1 only)

Jayson Horner, Co-Founder, President & CEO, CanDeal

Bank of Canada:

Toni Gravelle, Co-Chair
Wendy Chan, Secretariat
Zahir Antia
Mark Hardisty
Grahame Johnson
Alexandra Lai
Michael Mueller
Thomas Thorn
Harri Vikstedt