Minutes of the Canadian Alternative Reference Rate Working Group

Virtual, 25 July 2022, 11:30 a.m. to 1:30 p.m.

1. Introduction

Members were welcomed to the call.

2. International update

Members noted that the US loan market, referencing term or overnight SOFR, had begun to transition away from using a credit spread adjustment in addition to the traditional loan credit spread to simply a SOFR-based rate plus a credit spread. Members noted that the credit spread adjustment was only developed to facilitate using a prescribed fallback to transition from LIBOR to SOFR.

Members discussed the update provided at the ARRC's July 13 meeting by the Term Rate Task force on its discussions about term SOFR derivatives.

Members discussed the announcement by Singapore's Industry Steering Committee on finalizing the key settings of the MAS recommended rate for contractual fallbacks.

3. CARR subgroup updates

The Cash Securities subgroup noted their progress on developing standardized term sheets for future CORRA related issuance. For simplicity, the term sheets will likely use the Bank of Canada's CORRA Compounded Index rather than asking firms to manually compound daily CORRA settings. The subgroup co-chairs discussed work on identifying tough legacy securities and the work being done to identify a path to remediating these securities. The subgroup has identified only a small number of tough legacy securities.

The Derivatives subgroup co-chairs noted that much of their recent work has been on determining the basis necessary for the potential establishment of a Term CORRA. Members discussed approaches to deal with any tough legacy derivatives, and the CORRA-first timelines.

The CORRA Loans subgroup noted that the fallback language for loans referencing CDOR would soon be published. The outline of a future white paper on the implications of CORRA-based loans on bank liquidity is currently being reviewed. It was noted that a great deal of client outreach activity has been occurring in recent weeks.

The Accounting, Taxation, and Regulation subgroup co-chairs noted their significant work in support of several other subgroups, particularly in recent months the Cash Securities and CORRA Loans subgroups. The co-chairs noted progress in determining the legal treatment of potential fallbacks for CDOR based FRNs governed under US law.

The Operations and Infrastructure subgroup co-chairs noted that their vendor readiness survey was ready for distribution. The co-chairs noted that they had identified over sixty vendors to send the survey to and were happy to take additional suggestions for firms to include in the survey distribution.

The Communications and Outreach subgroup co-chairs noted that they had met to brainstorm ideas for potential outreach events, and potential educational tools on benchmark transition.

4. Term CORRA

Members were provided an overview of the consultative results and, based on the consultative results, informed CARR that the Term CORRA subgroup had unanimously voted to continue with work to develop Term CORRA as long as an IOSCO compliant robust benchmark can be established.

CARR members were asked to opine on whether CARR should continue its work to develop Term CORRA based on the subgroup's recommendation.

It was noted that work continued on developing a document outlining the formal methodology for Term CORRA which would be published if CARR deemed that an IOSCO compliant rate could be launched.

5. CARR publications

Members discussed CARR's upcoming publications and whether any existing publications needed to be updated.

6. Other items

The next CARR meeting will take place virtually on 29 August 2022.

List of attendees

Market representatives
Jason Chang, AIMCO
John McArthur, Bank of America
Carol McDonald, BMO
Luke Francis, Brookfield
Karl Wildi, Canadian Imperial Bank of Commerce
Brent Clode, Central1
Louise Stevens, CHMC
Yassir Berbiche, Desjardins
Alan Turner, HSBC
Glenn Taitz, Invesco
Tom Wipf, Morgan Stanley
Jean-Sebastien Gagne, National Bank Financial
Audrey Gaspar, OTPP
Andrew Bastien, PSP
Jim Byrd, RBC Capital Markets
Bruce Wagner, Rogers
Elaine Write, Samuel, Son & Co.
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
Alan White, Rotman School of Management
Robert Tasca, TMX

Subgroup co-leads
Nicholas Chan, BMO
Jacqueline Green, CIBC
Daniel Parrack, CIBC
Philip White, LSEG
Lisa Mantello, Osler
Robin Das, RBC Capital Markets
Sarah Patel, Scotiabank
Alison Perdue, TD Securities
Ange Shi, TD Securities

Bank of Canada
Harri Vikstedt
Wendy Chan
Zahir Antia
Andriy Stolyarov
Yumeng Yang
Thomas Thorn