

Minutes of the Canadian Alternative Reference Rate Working Group

Hybrid, 11 December 2023, 11:30 p.m. to 1:00 p.m.

1. Introduction

Members were welcomed to the meeting. The co-chairs noted that just over 6 months remain until CDOR's publication ceases.

2. Term CORRA update

CanDeal noted that it has hired an external auditor to assess whether CanDeal is meeting its responsibilities under NI 81-102 and to prepare an assurance report based on its findings. CanDeal continues to work through the feedback it received on developing a monitoring dashboard for Term CORRA during its recent oversight meeting. Members discussed CanDeal's potential republication guidelines, should Term CORRA need to be republished due to an error. It was noted that CME will not republish Term SOFR due to a calculation error, although it may correct publication errors (e.g. if a typo is made in publishing the rate on CME's website). This approach reflects the robust internal checks performed by CME in its calculation of Term CORRA and the impact of a republication on market participants.

TMX confirmed that it has continued to make progress in its discussions with Bloomberg about the distribution of Term CORRA over Bloomberg's platform. For real-time access to Term CORRA, Bloomberg users will need a license from TMX. TMX noted that close to 90 firms have engaged TMX on potentially acquiring a license for the benchmark.

3. CDOR transition status

CARR members noted that new interest rate swaps trading [continues](#) to predominantly reference CORRA, although there was recently a small decline in the volume of CORRA swaps relative to CDOR swaps. Members attributed this small decline to year-end hedging by firms with CDOR loan facilities, which is allowed under CARR's two-staged transition plan. So far, only a few Term CORRA swaps have been traded, with many potential larger borrowers looking to enter into overnight CORRA based loan facilities instead of Term CORRA to take advantage of the lower hedging costs. For interest rate futures, about 70% of activity now consistently references CORRA instead of CDOR. While some HFT activity has migrated, HFTs are still active in BAX futures.

Members also noted that Ontario recently issued their first CORRA FRN. Most FRN issuers are ready for CDOR's cessation.

Loan markets are expected to begin their transition in earnest in 2024, although discussions between lenders and bankers are already underway. Members discussed the usage of the "rate flip" option provided by some banks, which can allow borrowers to flip their drawdown from Term CORRA to CORRA (or vice-versa). The availability of this option varies across banks.

4. CARR subgroup updates

The Cash Securities subgroup is planning to discuss with Bloomberg their readiness to implement the applicable fallback for CDOR to determine the interest rate on securities that reference CDOR after the rate's cessation. Individual securities may have different fallbacks in place, so Bloomberg and other data providers will need to know and implement the applicable fallback language for each relevant security.

The Derivatives subgroup noted that a minor change has been made to its conventions for Term CORRA basis swaps. This change fixes a transcription error, removing the word "adjusted" on its day count conventions.

The Term CORRA subgroup noted that some international banks who were members of loan syndicates with a Canadian dollar drawdown option referencing Term CORRA were not aware of the need for all syndicate members to have a Term CORRA license. Firms uncertain whether they need to obtain a Term CORRA license were recommended to contact [TMX](#). Members also noted that the licensing for Term CORRA is relatively more expensive for users than Term SOFR, as both have roughly the same set-up and oversight costs, but the number of market participants needing to use the Canadian benchmark is significantly lower.

The CORRA loans subgroup discussed whether data should be compiled on CORRA lending activity to help track the transition in the loan market.

The Accounting, Taxation, and Regulation subgroup noted that progress is on going to potentially removing references to Bankers Acceptances (BAs) from the Bank Act, given that BAs will soon be discontinued.

The Communications and Outreach subgroup co-chairs noted that the Term CORRA live-event took place on November 22, as part of the [CARR-TMX webcast series, and is now available on the website](#). Members discussed a potential additional webcast with the CARR co-chairs, providing an update on the transition.

5. Other items

The next CARR meeting will take place on 29 January 2024.

List of attendees

Market representatives

Carol McDonald, BMO
Luke Francis, Brookfield
Brent Clode, Central1
Karl Wildi, CIBC
Louise Stevens, CMHC
Carl Edwards, Desjardins
Jean-Philippe Drolet, National Bank of Canada
Andrew Bastien, PSP
Guillaume Pichard, Quebec Ministry of Finance
Jim Byrd, RBC
Anuj Dhawan, Scotiabank
Brett Pacific, Sunlife
Derek Astley, TD Bank

Observers

Louise Brinkmann, CanDeal
Philip Whitehurst, LCH
Josh Chad, McMillan LLP
Mike Elsey, RBC
Gavin Morris, TMX
Robert Catani, TMX

Subgroup co-leads

Jacqui Szeto, Canso Investments
Jacqueline Green, CIBC
Lisa Mantello, Osler
Elodie Fleury, National Bank of Canada
Robin Das, RBC Capital Markets
JP Mendes Moreira, Scotiabank
Alison Perdue, TD

Bank of Canada

Harri Vikstedt
Sheryl King
Wendy Chan
Danny Auger
Xuezhi Liu
Owen Zehr
Thomas Thorn