Minutes of the Canadian Alternative Reference Rate Working Group

Virtual, 7 March 2022, 11:30 a.m. to 1:30 p.m.

1. Introduction

Members were welcomed to the call. The February 28 call had been delayed due to the unprovoked invasion of Ukraine by Russia.

CARR welcomed a new member, Alan Turner (HSBC).

2. International update

CARR members discussed benchmark reform efforts in the EU, which are now focused on the adoption of €STR. Members discussed the Working Group on Euro Risk-free Rates' call for expressions of interest for developing a €STR forward-looking term rate and the implications for CARR's work on a potential term CORRA. Members also discussed the Euro Working Group's 2022-3 work plan.

CARR members discussed benchmark reform in the US, including ARRC's 2022 objectives. ARRC Chair Tom Wipf noted that ARRC would shift to bi-monthly meetings after March 2022. Members discussed SOFR derivative liquidity and the transition away from Eurodollar futures.

3. Competition law guidance

As CARR has recently had new members join, CARR members were reminded of CARR's competition law policy. It was noted that a similar overview of this guidance was provided to all of CARR's subgroups.

4. RBSL update

RBSL discussed the overall process for their CDOR consultation. RBSL provided a high-level overview of the responses they received, which included a large number of firms from a variety of different sectors. As the consultation had just closed, only a very high-level summary of the types of comments received could be provided.

5. CARR subgroup updates

Subgroup co-chairs were asked to provide updates of their progress.

The Cash Securities subgroup noted their first meeting and proposed timelines for their work going forward. They noted the creation of two workstreams: one focused on outstanding bond issues that reference CDOR, the other focused on standardizing the fallback language.

The Loans subgroup noted that they intended on developing fallback language for CDOR-based loans and a white paper that will discuss how liquidity issues related to loans that reference risk-free rates can be mitigated for lenders.

The Derivatives subgroup discussed its mandate, which includes developing transition timelines/milestones for both linear and non-linear OTC derivatives linked to CDOR, developing or adjusting any needed market conventions for derivatives linked to CORRA, and liaising with the TMX on the transition for BAX and CORRA futures.

The Infrastructure and Operations subgroup noted their objective of identifying key infrastructure changes that need to be enacted in order to allow for a smooth market-wide transition from CDOR. The co-chairs provided an overview of its recent discussions on a potential vendor readiness survey.

The Communications and Outreach subgroup discussed their initial meetings, and the potential need to expand their membership.

The Accounting, Tax and Regulation subgroup noted that it has been meeting already for several months. The co-chairs noted that they already work closely with several other subgroups.

Members discussed the interconnectedness between subgroups, and how to best address overlapping areas between the mandates of the subgroups. Members agreed on an informal approach, where subgroups would coordinate as needed on relevant issues.

6. Term CORRA

The Term CORRA subgroup co-chairs discussed its initial work outlining its consultation document, and the work for determining potential use cases for a term CORRA. The subgroup is informally surveying counterparties and clients on the demand for a term interest-rate benchmark, including whether firms can manage without a term rate.

The co-chairs also discussed potential calculation methodologies for term CORRA. The workstream responsible for this will look at the design of term rates already available in other jurisdictions, including the potential "waterfalls" of inputs used to determine these rates.
Members discussed the timeline for term CORRA and agreed that the consultation could begin by end-Q2 2022.

7. Other items

The CARR co-chairs thanked the subgroup co-chairs for their excellent work in setting up and staffing the subgroups. They also thanked the many individuals and firms who have volunteered to complete this work.
The next CARR meeting will take place virtually on 28 March 2022.

List of attendees

Market representatives
Carol McDonald, BMO
Philip Lunn, BMO
Luke Francis, Brookfield
Karl Wildi, Canadian Imperial Bank of Commerce
Louise Stevens, CHMC
Alan Turner, HSBC
Glenn Taitz, Invesco
Tom Wipf, Morgan Stanley
Jean-Sebastien Gagne, National Bank Financial
Mike Manning, Ontario Financing Authority
Audrey Gaspar, OTPP
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

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

Subgroup co-leads
Nicholas Chan, BMO
Carol McDonald, BMO
Jacqui Szeto, Canso
Jacqueline Green, CIBC
Daniel Parrack, CIBC
Philip White, LSEG
Lisa Mantello, Osler
Christopher Abe, RBC Capital markets
Robin Das, RBC Capital Markets
Sarah Patel, Scotiabank
Ariane Stren, Scotiabank
Wilfred Au, TD Bank
Alison Perdue, TD Securities

RBSL
Shirley Barrow
Robert Walton
Edward Kendrick
Andrei Brenko

Bank of Canada
Harri Vikstedt
Wendy Chan
Zahir Antia
Thomas Thorn