

Minutes of the Canadian Alternative Reference Rate Working Group

Hybrid, 31 October 2022, 11:30 a.m. to 1:30 p.m.

1. Introduction

Members were welcomed to the hybrid meeting.

2. International update

Members discussed the [results](#) of the ARRC loan remediation survey, which indicated there was a significant amount of loans that still need to be remediated ahead of the full cessation of USD Libor. Members also discussed the implications for the Canadian transition of loans from CDOR.

Members discussed developments in ARRC's work to delineate use cases for Term SOFR, as well as the cross-border implications for the Canadian market in light of the set of licensable use cases for Term CORRA currently being considered by CARR.

3. CARR subgroup updates

The Derivatives subgroup highlighted the need for banks and dealers to communicate with their clients the upcoming transition in the derivatives market, including the upcoming "CORRA-first" dates (after January 9, the inter-dealer quoting convention for linear derivatives moves from CDOR to CORRA; after 27 March, the inter-dealer quoting convention for non-linear derivatives and cross-currency basis swaps moves to CORRA). Although these deadlines affect inter-dealer markets, they will result in a transition of liquidity away from CDOR-based derivatives to CORRA-based derivatives, which will affect the liquidity and pricing of these instruments. Members noted the well received TMX CORRA Futures event in New York, where the CARR co-chairs participated in a panel discussion. The Derivatives subgroup co-chairs noted their continued work with the Term CORRA subgroup.

The Loans subgroup noted progress on its white paper discussing liquidity issues that may arise from CORRA-based lending facilities, as well as progress on its Term CORRA loan conventions. Members discussed CARR's recommended loan fallbacks, which fall back to Term CORRA, and the ISDA derivatives fallbacks, which fall back to overnight CORRA. The Loans subgroup agreed to discuss this mismatch and suggest a path forward.

The Cash Securities subgroup discussed a forthcoming document that will describe Canada's tough legacy problem. Members discussed the level of granularity that would be included in this document, which will potentially include a list of relevant CUSIPs.

The Accounting, Taxation, and Regulation subgroup noted that they continue to be primarily focused on issues related to Term CORRA. Members discussed whether CARR's contemplated use cases for Term CORRA would trigger any issues related to hedge accounting.

The Operations and Infrastructure subgroup noted their vendor readiness survey had been distributed and they were awaiting replies.

4. Term CORRA

The subgroup co-chairs noted that significant progress had been made on developing Term CORRA. Members discussed the licensable Term CORRA use cases currently under consideration. Members also noted that work was underway to identify and mitigate potential conduct risk issues.

CARR's co-chairs discussed potential administrative arrangements for Term CORRA. Members discussed the implications of these potential arrangements for the benchmark, including its distribution and cost. Regulatory oversight of the administrator, including the benchmark governance requirements outlined in Canadian benchmark regulation (i.e., MI 25-102), were discussed.

Members discussed Term CORRA's methodology, which is now nearly finalized. It was noted that preliminary discussions had now occurred between CARR and the potential Term CORRA administrator.

5. CARR publications and outreach

The CARR co-chairs noted significant outreach efforts in recent months, including the Central 1 Momentum Summit, the ISDA Canada conference, and the TMX CORRA Futures event in New York. They also noted upcoming events for November including the CBIA annual conference and the TMX CORRA Futures event in London. These events are meant to target a wide variety of stakeholders in the Canadian financial system and have been met with a large amount of public interest.

The Communications and Outreach subgroup co-chairs discussed its work on developing a series of public webinars to inform the public on benchmark transition issues. These webinars will complement the outreach efforts by the CARR co-chairs and allow stakeholders from around the world to easily keep up-to-date with CARR's work. The co-chairs discussed efforts to identify an appropriate venue for the events.

6. Other items

The next CARR meeting will take place virtually on 21 November 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
Karl Wildi, CIBC
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