

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

Hybrid, 27 February 2023, 11:30 a.m. to 1:30 p.m.

## **1. Introduction**

Members were welcomed to the meeting. The co-chairs noted that only four months remain until the end of the first phase of CARR's transition. After end-June this year, market participants are expected to cease booking new CDOR exposures except for loans, or any derivatives that hedge loans or that reduce CDOR risk exposure. Members discussed how this deadline would be enforced, such as through the supervisory expectations that OSFI announced on May 16, 2022. These expectations ensure federally regulated financial institutions and pension plans will follow CARR's two-stage transition timeline. Given the importance of these institutions to Canadian markets, it was expected that CORRA products would become much more liquid than those referencing CDOR after June 2023.

The co-chairs noted the release of [CSA Staff Notice 25-309](#) which is meant to further help ensure that market participants are aware of certain developments and transition issues regarding the upcoming cessation of CDOR and the expected related cessation of the issuance of BAs. The notice also reviews plans for the new forward-looking "Term CORRA" benchmark to replace CDOR for certain instruments or, when appropriate, for related derivatives.

## **2. International update**

Members noted that LCH had conducted a trial run on its procedures for converting swap exposures referencing the remaining USD LIBOR tenors to SOFR, with additional trials expected in March. The process for converting CDOR exposures is expected to take place closer to CDOR's cessation date in June 2024.

Members discussed preparations in the US ahead of the cessation of the remaining USD LIBOR tenors at the end of June. Members discussed the "tough legacy" issues associated with these securities, including some derivatives not covered by the ISDA protocol.

## **3. CDOR transition status**

CARR members discussed a draft version of weekly derivatives statistics that CARR will soon begin publishing on its website to provide public transparency on the status of the Canadian transition. Members provided commentary on the draft charts, which will be integrated before making them public.

Members noted that the first CORRA-first initiative in January had the desired result. There were suggestions that some foreign institutions and hedge funds would begin switching from CDOR to CORRA after the March IMM date, which could lead to a more significant shift in activity to CORRA derivatives.

Members discussed potential questions and answers for an FAQ document that CARR is compiling.

The co-chairs noted that CFIF had established a virtual network focused on the transition away from BAs, given that BAs will be discontinued after CDOR's cessation. This group will look at potential replacements to BAs, how to avoid any "cliff effects" or sudden large decreases in BA issuance, whether any regulatory relief is needed for investment funds that currently rely on BAs, and how to best communicate the upcoming change to BAs.

#### **4. CARR subgroup updates**

The Cash Securities subgroup noted that it was now focused on refining its paper on legacy securities. The subgroup is still waiting for comments and feedback from CARR members on its latest draft. The subgroup also noted that some CORRA FRNs from non-financial issuers were now in the works and could be brought to market in the coming weeks.

The Derivatives subgroup is going to re-open its asset-liability management workstream to get updates on when institutions' ALM functions may transition. It was noted that Bloomberg had planned to release additional CORRA-related capabilities towards the end of March.

They also noted that the January 9 CORRA-first initiative, after which the quoting convention for inter-dealer linear derivatives switched from CDOR to CORRA, had gone smoothly. Although the initiative did not directly affect non-dealers, some large clients have already reached out to discuss transitioning their own exposures away from CDOR. TMX's one-month CORRA futures [contract](#) was successfully launched earlier last month. Members noted that the TMX will be holding an important CDOR-to-CORRA transition event in Toronto on 16 February.

The Term CORRA subgroup mentioned that the results of TMX's RFP for market makers for 1-month CORRA futures would soon be released. Term CORRA's administrator, CanDeal, is on track to launch the rate within the timelines set out by CARR, with their current work focused on regulatory concerns and licensing.

The CORRA Loans subgroup discussed its loan remediation paper. The subgroup expects to submit its draft loan liquidity white paper to CARR for comments by mid-March. The co-leads also discussed developing a potential milestone for "no new CDOR loans" to help facilitate the transition away from CDOR in lending markets. Members discussed the regulatory and legal need to discontinue loan facilities that result in BA issuance.

The ATR subgroup noted that ATR continues its work in relation to both Term CORRA and tough legacy securities.

The Operations and Infrastructure subgroup co-chairs discussed their vendor survey and CDOR transition impact assessment checklist. The vendor survey has been recirculated to firms that have not yet responded, while the impact assessment checklist will soon be ready to publish.

#### **5. CARR publications and outreach**

CARR's co-chairs noted significant outreach efforts, including presentations to several entities (including the TMX, CDCC, IIAC, CTA). Additional events are planned in Tokyo, Singapore, Vancouver, Calgary and Edmonton. Additional [webcasts](#) will soon be released as part of the CARR-TMX webcast series.

## **6. Other items**

The next CARR meeting will take place on 27 March 2023.

## **List of attendees**

### **Market representatives**

Jason Chang, AIMCO  
John McArthur, Bank of America  
Carol McDonald, BMO  
Karl Wildi, CIBC  
Louise Stevens, CMHC  
Carl Edwards, Desjardins  
Alan Turner, HSBC  
Tom Wipf, Morgan Stanley  
Mike Manning, Ontario Financing Authority  
Audrey Gaspar, OTPP  
Andrew Bastien, PSP  
Guillaume Pichard, Quebec Ministry of Finance  
Jim Byrd, RBC Capital Markets  
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  
Robin Das, RBC Capital Markets  
Sarah Patel, Scotiabank  
Natalia Zand, Scotiabank  
Alison Perdue, TD Securities  
Ange Shi, TD Securities

### **Bank of Canada**

Harri Vikstedt  
Wendy Chan  
Zahir Antia  
Danny Auger  
Yumeng Yang  
Thomas Thorn