

Minutes of the Canadian Alternative Reference Rate Working Group

Virtual, 24 May 2022, 11:30 a.m. to 1:30 p.m.

1. Introduction

Members were welcomed to the call.

2. International update

The international update was skipped due to full domestic agenda resulting from RBSL's recent announcement to cease the publication of CDOR after June 28, 2024.

3. CDOR update

Members discussed the recent RBSL announcement and how this transition from CDOR to CORRA was an opportunity to modernize Canada's financial markets.

RBSL provided an overview of the results of their consultation on the potential cessation of CDOR, and the [decision](#) to cease CDOR after June 28, 2024. It was noted that regulators had reviewed and approved the cessation.

ISDA noted that it had [confirmed](#) that RBSL's statement constituted an "index cessation event" under its IBOR fallbacks supplement and that Bloomberg had [published](#) the credit spread adjustment for each of the three CDOR tenors (1-month = 0.29547%, 2-month = 0.30190%, and 3-month = 0.32138%) that would apply to interest rate swaps that had incorporated the new CDOR fallbacks.

Several members discussed feedback they had heard after RBSL's announcement. As many firms had anticipated this outcome based on CARR's white paper, the market was generally not surprised by the outcome. Firms noted, however, that this announcement changed the CDOR transition from an issue to be monitored to an "action item". Many were thankful that the ISDA Credit Spread Adjustment was close to current market rates. Members discussed the implications for the loan market, with the expectation that lending would ultimately transition to CORRA (or Term CORRA if one was available) plus a borrower credit spread, instead of also including a credit spread adjustment.

Members noted that additional communication may be needed to encourage firms to respond to CARR's Term CORRA consultation, which was released at the same time as RBSL's announcement.

Members discussed the launch of CMHC's inaugural CORRA-based FRN shortly after RBSL's announcement. Despite challenging markets, the transaction saw a large deal of interest from a wide range of market participants and was upsized from its original launch.

4. CORRA / CAG discussion

Members discussed whether tomorrow-next day repos should be included in CORRA's calculation.

CARR members agreed that at this point there was no need to include tom-next in the CORRA calculation as it could bias the rate downward. However, members agreed that given the substantial amount of time and effort required to get the appropriate data required to make a fully informed decision, the Bank of Canada should work with industry to ensure that the Tom-next related data was sufficiently robust for the next review of the CORRA methodology in 2025.

5. CARR subgroup updates

The Cash Securities subgroup noted that one of its workstream has begun developing standardized term sheets for CORRA based FRNs and potentially other securities with a CORRA floating rate component. Work is also underway to identify tough legacy securities.

The Derivatives subgroup co-chairs mentioned that the CDOR announcement had little impact on pricing. The Asset-Liability Management workstream is now regularly meeting to discuss hedge accounting issues.

The CORRA Loans subgroup has sent the final CDOR loan fallback language to CARR for approval.

The Accounting, Taxation, and Regulation subgroup continues to work closely with several working groups to resolve legal and accounting issues.

The Operations and Infrastructure subgroup mentioned continued progress on their upcoming vendor survey and draft impact assessment checklist. CARR members were asked to provide a list of potential vendors to include on the survey distribution list.

The Communications and Outreach subgroup co-chairs noted their work drafting a coordinated outreach statement for banks to clients.

The Term CORRA subgroup co-chairs noted progress in determining a potential methodology for Term CORRA, and on the drafting of a paper outlining this methodology.

6. Other items

The next CARR meeting will take place virtually on 27 June 2022.

List of attendees

Market representatives

John McArthur, Bank of America
Carol McDonald, BMO
Luke Francis, Brookfield
Karl Wildi, Canadian Imperial Bank of Commerce
Louise Stevens, CHMC
Carl Edwards, Desjardins
Alan Turner, HSBC
Glenn Taitz, Invesco
Jean-Sebastien Gagne, National Bank Financial
Mike Manning, Ontario Financing Authority
Audrey Gaspar, OTPP
Andrew Bastien, PSP
Guillaume Pichard, Quebec Ministry of Finance
Jim Byrd, RBC Capital Markets
Anuj Dhawan, Scotiabank
Brett Pacific, Sunlife
Greg Moore, TD Bank

Observers

Ann Battle, ISDA
Joshua Chad, McMillan LLP
Alan White, Rotman School of Management
Robert Catani, TMX

Subgroup co-leads

Nicholas Chan, 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
Alison Perdue, TD Securities

Bank of Canada

Harri Vikstedt
Wendy Chan
Zahir Antia
Danny Auger

Andriy Stolyarov
Thomas Thorn