

Minutes of the Canadian Alternative Reference Rate Working Group

Hybrid, 29 January 2024, 11:30 p.m. to 1:30 p.m.

1. Introduction

Members were welcomed to the meeting. The co-chairs noted that just over 5 months remain until CDOR's publication ceases. They briefly reviewed CARR's work in the remaining months, which includes transitioning loan markets, the wind-down of BA issuance, publicising the transition, and resolving last-minute issues as they arise.

2. Bloomberg update

CARR was joined by several representatives from Bloomberg who presented an overview of their work on supporting the transition from CDOR to CORRA through their proprietary terminal and data services.

The representatives discussed Bloomberg's approach to incorporating the appropriate fallback language for securities whose underlying pricing index changes. For securities transitioning from USD LIBOR to SOFR, this involved collecting information on the changing terms of the security from DTCC (including the new pricing index, any relevant spreads, calculation methodology), and including this in security's description page and reflected in Bloomberg's valuation tools. Bloomberg highlighted that it is well prepared for the Canadian transition based on its experience with the various LIBOR transitions, with most functionality already available using CORRA. Bloomberg emphasized the value in having a defined and programmatic approaches for distributing information on the applicable fallback for each affected security.

Members discussed and advocated for including Bloomberg in discussions with CDS to determine the best approach to recording and disseminating information on fallback rates for Canadian fixed income securities.

3. Term CORRA update

CanDeal discussed its end-of-year process, including financial reporting and regulatory requirements. CanDeal is carrying out a self-assessment of its compliance with regulatory requirements ahead of its external audit. They also noted that the daily calculation and publication process has proceeded smoothly. CanDeal mentioned that they will circulate a survey to the Term CORRA Tier 1 licensees on the operational impact of its proposed policy for republishing the rate by 4pm ET in the event of a material error.

TMX noted that over 115 firms have reached out to TMX about potentially obtaining Term CORRA licenses, with over 50 firms now having signed up. Many recent licensees have been from abroad.

4. CDOR transition status

CARR members discussed the [transition](#) of derivatives markets. The institutional market has almost completely transitioned, with residual CDOR activity focused on converting legacy exposures to CORRA. The corporate clients have only just begun transitioning their derivative activity. Liquidity in futures is now overwhelmingly concentrated in CORRA futures rather than

BAX futures, with any remaining HFTs still in BAXs expected to soon fully transition to CORRA futures. The MX also noted that they have an open RFP for the development of CORRA options. The deadline for the RFP is February 16, with the MX hoping to launch the product by April.

Members discussed the treatment of the leap year when compounding CORRA (e.g. for securities using CARR's recommended methodologies, or in the case of the CORRA Index). Members reiterated that the calculation would not be adjusted for leap years and that the calculation would be based on the 365/fixed methodology that had been published earlier. This methodology was consulted on and it aligns with the existing standard in major markets such as derivatives.

Members provided an update on the transition in loan markets. Members noted discussions about the potential differences between the look-back methodology used in fallbacks for CDOR loans and in derivatives, particularly in relation to hedge accounting and its effectiveness if these are different. It was suggested that if these are different, and firms require exact matching of dates to ensure full effectiveness, then it would be easier to potentially amend the loan fallback to match that of the derivative.

5. CARR subgroup updates

The Derivatives subgroup noted that the market participants are well aware of the transition, with clients seeking to wind down their CDOR swaps proactively highlighting that the trades are risk-reducing. Members discussed the difference between Term CORRA inter-dealer swap trades and those relating to swap syndications. CARR confirmed that swap syndications are not considered inter-dealer transaction under CARR's Term CORRA Use Cases and therefore do not need to trade as "Term CORRA/CORRA basis" as is the case with inter-dealer transactions. Members also discussed the potential need for no-action regulatory relief from the provincial securities regulators with regards to trade reporting, similar to what was issued by them for USD LIBOR.

The LCH co-chair of the Operations & Infrastructure subgroup noted that the upcoming conversion event for CDOR swaps at LCH is well on track.

The Communications & Outreach subgroup discussed CARR's [upcoming](#) 29 February live webcast sponsored by PwC. The webcast will cover the key remaining transition milestones, the transition of loans and related hedging, including Term CORRA licensing, and the transition of BAs. The webinar will be recorded and made available on the TMX Webcast webpage as well as on the CARR website. Members also discussed the March presentation CARR has planned in London.

Other subgroups noted their work was discussed in previous sections of the meeting.

6. Other items

The next CARR meeting will take place on 25 February 2024.

List of attendees

Market representatives

Elaine Wright, Alcoa
Alexander Nicholson, Bank of America
Carol McDonald, BMO
Luke Francis, Brookfield
Brent Clode, Central 1
Karl Wildi, CIBC
Louise Stevens, CMHC
Carl Edwards, Desjardins
Alan Turner, HSBC
Jean-Philippe Drolet, National Bank of Canada
Audrey Gaspar, OTPP
Andrew Bastien, PSP
Jim Byrd, RBC
Anuj Dhawan, Scotiabank
Brett Pacific, Sunlife
Derek Astley, TD Bank

Observers

Dave Duggan, CAG chair
Louise Brinkmann, CanDeal
Philip Whitehurst, LCH
Josh Chad, McMillan LLP
Robert Catani, TMX
Gavin Morris, TMX
Jody Nguyen, TMX

Subgroup co-leads

Nicholas Chan, BMO
Jacqui Szeto, Canso Investments
Lisa Mantello, Osler
Elodie Fleury, National Bank of Canada
Robin Das, RBC Capital Markets
Mike Elsey, RBC
JP Mendes Moreira, Scotiabank

Guests

Marc Konigsberg, Bloomberg
Gadi Goldress, Bloomberg
Harry Lipman, Bloomberg
Chris Miller, Bloomberg
William Troost, Bloomberg
Steffan Tsilimos, Bloomberg
Carolyn Windover, Bloomberg
Justin Kesheneff, Bloomberg

Bank of Canada

Harri Vikstedt

Wendy Chan

Danny Auger

Xuezhi Liu

Owen Zehr

Greyson Addo

Thomas Thorn