

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

Virtual, 26 September 2022, 11:30 a.m. to 1:30 p.m.

## **1. Introduction**

Members were welcomed to the call.

## **2. International update**

Members discussed developments in the USD LIBOR transition, including trends in SOFR swaps and futures volume contained in ARRC's [September readout](#). Overall transition progress is seen as proceeding smoothly. ARRC's focus is now mostly on operations, infrastructure, and communications. CARR members discussed ARRC's [work](#) with DTCC to use its LENS system to potentially notify holders of securities of potential changes in interest rates.

Members discussed ARRC's work to review and clarify the licensed uses for CME's Term SOFR, and to catalogue the tools and techniques used by lenders to manage the risks that result from lending based on Term SOFR (e.g. using internal offsets).

Members noted progress in the progress in transitioning away from Singapore, Thailand, and Poland's respective IBOR rates.

## **3. CARR subgroup updates**

The Cash Securities subgroup noted that a CORRA FRN term sheet was undergoing a final review before sending to CARR for approval. The term sheet will be sent to CARR for written approval. The co-leads noted that members had participated in a public webinar held by the Canadian Bond Investors Association to discuss impediments to the use of CORRA in FRNs. The subgroup co-chairs discussed how the subgroup will communicate their findings on CDOR tough legacy securities to the public.

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. Several subgroups, such as the asset-liability management subgroup and the non-linear derivatives workstream, have completed their work. Subgroups related to structured products and Term CORRA are ongoing, but progress has been mixed due to summer absences.

The CORRA Loans subgroup discussed their progress in drafting a white paper that will discuss the liquidity characteristics and liquidity risk mitigation tools for loans based on overnight CORRA.

The Accounting, Taxation, and Regulation subgroup co-chairs noted that their recent work was largely related to the activity of the Cash Securities and Term CORRA subgroups. In particular, the subgroup co-chairs noted that work was being done to identify issues that might arise from lending using Term CORRA under different accounting practices (e.g. US GAAP).

The Operations and Infrastructure subgroup co-chairs have finalized their vendor readiness survey and it will be sent in October. The key priorities of this survey are to verify that major systems providers are ready for the CDOR transition and to identify systems providers who are unprepared for the transition for further discussions and outreach.

The Communications and Outreach subgroup co-chairs discussed a potential series of public webinars that CARR members and co-chairs could hold to answer public questions related to the transition.

#### **4. Term CORRA**

The subgroup co-chairs discussed work in their five main workstreams:

- The loan agreements workstream has been discussing whether firms with loan facilities referencing both Term CORRA and overnight CORRA will be able to flip back and forth between these two rates.
- The futures workstream has been discussing whether a feedback loop exists where allowing the use of Term CORRA in derivatives would cause a higher volume in the futures underlying Term CORRA.
- The compliance workstream has been reviewing how banks would monitor any CORRA futures orders or trades.
- The hedging workstream is looking at hedging costs in the US and how firms may be able to offset risks resulting from issuing Term CORRA loans.
- The hedge accounting workstream has been discussing accounting issues with representatives from the Accounting, Taxation, and Regulation subgroup.

Members discussed the potential administrators of Term CORRA, as well as progress in reaching agreement on whether to facilitate the creation of a Term CORRA benchmark. Members recognized that there is significant public interest in this issue, so CARR should publicly communicate its decision as early as possible.

#### **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 31 October 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