

Minutes of the Canadian Alternative Reference Rate Working Group

Hybrid, 24 July 2023, 3:00 p.m. to 5:00 p.m.

1. Introduction

Members were welcomed to the meeting. The co-chair noted that we are now in the second stage of CARR's two-staged CDOR transition. In less than a year, after end-June 2024, CDOR will cease being published. Market participants are encouraged to actively transition their legacy exposure and not necessarily rely on any fallbacks.

The co-chairs noted that the first stage was a success, with 85-90% of new derivative activity referencing CORRA in July. Still, the co-chairs noted that significant work was ahead, particularly for loan market participants.

2. International update

The co-chairs note that LIBOR's publication had now officially ceased, but that three synthetic USD LIBOR tenors (1-, 3- and 6-month) will continue to be published until end-September 2024. The LIBOR transition has been successful and provided many lessons for CARR's work, including the need for concrete milestones and recommended market conventions.

3. BAX futures conversion

Robert Catani (TMX) and Alexandre Prince (TMX) provided a more-detailed overview of the BAX transition plan TMX [announced](#) last month to convert all eligible BAX futures into equivalent 3-month CORRA futures contracts in Q2 2024. TMX welcomed input, particularly on operational aspects of the conversion plan, from market participants by mid-August. However, members noted that since the proposed structure of the conversion is broadly similar to the conversion of futures in LIBOR jurisdictions, it is unlikely the proposal will significantly change prior to finalization. TMX noted that the spread adjustments used in its proposal are the same used in the OTC derivative market (i.e. the Bloomberg spreads that were [fixed](#) with RBSL's announcement about the cessation of CDOR).

Members also noted the [progress](#) in developing the market for CORRA futures. Members expect that when high frequency traders fully migrate from BAX to CORRA futures, the relative liquidity in these markets would quickly shift.

4. Term CORRA update

Louise Brinkmann (CanDeal Benchmark Solutions) discussed progress in setting up the control framework for Term CORRA. Term CORRA's oversight committee has been established and will begin meeting in August. The OSC and AMF have launched a [request for comments](#) on the potential designation of Term CORRA as a Designated Interest Rate Benchmark and CanDeal Benchmark Administration Services Inc. as the a Designated Benchmark Administrator of Term CORRA. Members were encouraged to respond to this consultation by August 8. It was noted that

a beta version of Term CORRA is now being published, by CanDeal, daily on a T+1 basis at 4pm ET.

Gavin Morris (TMX Datalinx) discussed the eventual licensing of Term CORRA, which would be required for any entities creating financial products referencing Term CORRA. These products would need to align with the Term CORRA use cases recommended by CARR.

CARR's co-chairs thanked CanDeal and TMX for their contributions to this work, particularly under the very tight timelines.

5. CDOR transition status

CARR's co-chairs noted that the maturity-weighted notional of LCH-cleared CORRA swaps was now [routinely](#) above 80% of overall CAD swap volume. They noted that the percentage would be expected to only gradually approach 100% given the allowable exceptions to CDOR related derivative usage after June 2023. They mentioned that CORRA futures had also seen consistent growth, with CORRA futures volume now consistently being over 30% of total CAD interest rate futures volume.

6. CARR subgroup updates

The Cash Securities subgroup noted that its legacy securities document had been [published](#). Members discussed the progress made around tough legacy Canadian MBS, including a potentially proposed amended approach specifically for these types of securities.

The Derivatives subgroup discussed progress in the derivatives markets. The subgroup has now begun work on Term CORRA swap conventions.

The Term CORRA subgroup has made significant progress in determining whether to adjust the use cases for Term CORRA to potentially include certain inter-dealer transactions and cross-currency swaps, including on the timing of when any such activities could be permitted. Members discussed the need for a more-detailed set of use cases to be published to reduce market ambiguity.

The Loans subgroup discussed its loan remediation document, which is currently being prepared for publication. A CARR-TMX webcast on loans has been recorded and will be released after the loan remediation document is published. Members discussed having a potential roundtable discussion with the major Canadian law firms on CARR's recommended CORRA and Term CORRA loan conventions and proposed contract language.

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 has circulated its Transition Aid document for review.

The Communications and Outreach subgroup co-chairs discussed a series of recent outreach events and planned upcoming events. Members also discussed the FAQ document CARR is developing for its website which should be published in the coming weeks.

7. Other items

The co-chairs provided an update of discussions at the CFIF BA Transition Virtual Network, including forthcoming work on the plan to gradually reduce BA issuance to ensure an orderly transition of the BA market and to safeguard the ongoing stability of Canada's financial system ahead of CDOR's cessation. It was also noted that CIRO, the successor to IIROC, was now [publishing](#) a broader set of statistics around their transition based 1- and 3-month BA rates, including for each tenor the daily volume, the number of transactions and the range in yields.

The next CARR meeting will take place on 28 August 2023.

List of attendees

Market representatives

Carol McDonald, BMO
Luke Francis, Brookfield
Karl Wildi, CIBC
Charles Ma, CMHC
Alan Turner, HSBC
Jean-Philippe Drolet, National Bank Financial
Mike Manning, Ontario Financing Authority
Audrey Gaspar, OTPP
Eric Ruest, PSP
Bruce Wagner, Rogers
Elaine Wright, Samuel, Son & Co.
Anuj Dhawan, Scotiabank
Brett Pacific, Sunlife
Derek Astley, TD Bank

Observers

Louise Brinkmann, CanDeal
Ann Battle, ISDA
Joshua Chad, McMillan LLP
David Duggan, National Bank Financial
Robert Catani, TMX

Guests

Michelle Chow, CDCC
Olivier Couture, CDCC
Alexandre Prince, TMX
Robert Tasca, TMX

Subgroup co-leads

Nicholas Chan, BMO
Jacqui Szeto, Canso
Jacqueline Green, CIBC
Elodie Fleury, National Bank
Lisa Mantello, Osler
Robin Das, RBC Capital Markets
JP Mendes Moreira, Scotiabank

Bank of Canada

Harri Vikstedt
Sheryl King

Wendy Chan
Zahir Antia
Owen Zehr
Thomas Thorn