

# **Minutes of the Canadian Alternative Reference Rate Working Group**

Virtual, 27 June 2022, 11:30 a.m. to 1:30 p.m.

## **1. Introduction**

Members were welcomed to the call.

## **2. International update**

Members noted that LCH's [consultation](#) on the conversion of outstanding cleared USD LIBOR contracts had closed on June 10. LCH was expected to put out a response in the coming weeks.

Members noted that the pace of transition to risk-free rates was increasing in Scandinavian markets and in Poland.

Members discussed the pace of change in the US market, where there has been significant growth in SOFR options, futures, and other products. Members also discussed issues with term SOFR derivatives, including how banks were managing the resulting risks of offering term SOFR loans.

## **3. CARR outreach update**

The Co-chair discussed the outreach events that CARR had done in New York and London with regulators, trade groups, custodians, corporations, banks and other entities. It was noted that custodial banks had expressed concerns about whether or not a change in benchmarks constituted a corporate action (which would make it easier to notify clients). Some buy-side firms had noted concerns about the liquidity/depth of BAX futures markets, but they expected to become potentially more active in trading CORRA futures since CORRA tracks the Bank of Canada's policy rate much more closely. Discussions also covered the potential CCP conversion of CDOR positions and CORRA-first dates.

## **4. CARR subgroup updates**

The Cash Securities subgroup updated the status of their work on developing standardized term sheets for future issuance. It was noted that the conventions for CORRA-based Canada Mortgage Bonds, developed by the CMHC, were thought well of across the industry, so they would serve as a good starting point. Work continues on identifying legacy securities. Members discussed the potential approach for tough legacy securities once they have been identified.

The Derivatives subgroup co-chairs noted that their asset-liability workstream had largely completed its work. They also noted that subgroup members have been working with the Operations and Infrastructure subgroup for its upcoming systems survey.

The CORRA Loans subgroup has finalized its fallback language for loans referencing CDOR, and this document is now being translated ahead of publication.

The Term CORRA subgroup had made substantive progress in determining and documenting the Term CORRA methodology. Members discussed the preliminary specifications of this methodology. Members agreed that any market participants using the rate should be required to have robust fallback language, most likely to CORRA in-arrears, in place. It was noted that the Term CORRA consultation deadline had been extended until June 30, but that a large number of responses had already been received.

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 Operations and Infrastructure subgroup co-chairs noted that their vendor readiness survey was almost ready for distribution.

The Communications and Outreach subgroup co-chairs noted that they had recently met with the CARR co-chairs to determine a transition/education outreach plan. The subgroup had some preliminary discussions and would now begin to develop a comprehensive plan.

## **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 25 July 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  
Carl Edwards, Desjardins  
Alan Turner, HSBC  
Glenn Taitz, Invesco  
Tom Wipf, Morgan Stanley  
Jean-Sebastien Gagne, National Bank Financial  
Mike Manning, Ontario Financing Authority  
Audrey Gaspar, OTPP  
Philippe Lapalme-Demers, PSP  
Guillaume Pichard, Quebec Ministry of Finance  
Jim Byrd, RBC Capital Markets  
Anuj Dhawan, Scotiabank

### **Observers**

Ann Battle, ISDA  
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  
Philip White, LSEG  
Lisa Mantello, Osler  
Robin Das, RBC Capital Markets  
Ariane Stren, Scotiabank  
Alison Perdue, TD Securities  
Ange Shi, TD Securities

### **Bank of Canada**

Wendy Chan  
Zahir Antia  
Andriy Stolyarov  
Yumeng Yang

Thomas Thorn