



## **SUMMARY OF THE DISCUSSION**

Toronto, January 16, 2025, 4:00 to 6:00 p.m.

### **1. Review of competition law**

Joshua Chad, Partner, Competition, Antitrust & Foreign Investment at McMillan LLP, acting as the Bank of Canada's external counsel for competition law related guidance, provided an overview of Canadian competition law and its implications for CIMPA members. Members should avoid sharing competitively sensitive information and data, and discussions on issues related to pricing of individual firm products that could be considered competitively sensitive. To the extent any CIMPA work requires the use of competitively sensitive information, competition law guidance should be sought prior to any such sharing.

Lisa Mantello, Partner, Financial Services at Osler, Hoskin & Harcourt LLP, was introduced as an observer. She will provide legal support to the work of CIMPA on behalf of the industry.

### **2. Canadian cash settlement challenges**

A CDS representative discussed challenges in the Canadian settlement ecosystem, which have been exposed during the development of the Canadian Collateral Management Service (CCMS), starting with the inaugural trades conducted in April 2024. It became evident that automatically closing repos in the overnight window is problematic, due to reliance on Aggregate Collateral Value (ACV), a fragmented and manual cash settlement process, and widespread use of one-sided trade matching—unlike the automated and two-sided matching systems in other jurisdictions. In response to these challenges to support improved functionality, CCMS is introducing a 10:30am repo opening/closing option, targeted for February 17. However, this is seen as an interim measure, highlighting the potential need for broader systemic reforms.

CIMPA members agreed that a workstream of subject matter experts in the settlement process should be formed to discuss these challenges and potential options for addressing them, if needed. The CIMPA co-chairs asked members to nominate individuals for this workstream. The workstream will be expected to report back to CIMPA on their findings and potential options or recommendations in H2-2025.

### 3. CCMS update

A CDS representative provided an update on CCMS, the triparty repo service developed by TMX and Clearstream. TMX is currently onboarding 35 clients, up from 27 in December, with most primary dealers expected to be fully operational by the end of Q1-2025. One custodian is operational with two others joining the service by early summer. The bulk of buy-side participants currently being onboarded should be operational by the summer.

CCMS has also expanded eligible collateral to include equities. As of October 2024, equities from the TSX Composite and TSX 60 have been eligible, with TMX expanding this to include DTCC-eligible equities. They are also looking to expand the service later in 2025 to include securities lending. CCMS has also been configured to operationalise CDCC's Secured General Collateral (SGC) product offering, with the first issuance expected between mid-April and June 2025.

Key product enhancements for 2025 include:

- Repo opening/closing flexibility (February 17),
- Automation of entitlements for CCMS transactions (April 28), and
- CCMS pledge functionality for securities lending and CDCC initial margin requirements (June).

To further support CCMS operations, additional features include AI-based eligibility assessment through OSCAR, API integrations, and automated trade proposal tools (e.g., Marriage Broking and Trade Mapper). The team will continue monitoring industry feedback and refine CCMS as it evolves. The member noted that having the various CCMS focussed CIMPA subgroups has been very effective in helping to refine and finalise the CCMS configuration.

### 4. CIMPA subgroups update

The three CCMS related CIMPA subgroups provided updates on their progress.

#### a. Custodian model subgroup

The subgroup co-chairs highlighted the development of a white paper, which outlines the benefits of tri-party repo, CCMS's role in Canada's financial system, and principles for onboarding custodians.

The subgroup's work is divided into three phases:

- Phase I: Collateral Receiver model for non-NI 81-102 cash providers, set to go live in January 2025.
- Phase II: Collateral Provider model for non-NI 81-102 funds and the Collateral Receiver model for NI 81-102 funds, beginning in February 2025 and targeted for completion by Q2-2025.
- Phase III: Collateral Provider model for NI 81-102 funds, with timing yet to be determined pending regulatory discussions.

A key discussion point was regulatory constraints on NI 81-102 funds in repo transactions. The subgroup is evaluating whether to seek regulatory exemptions or to try to seek broader regulatory changes, with some member favoring exemptions as a faster and more practical solution.

Next steps include finalizing the first draft of the white paper in January-February 2025, engaging NI 81-102 fund representatives by end of Q1-2025, and refining recommendations by Q2-2025. The updated white paper, incorporating finalized models and regulatory insights, will be shared industry wide.

b. Standardized baskets subgroup

The subgroup has engaged market participants and collaborated with the CIMPA Valuation and Haircuts subgroup to ensure repo basket consistency. To oversee standardized baskets development, the subgroup recommends that the CIMPA Standardized Basket Subgroup, in collaboration with TMX-CCMS, serve as the governing body, modeled after the Eurex framework in Europe.

The subgroup has agreed to introduce standardized baskets in several phases:

- Phase 1: Launching a Government of Canada General Collateral (GoC GC) basket, including Real Return Bonds (RRBs) to ensure broad industry adoption and facilitate initial trading.
- Phase 2: Expanding based on market demand with:
  - Provincial GC baskets: 1) CDCC eligible provinces, and 2) all provinces.
  - Canada Mortgage Bonds (CMB) basket: Fixed-rate CDCC-eligible securities.
  - Pension fund basket: Tailored to pension funds collateral needs.
- These would be followed by other baskets including investment grade corporate basket(s) to support using corporate collateral in repo transactions, as well as NHA-MBS related basket(s).

The subgroup is also discussing the reporting mechanism for these baskets, specifically how dealers would report their repo transactions in specific CCMS baskets to CIRO (Canadian Investment Regulatory Organization) for inclusion in their Market Trade Reporting System (MTRS). This would also be important for the calculation of CORRA, to ensure that GC baskets are properly flagged for transparency and compliance. A dedicated NHA MBS workstream is currently being formed to discuss the use of CCMS for NHA-MBS pools and the creation of any associated basket(s).

Next steps include test trades for the GoC GC basket by end of Q1-2025, continue refining reporting mechanisms with CIRO, and evaluating additional baskets based on market demand.

c. Valuation and haircuts subgroup

Over the past quarter, the subgroup gathered insights from key market participants, including CanDeal for Canadian pricing practices, Eurex for European margin and haircut approach, and BNY Mellon for US pricing and haircut conventions.

The subgroup decided to create two specialized workstreams—one dedicated to developing best-practice guidance on collateral pricing and valuation, and the other to analyzing market conventions and variations of repo haircut among participants. Currently, anonymized repo dealer haircut data is being collected and the Investment Industry Association of Canada (IIAC) haircut study is under review to inform preliminary recommendations.

A key area of interest is the upcoming Treasury Market Practices Group (TMPG) white paper on haircut recommendations for US Treasury repo. CIMPA will closely monitor developments and may invite TMPG representative to discuss its findings once the white paper is released.

## **5. Other items**

The next CIMPA meeting will take place on 16 April 2025.

**Meeting participants:**

**CIMPA members:**

Nick Chan, BMO Capital Markets (Co-Chair)  
André Zanga, Casgrain & Company Limited  
George Kormas, CDCC  
Steve Everett, CDS  
Robert Lemon, CIBC  
Sandy McRae, CPP Investment Board  
Nicolas Poisson, Fiera Capital  
Rob Goobie, HOOPP  
Chris Miller, National Bank  
Arthur Kolodziejczyk, RBC IS  
Robert Dias, Scotiabank  
Travis Keltner, State Street  
Adnann Syed, TD Asset Management

**Observers:**

Annaleigh Greene, BMO Capital Markets  
Fabrice Tomenko, Clearstream  
Kelsey Gunderson, CDS  
Lisa Mantello, Osler, Hoskin & Harcourt LLP  
Manisha Ramji, CDS

**External participants:**

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Joshua Chad, McMillan LLP

**Subgroup co-leads:**

Aaron Carter, CIBC  
Alasdair Graham, BMO  
David Petiteville, RBC IS

**Bank of Canada:**

Harri Vikstedt (Co-Chair)  
Maks Padalko  
Wendy Chan  
Zahir Antia  
Danny Auger  
Xuezhi Liu