

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

Hybrid, 28 August 2023, 11:30 p.m. to 1:30 p.m.

## **1. Introduction**

Members were welcomed to the meeting. The co-chairs thanked CARR members for their hard work over the summer months.

## **2. LCH consultation**

Representatives from LCH joined the meeting and provided an overview of LCH's [consultation](#) on [converting](#) outstanding cleared CAD CDOR contracts. This conversion is anticipated to be very similar to the conversions that took place for cleared LIBOR contracts (in particular, very similar to the GBP LIBOR conversion). Tools will be available on LCH's website closer to the proposed conversion date of June 1, 2024 (with a contingency date of June 15) to estimate various aspects of the conversion including indicative valuation differences. LCH is available to walk through these with their clients. Responses to the consultation are due by end of day on September 15.

## **3. Term CORRA update**

CanDeal provided an overview of Term CORRA's status. The rate will be officially launched on September 5 and the internal processes around this launch have so far been smooth. Term CORRA's first oversight committee meeting occurred last week, and CanDeal has been working with the OSC and AMF on the potential designation of Term CORRA as a Designated Benchmark and CanDeal as a Designated Benchmark Administrator. CanDeal then provided an overview of their internal validation procedures for Term CORRA, as well as documentation or external price challenges. CanDeal also confirmed that Term CORRA will be published to 5 decimal places.

TMX provided an update on its outreach to clients to license the use of Term CORRA. The larger Canadian lenders have already received the licensing agreements, and TMX is currently working with Bloomberg and Refinitiv on distributing the rate through their platforms.

## **4. CDOR transition status**

CARR's co-chairs noted that the maturity-weighted notional of LCH-cleared CORRA swaps [continued](#) to be a significant share of overall CAD swap volume. CARR members estimated that 95% of new swaps trading is now done with CORRA swaps, with most CDOR trades being risk reduction trades.

Members noted that the daily volume of 3-month CORRA futures (CRA) has exceeded 3-month BA futures (BAX) on some specific days on the Montreal Exchange. High Frequency Traders have begun to adopt CRA over BAX, with CRA activity rising 35% and BAX activity dropping about 20%.

## **5. CARR subgroup updates**

The Cash Securities subgroup noted that it had continued its work on tough legacy Canadian MBS. CARR members discussed potentially recommending alternative fallback language for NHA-MBS to reflect the unique nature of these securities.

The Derivatives subgroup noted that it had agreed on a high-level set of conventions for Term CORRA swaps (Term CORRA-fixed and Term CORRA-CORRA). These conventions will be circulated to CARR members for review and will be ultimately published. The subgroup discussed draft ISDA fallback language for swaps referencing Term CORRA. The language should align with the fallback language included in Term CORRA loan agreements.

The Term CORRA subgroup noted that its finalized use cases will be published later that week. This document is an updated on the January 11 use cases. The subgroup co-leads discussed differences between these two documents, as well as differences between the Canadian and American approaches to restricting the use of their term benchmark.

The CORRA Loans subgroup discussed some additional FAQs for potential inclusion in CARR's FAQ document, providing additional detail on what CARR's "no new CDOR loan" restrictions cover. It will soon circulate these more broadly to CARR for review.

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 have redrafted their Transition Aid document to cater more to those Canadian market participants going through a benchmark transition for the first time.

The Communications and Outreach subgroup co-chairs noted that the CARR-TMX webcast on loan market transition is [now available](#). The subgroup continues to coordinate messaging between CARR and Canadian banks. Members discussed a potential live Q&A event for later in the fall.

## **6. Other items**

The co-chairs provided an update of discussions at the CFIF BA Transition Virtual Network, including on discussions on how BAs will potentially be wound down ahead of CDOR's cessation.

The next CARR meeting will take place on 25 September 2023.

## **List of attendees**

### **Market representatives**

Jason Chang, AIMCO  
Carol McDonald, BMO  
Luke Francis, Brookfield  
Brent Clode, Central1  
Karl Wildi, CIBC  
Louise Stevens, CMHC  
Carl Edwards, Desjardins  
Alan Turner, HSBC  
Jean-Philippe Drolet, National Bank Financial  
Andrew Bastien, PSP  
Guillaume Pichard, Quebec Ministry of Finance  
Jim Byrd, RBC  
Elaine Wright, Samuel, Son & Co.  
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**

Andre Langevin, CanDeal  
Lauren Ewald, LCH  
Gavin Morris, TMX

### **Subgroup co-leads**

Nicholas Chan, BMO  
Daniel Parrack, CIBC  
Lisa Mantello, Osler  
Robin Das, RBC Capital Markets  
JP Mendes Moreira, Scotiabank  
Alison Perdue, TD

### **Bank of Canada**

Harri Vikstedt  
Sheryl King  
Wendy Chan

Owen Zehr  
Thomas Thorn