

Minutes of the Canadian Alternative Reference Rate Working Group

Hybrid, 21 November 2022, 11:30 a.m. to 1:30 p.m.

1. Introduction

Members were welcomed to the meeting.

2. International update

Members discussed the 9 November ARRC [meeting](#), including discussions about the licensable use cases for Term SOFR. Members noted the implications from ARRC's work on the potential use cases for Term CORRA. Members also discussed recent [concerns](#) about issuance of cash securities linked to Term SOFR.

Members briefly discussed developments in Nordic markets and Poland.

3. CARR subgroup updates

The Cash Securities subgroup noted two recent CORRA-linked issuances. The subgroup co-chairs highlighted that a document summarizing the subgroup's findings on tough legacy securities had been sent to the Accounting, Taxation, and Regulation subgroup (ATR) for their review. The note will be sent to CARR for approval following ATR's review. Members discussed how the quality of fallback language had little observable impact on the liquidity of USD LIBOR based cash securities in the US. Members noted that the CMHC transition away from CDOR was proceeding smoothly.

The Derivatives subgroup noted that the CORRA-first deadlines were rapidly approaching. On January 9, the quoting convention for inter-dealer linear derivatives will switch from CDOR to CORRA. On March 27, the quoting convention will similarly change for inter-dealer non-linear derivatives and cross-currency basis swaps. The subgroup co-chairs stressed the importance of communicating these dates to clients: although clients will not be directly affected by CORRA-first. However, they will be affected as market liquidity shifts from products referencing CDOR to those referencing CORRA.

The CORRA Loans subgroup noted that they were developing a second set of recommended fallback languages for CDOR loans that falls back to overnight CORRA rather than Term CORRA. This new language will be useful for clients that hedge their loans with derivatives (as ISDA's derivative fallback language falls back to overnight CORRA rather than Term CORRA). The subgroup co-chairs noted continued progress on drafting of the CORRA loan liquidity white paper. CARR's co-chairs noted that the [LMA](#) had published an exposure draft incorporating a term SOFR drawdown option in their documentation for investment grade and developing markets. The LMA will need to update their Canadian dollar documentation in 2023 to reflect the changes in the loan Canada in Canada from CDOR to CORRA.

The ATR subgroup co-chairs noted that ATR had met recently with the potential Term CORRA administrator to discuss the delineation of responsibilities and to get feedback from them. Additional meetings are planned in the coming weeks.

The Operations and Infrastructure subgroup co-chairs discussed responses to their vendor survey. Members agreed to distribute the survey again through CARR member's commercial contacts with certain vendors who have not yet responded to the survey. The subgroup co-chairs noted that their impact assessment checklist was now ready to send to CARR for approval.

4. Term CORRA

The subgroup co-chairs noted that the Term CORRA methodology was now essentially finalized, with the finalized methodology to begin the approval process in the coming days. CARR's group of experts and market practitioners determined that, for robust calculation of the rate, the methodology will require three 1-month CORRA futures contracts and two 3-month CORRA futures contracts. Members also discussed the potentially permitted use cases for Term CORRA and work to identify and mitigate potential conduct risk.

5. CARR publications and outreach

The Communications and Outreach subgroup co-chairs noted that they had identified TMX as a potential venue for CARR's upcoming series of public webinars to communicate CARR's work related to the transition. The first set of webinars would be made public in January. Members discussed potential panelists and topics.

6. Other items

CARR members discussed adding a "domestic transition update" focussed on the transition of liquidity to CORRA-based products as a standing item on CARR's agenda to track Canada's transition away from CDOR.

The next CARR meeting will take place on 12 December 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
Louise Stevens, CMHC
Carl Edwards, Desjardins
Alan Turner, HSBC
Tom Wipf, Morgan Stanley
Jean-Sebastien Gagne, National Bank Financial
Mike Manning, Ontario Financing Authority
Audrey Gaspar, OTPP
Andrew Bastien, PSP
Jim Byrd, RBC Capital Markets
Guillaume Pichard, Quebec Ministry of Finance
Bruce Wagner, Rogers
Elaine Wright, Samuel, Son & Co.
Anuj Dhawan, Scotiabank
Brett Pacific, Sunlife
Greg Moore, TD Bank

Observers

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

Subgroup co-leads

Nicholas Chan, BMO
Jacqui Szeto, Canso
Jacqueline Green, CIBC
Daniel Parrack, CIBC
Philip White, LSEG
Elodie Fleury, National Bank
Lisa Mantello, Osler
Robin Das, RBC Capital Markets
JP Mendes Moreira, Scotiabank
Sarah Patel, Scotiabank
Alison Perdue, TD Securities
Ange Shi, TD Securities
Luc San, TD Securities

Bank of Canada

Wendy Chan

Zahir Antia

Yumeng Yang

Thomas Thorn