

Minutes of the Canadian Alternative Reference Rate Working Group

Hybrid, 25 March 2024, 11:30 a.m. to 1:00 p.m.

1. Introduction

Members were welcomed to the meeting. The CARR co-chair reminded members that CDOR's publication will cease in just over three months. He reiterated that there will be no extension to that date and that there will be no synthetic CDOR rate published after June 28th.

The co-chair informed members that Thomas Thorn has stepped down as the head of the CARR Secretariat as he has changed roles internally at the Bank of Canada, and that his role will be filled by Wendy Chan and Zahir Antia. The co-chair and other members thanked Mr. Thorn for his immeasurable contributions and dedication to the work in helping to reform the Canadian benchmark landscape.

The co-chair also thanked PwC for hosting a very successful webinar on CDOR transition on February 29. Over 700 people registered for the live event. A [replay of the PwC webinar](#) is available on TMX's CDOR Transition Webcast Series webpage. He also noted that CARR recently hosted an outreach event in London UK for market participants. The event was well attended and covered the main themes discussed in the PwC webinar.

2. Term CORRA update

A representative from CanDeal presented their recommendations on the operational parameters of delaying or republishing the term CORRA rate in the event of technical issues or a material error. The recommendations were informed by feedback from a survey of the Term CORRA Tier 1 licensees and a review of practices of other benchmark administrators. The proposed parameters had been approved by CanDeal's Term CORRA Oversight Committee. In the event that Term CORRA cannot be published at the regular time of 1pm ET due to technical issues, CanDeal would aim to publish the rate no later than 2pm ET, after which if a level 1 calculated rate was not available a level 2 rate would be published. Market participants would be informed of any delay. If there is an error in the computation of Term CORRA of greater than 1 basis point, the rate would be republished. This would be consistent with the current rules around republishing CORRA in the event of a material error. The latest publication time for republishing Term CORRA would be 3pm ET on the day of the original publication. After this time no changes would be made to any published rate. CanDeal also noted that it will begin publishing an extended historical data series for Term CORRA on its website to allow market participants to confirm historical rates, if needed.

TMX informed the Working Group that 70 firms have obtained Term CORRA licenses, with another approximately 60 firms expressing interest to obtain a license. TMX is continuing discussions with Bloomberg and Refinitiv on distributing Term CORRA on a T+1 basis on their platforms.

3. CDOR transition status

CARR members discussed the [transition](#) of derivatives markets. The subgroup co-chairs noted that clients continue to make good progress in reducing their CDOR exposures. A representative from

the MX reminded members that after April 26, 2024, outstanding BAX positions for contracts that expire after June 2024 will be converted into equivalent 3-month CORRA futures contracts. The MX is also working with dealers to try to increase liquidity in the 1-month CORRA futures contract.

The co-chairs of the cash securities sub-group informed members that they have received questions from various market participants regarding CARR's recommended fallback rate for CDOR in legacy FRNs. The CARR co-chair reminded members that CARR's recommended fallback rate for these securities is the term-adjusted CORRA compounded-in-arrears rate, the same as for derivatives transactions subject to ISDA documentation, which includes the published credit spread adjustment relating to the specific CDOR term. The rates are administered and published by Bloomberg for ISDA and are available on the "FBAK" page (relating to CDOR) on the Bloomberg terminal. The specific codes for the 1- and 3-month CDOR fallback rates are VCDOR01M index and VCDOR03M index respectively. More details on the appropriate fallback rate can be found in CARR's "[Recommended fallback language for FRNs referencing CDOR](#)" document published in July 2021. Members discussed having a session at the next CARR meeting to walk through how the fallbacks would work in practice.

A representative from CMHC noted that significant progress has been made in updating legal documentation with robust fallback language for NHA-MBS securities that reference CDOR, which were issued prior to November 2020. The representative encouraged investors in these securities to proactively provide consent to the issuers to add fallback language to the documentation for these securities.

Members discussed the transition in loan markets. The bulk of the conversions to CORRA or Term CORRA based loans is expected to occur in Q2-2024, just prior to the cessation of CDOR. This is similar to what happened with USD LIBOR based loans.

They discussed conforming changes that the administrative agent of a loan may need to enact (e.g. to timing and frequency of determining rates, or for removing the Bankers Acceptance (BA) drawdown option etc.) as the result of the adoption of a fallback rate.

The CARR co-chair informed members that CARR will soon start publishing two reports to monitor the transition from CDOR to CORRA and Term CORRA. The first report, based on OSFI collected CDOR transition data, will show the aggregated outstanding amount of CDOR loans that have not transitioned to other benchmarks, as well as the volume of new loans, including any transitioned loans, referencing CORRA and/or Term CORRA. The report will also show the aggregated volume of Term CORRA derivatives booked by the six largest Canadian banks. The second report will show trading volumes of BAs. Trading volumes are used as a proxy for BA issuance to gauge the progress of the transition to lower issuance volumes. The reports will be available monthly on CARR's <document> web page.

Members discussed the benefits of CARR publishing industry guidance on best practices on any unremediated contracts across the main financial products referencing CDOR.

4. CARR subgroup updates

The LCH co-chair of the Operations & Infrastructure subgroup noted that the upcoming conversion event for cleared CDOR swaps at LCH is still on track and that they are actively working with market participants to test processes.

The Communications & Outreach subgroup noted it is seeking relief from the CSA regarding trade reporting requirements after the cessation of CDOR, similar to what was done with LIBOR trades. This is due to the operational burden of reporting the large number of OTC derivatives that are expected to transition under fallback provisions on or before July 2, 2024.

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

5. Other items

The next CARR meeting will take place on April 29, 2024.

List of attendees

Market representatives

Alexander Nicholson, Bank of America
Andrew Bastien, PSP
Anuj Dhawan, Scotiabank
Brett Pacific, Sunlife
Bruce Wagner, Rogers Communications
Carol McDonald, BMO
Derek Astley, TD Bank
Jason Chang, AIMCO
Jean-Philippe Drolet, National Bank of Canada
Jim Byrd, RBC
Elaine Wright, Alcoa
Luke Francis, Brookfield
Louise Stevens, CMHC

Observers

Ann Battle, ISDA
Dave Duggan, CAG chair
Philip Whitehurst, LCH
Josh Chad, McMillan LLP
Robert Catani, TMX
Gavin Morris, TMX
Jody Nguyen, TMX
Louise Brinkman, CanDeal
Andrew Munn CanDeal

Subgroup co-leads

Jacqui Szeto, Canso Investments
Jacqueline Green, CIBC
Daniel Parrack, CIBC
Lisa Mantello, Osler
Elodie Fleury, National Bank of Canada
Robin Das, RBC Capital Markets
Mike Elsey, RBC
JP Mendes Moreira, Scotiabank
Sarah Patel, Scotiabank

Bank of Canada

Harri Vikstedt
Wendy Chan
Danny Auger
Xuezhi Liu
Owen Zehr
Greyson Addo
Thomas Thorn