

Minutes of the Canadian Alternative Reference Rate Working Group

Virtual, 28 March 2022, 11:30 a.m. to 1:30 p.m.

1. Introduction

Members were welcomed to the call.

2. International update

Members noted the passage of the US “Adjustable Interest Rate (LIBOR) Act”, which provided federal fallback language for “tough legacy” contracts (contracts without fallback language or with insufficient fallback language). This legislation resolves a number of key concerns in the US transition.

Members noted the ongoing shift in liquidity from LIBOR to SOFR, particular in swaps and futures markets. Members discussed term SOFR, including its licensing arrangements, how banks are managing their exposures to term SOFR, and growth in the SOFR futures market, which is the basis for term SOFR.

3. CAG update

CORRA Advisory Group (CAG) chair provided an overview of recent trends in tom-next (tomorrow-to-next day) repos and noted that CAG was discussing whether to recommend that these trades should be included when calculating CORRA. Members discussed the original CARR decision to not include these types of trades in the calculation of CORRA, and how the market had changed in the interim. Members decided more data was needed to review any recommendation and pointed to the tight timeline around making such a change given the potential discontinuation of CDOR. CAG was asked to provide an update at the next CARR meeting.

4. CARR subgroup updates

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

The Cash Securities subgroup noted their progress in identifying the pool of outstanding securities that reference CDOR and are now looking through the documentation language to classify these securities by the type of fallback language.

The Derivatives subgroup noted recent discussions about whether it was more appropriate for Canada to have a “CORRA big bang” or a number of “CORRA-first initiatives”. The subgroup currently sees CORRA-first as more appropriate for Canada as it would allow interbank liquidity to build ahead of the potential CARR recommended June 2023 deadline. It was noted that the TMX’s 3-month CORRA futures will relaunch on May 2 with two dealers providing market making

The Loans subgroup outlined discussions members had had when developing CDOR fallback language for loans. The subgroup recently spoke with the US Loan Syndications and Trading

Association on ARRC's experience with developing loan conventions. The group is also reviewing potential options to mitigate liquidity issues that could result for banks from CORRA-based loans.

The Term CORRA subgroup noted that it had completed work on developing potential use cases for Term CORRA, and that the documentation workstream was working on developing a consultation document. The co-chairs noted that extensive discussions were taking place about the potential calculation methodology for term CORRA. Members debated the relative merits of a rate based on committed quotes against one based on futures transactions, and the potential to create a hybrid between these two models.

The Infrastructure and Operations subgroup discussed the creation of a potential vendor readiness survey and were currently determining the audience for the survey.

The Communications and Outreach subgroup discussed work on external communications materials.

The Accounting, Tax and Regulation subgroup noted they are coordinating work closely with several other subgroups.

5. CARR milestones

CARR's co-chairs discussed the creation of a roadmap for Canada's potential transition away from CDOR, including a number of well-defined and achievable milestones. Subgroup leads were tasked with creating milestones for their work.

6. Other items

The next CARR meeting will take place virtually on 25 April 2022.

List of attendees

Market representatives

Sandra Lau, AIMCO
Carol McDonald, BMO
Luke Francis, Brookfield
Karl Wildi, Canadian Imperial Bank of Commerce
Brent Clode, Central1
Louise Stevens, CHMC
Yassir Berbiche, Desjardins
Glenn Taitz, Invesco
Tom Wipf, Morgan Stanley
Jean-Sebastien Gagne, National Bank Financial
Dave Duggan, National Bank Financial
Mike Manning, Ontario Financing Authority
Audrey Gaspar, OTPP
Renaud de Jaham, PSP
Guillaume Pichard, Quebec Ministry of Finance
Jim Byrd, RBC Capital Markets
Bruce Wagner, Rogers Communications
Anuj Dhawan, Scotiabank
Brett Pacific, Sunlife
Greg Moore, TD Bank

Observers

Ann Battle, ISDA
Philip Whitehurst, LCH
Joshua Chad, McMillan LLP
David Duggan, National Bank Financial
Robert Catani, TMX

Subgroup co-leads

Nicholas Chan, BMO
Jacqui Szeto, Canso
Jacqueline Green, CIBC
Philip White, LSEG
Lisa Mantello, Osler
Christopher Abe, RBC Capital markets
Robin Das, RBC Capital Markets
Sarah Patel, Scotiabank
Ariane Stren, Scotiabank
Alison Perdue, TD Securities

Bank of Canada

Harri Vikstedt

Mark Hardisty

Wendy Chan

Andriy Stolyarov

Thomas Thorn