

Minutes of the Canadian Alternative Reference Rate Working Group

Hybrid, 23 May 2023, 11:30 a.m. to 1:30 p.m.

1. Introduction

Members were welcomed to the meeting. The co-chair noted that only just over one month remained until the end of the first stage of CARR's two-staged CDOR 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.

2. International update

Members discussed the results of the [second tranche](#) of LCH's conversion 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.

Members noted that only 38 days were left for the remaining USD LIBOR tenors. Members discussed the overall course of the US transition, with particular attention paid to the loan market, which has been relatively slower to transition, although the pace has picked up substantially.

3. OSC derivatives trend analysis

OSC staff joined CARR's meeting and presented the derivatives trend analysis now available on OSC's [website](#). The analysis will be published monthly and is based on the data provided to OSC by Ontario-based entities. Members discussed the data and were encouraged to send any ideas or suggestions to the OSC.

4. CDOR transition update

Members noted that the [majority](#) of maturity-weighted notional volume in cleared Canadian dollar interest rate derivatives has continued to be priced using CORRA instead of CDOR.

5. CARR subgroup updates

The Cash Securities subgroup discussed legacy issues associated with tough legacy Canadian MBS and highlighted recent conversations with Bloomberg on potentially creating a page for Canadian FRNs. Members discussed the status of the document summarizing the subgroup's findings and recommended actions on legacy securities, which the subgroup hopes to publish by early July.

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

The Derivatives subgroup has been reaching out to international dealers to make sure they are aware of the expectations for no new derivatives post June 2023. The subgroup noted that a large portion of derivatives activity has already moved from CDOR to CORRA. Members noted that the TMX is expected to soon publish its plan for BAX fallbacks.

The Term CORRA subgroup noted that it is re-engaging its use cases workstream to discuss the potential treatment of inter-dealer and cross-currency Term CORRA related swaps. Members noted that CanDeal/TMX, in conjunction with the Term CORRA subgroup, have slightly modified the calculation methodology to determine the mid-price for CORRA futures for the calculation of Term CORRA. It was also noted that TMX Datalinx will soon begin reaching out to major lenders on licensing of the Term CORRA. A beta launch of the rate is expected in July with an official launch in early September.

The CORRA Loans subgroup has combined its liquidity and remediation best practices documents and has sent the document to CARR members for comment. The document also incorporates a “no new CDOR or Bankers’ Acceptance loan” milestone date after which any new loans would be expected to reference CORRA or Term CORRA.

The ATR subgroup noted that ATR continues its work in relation to both Term CORRA and tough legacy securities. The subgroup noted concerns from some CARR members that many smaller end users have not yet signed the ISDA protocol, which would provide robust fallback language for derivatives entered into before January 25, 2021.

The Operations and Infrastructure subgroup co-chairs discussed their work on a “systems and process transition aid” which sets out preparatory and transition steps that firms should consider in respect of systems and processes that may be impacted by the CDOR transition.

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 next CARR meeting will take place on 26 June 2023.

List of attendees

John McArthur, Bank of America
Carol McDonald, BMO
Luke Francis, Brookfield
Karl Wildi, Canadian Imperial Bank of Commerce
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