

Minutes of the Canadian Alternative Reference Rate Working Group

Hybrid, 26 June 2023, 11:30 a.m. to 1:30 p.m.

1. Introduction

Members were welcomed to the meeting. The co-chair noted that only a few days remained until the end of the first stage of CARR's two-staged CDOR transition. After end-June, 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.

The co-chairs thanked both Thomas Wipf (Morgan Stanley) and Glenn Taitz (Invesco) for their contributions on CARR as both members will be leaving due to changes in their roles. As a result, CARR will shrink from 22 members to 20 members, evenly split between buy- and sell-side market participants. The co-chairs also noted that Louise Brinkmann, Head of Benchmark Solutions at CanDeal, will join CARR as an observer.

2. International update

Members noted the impending cessation of the remaining US dollar LIBOR tenors, discussing the overall course of the US transition. They noted that there is particular attention being paid to the loan market, which has been relatively slower to transition, although the pace has picked up substantially. One member spoke about the successful completion of the [second tranche](#) of LCH's conversion of USD LIBOR swaps to SOFR, which covered the bulk of USD LIBOR exposure.¹ Members then discussed the potential implications of this conversion for the eventual conversion of CDOR swaps. As a result of this transition, LIBOR exposure has declined significantly, with only \$15 trillion of USD LIBOR trades remaining which will all run off to zero by end-September.

One member noted that a number of other benchmarks from around the world were now also undergoing transition.

3. TMX BAX fallback plan

TMX provided an overview of the BAX transition plan it [announced](#) this month, in which TMX will convert all eligible BAX futures into equivalent 3-month CORRA futures contracts in Q2 2024. Members noted the [progress](#) in developing the market for CORRA futures. Members noted that when high frequency traders fully migrate from BAX to CORRA futures, the relative liquidity in these markets would quickly shift.

4. CDOR transition update

Members noted that CARR's weekly derivatives monitoring report understates the transition, as roughly 90% of "new exposure" is in CORRA, with a significant portion of CDOR volume related to the closing out of positions. Members noted that the loan market had not yet begun to move

¹ This tranche covered USD-LIBOR vs Fixed IRS, USD-LIBOR vs. USD-LIBOR basis swaps and USD-LIBOR vs USDS-SOFR-OIS Compound basis swaps

away from CDOR, but this was expected to begin once Term CORRA was published in early September.

5. CARR subgroup updates

The Cash Securities subgroup noted that its legacy securities document was finalized and would hopefully be soon published. Members discussed the progress made around tough legacy Canadian MBS.

The Derivatives subgroup noted that transition in the futures market continues to lag the transition the OTC swaps market, as it had in other jurisdictions. The co-chairs reminded that the June 30, 2023 stage one end-date of the transition plan applies to exchange traded-derivatives as well.

The Term CORRA subgroup has restarted its use case subgroup to look at inter-dealer use cases and cross-currency swaps. Members discussed both potential use cases, including whether they should be supported by CARR and, if they were, what the structure and timing of the use case could look like. Members noted that a beta version of Term CORRA would be launched in early July.

The CORRA Loans subgroup discussed its loan conventions document, and the November 1 “no new CDOR or BA loan” milestone. Members discussed whether CARR would recommend allowing borrowers with a committed loan facility to potentially “switch” one or more times between CORRA compounded-in-arrears and Term CORRA without having to re-open the agreement. Members discussed the speed of tapering of the BA market.

The ATR subgroup has been supporting various other subgroups on accounting, taxation and regulatory issues raised by members.

The Operations and Infrastructure subgroup co-chairs discussed their Transition Aid document, which builds on the impact assessment checklist and provides more guidance to firms seeking to move systems away from CDOR. The document will soon be circulated to CARR for review.

The Communications and Outreach subgroup co-chairs discussed a series of forthcoming outreach events. Members also discussed the FAQ document CARR is developing for its website.

6. Other items

The co-chairs provided an update of discussions at the CFIF BA Transition Virtual Network.

The next CARR meeting will take place on 24 July 2023.

List of attendees

Market representatives

Carol McDonald, BMO
Luke Francis, Brookfield
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
Derek Astley, 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

Bank of Canada

Wendy Chan

Zahir Antia

Owen Zehr

Thomas Thorn