

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

Hybrid, 12 December 2022, 11:30 a.m. to 1:30 p.m.

## **1. Introduction**

Members were welcomed to the meeting.

## **2. International update**

Members noted that the UK FCA had launched a [consultation](#) on “synthetic” US dollar LIBOR, focused on whether to require the 1-, 3- and 6-month US dollar LIBOR settings to be published on a synthetic basis until the end of September 2024. Members also discussed synthetic GBP and JPY LIBORs and their respective cessation dates.

## **3. CORRA-first**

Members discussed CARR’s [market notice](#) reminding the market of CARR’s two upcoming CORRA-first initiatives:

- Inter-dealer linear derivatives (i.e., Canadian dollar interest rate swaps) will move from CDOR to CORRA on January 9, 2023, and
- Both inter-dealer non-linear derivatives (i.e., Canadian dollar swaptions) and inter-dealer cross-currency swaps will move from CDOR to CORRA on March 27, 2023.

These initiatives see the inter-dealer quotations banks/dealers post in the inter-dealer market switch from CDOR to CORRA on two dates. Members reported some inquiries from clients after this market notice, however the response was relatively muted since CORRA-first directly affects only inter-dealer trading.

CARR members discussed when client liquidity would potentially begin to shift from CDOR to CORRA derivatives. Members agreed that CARR should regularly publish updated statistics tracking transition in Canadian dollar derivatives markets.

## **4. CARR subgroup updates**

The Cash Securities subgroup highlighted the draft recommendations paper it had sent to CARR on what to communicate to market participants regarding Canada’s stock of tough legacy securities. Members discussed the paper’s content and timing.

The Derivatives subgroup noted that much of its recent work was related to CORRA-first and Term CORRA, discussed later in the meeting.

The CORRA Loans subgroup noted that they are finalizing the initial draft of a whitepaper related to the liquidity implications of basing loan facilities on risk-free rates rather than IBORs like CDOR. The whitepaper discusses a number of potential options for addressing the liquidity risks

of RFR based loans for lenders, including liquidity gates or contingent spreads. Members discussed how credit spread adjustments (CSAs) should be handled in the paper. CSAs were used in fallback language to account for the difference between IBORs and risk-free rates (i.e. to account for bank credit risk). CARR members agreed that it was not optimal for new loans to include a CSA as well as a borrower-specific credit spread (i.e. the two spreads should be combined). It was noted that some segments of the US loan market had already transitioned to just having a single credit spread in their SOFR-based loans.

The ATR subgroup co-chairs noted that ATR had continued to contribute to the work of the Cash Securities subgroup and the Term CORRA subgroup.

The Operations and Infrastructure subgroup co-chairs discussed vendor survey and draft impact assessment checklist, which will help Canadian market participants identify the steps they must take to successfully transition away from CDOR.

## **5. Term CORRA**

The subgroup co-chairs noted that the Term CORRA methodology was finalized, and the list of permitted use cases and a note on the administrative arrangements would soon be sent to CARR and CFIF for their approval. A high-level overview of these documents was provided to members. Members discussed the final proposals for permitted use cases.

CARR's co-chairs discussed the potential publication of these documents in early January and planned efforts to communicate and publicize this announcement.

## **6. CARR publications and outreach**

The Communications and Outreach subgroup co-chairs noted that they would soon launch a series of webcasts developed with TMX. The first webcasts would provide an overview of the transition, while later webcasts would delve into specific topics such as derivatives and cash market transition and would rely on experts from within CARR to discuss each set of topics. The initial webcasts are expected to be made public by late January.

## **7. Other items**

The next CARR meeting will take place on 30 January 2023.

## **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  
Glenn Taitz, Invesco  
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  
Derek Astley, TD Bank

### **Observers**

Ann Battle, ISDA  
Philip Whitehurst, LCH  
Joshua Chad, 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  
Christopher Abe, RBC  
Robin Das, RBC Capital Markets  
JP Mendes Moreira, Scotiabank  
Sarah Patel, Scotiabank

Alison Perdue, TD Securities  
Luc San, TD Securities

**Bank of Canada**

Harri Vikstedt  
Wendy Chan  
Zahir Antia  
Yumeng Yang  
Thomas Thorn