

Minutes of the CORRA Advisory Group

Teleconference, 8 November 2023, 10:30 a.m. to 12:00 p.m.

1. Introduction

The Chair (Dave Duggan, National Bank of Canada) opened the meeting and introduced a new member. The Chair noted that he will be retiring later this month.

2. Discussion of CORRA trends and market developments

Mike VanHees (Scotiabank) provided an overview of CORRA's settings, which have recently been above target. At first, this corresponded with Canadian banks' year-end (31 October), but has continued to persist. While CORRA is not expected to publish at target, members want to understand the potential drivers for this divergence. Potential drivers discussed include LYNX settlement balances and the removal of liquidity from the Canadian financial system by the Bank of Canada, regulatory constraints faced by banks, changes in the behaviour of market participants, and the impact of the coming cessation of CDOR publication and BA issuance. Members noted the October 26 market [notice](#) by the Bank of Canada on overnight reverse repo operations moving to an ad hoc basis. Members discussed the Bank of Canada's role in repo markets and noted that it does not have a fixed threshold after which it intervenes in overnight repo markets.

Danny Auger (Bank of Canada) presented an overview of CORRA's behaviour in recent months. As the Bank of Canada has hiked rates, there has been a wider dispersion on the rates seen on overnight repo transactions. CORRA's volume has remained robust, with the trimmed overnight volume for CORRA exceeding \$10 billion on over 80% of days over the past three years. As LYNX settlement balances have declined, CORRA has drifted upwards. There has also been an observable decline in SRO and ORR take-up by market participants.

Maxime Vives (VMD) provided a dealer perspective on markets, building onto the discussions that had already occurred during the meeting. Members noted that many market participants wait until CORRA prints before they lock in their funding level, making it more difficult to bring CORRA down. Cash providers were seen as being less active in repo markets. The CDOR/BA transition has had a significant impact, with many clients already capable of conducting repos inquiring whether they could increase their activity in repo markets.

3. Wrap-up and next steps

Members discussed the Bank of Canada potentially developing a primer on CORRA to introduce Canadian and international market participants on CORRA's calculation and behaviour. Members agreed that such a document would be very useful for a broad range of market participants, including fund managers, FRN investors, buy side managers, and new employees.

Members briefly discussed the potential timing and scope of the 5-year "sunset" review of CORRA noted in CAG's Terms of Reference. Members discussed how the introduction of CCMS may

affect CORRA, and whether it would move activity from overnight GC repo to repo backed by other assets such as corporate bonds.

CAG members congratulated the Chair on his retirement and thanked him for his contributions to Canada's financial markets.

CAG's next meeting will be in May 2024.

List of attendees

Market representatives

Faye Li, BCI
Annaleigh Greene, BMO Capital Markets
Bruno Gosselin, Caisse de Dépôt & Placement du Québec
Rick Brown, CIRO
Maxime Vives, Desjardins
Jordan McKenna, GWN Capital
Dave Duggan, National Bank of Canada
Jean-Paul Lamoureux, Ontario Financing Authority
Robin Das, RBC Dominion Securities
Mike VanHees, Scotiabank
Brett Pacific, Sunlife
Elie Elkhali, TMX

Bank of Canada

Harri Vikstedt
Wendy Chan
Mark de Guzman
Danny Auger
Yash Chauhan
Owen Zehr
Thomas Thorn