

## **Minutes of the CORRA Advisory Group (CAG) meeting**

Hybrid, 12 June 2025, 11:00 a.m. to 12:00 p.m.

### **1. Introduction**

The Chair welcomed members to the meeting.

### **2. CORRA market update**

A representative from the Bank of Canada (the Bank) presented on the recent trends in CORRA rate settings. Despite broader global market volatility recently, CORRA has remained stable. Since the last CAG meeting in April, CORRA settings have trended marginally lower, averaging 2.7537%. CORRA settings have remained close to target despite LYNX balances having drifted lower during the first half of 2025. The various percentiles of the distribution have also consolidated within a narrow range. CORRA volumes continue to be robust, within a range of \$50bln- \$60bln since the start of 2025, well above the fallback zone. The average daily trimmed volume for 2025 has been \$39bln. Overnight repo volume has firmly consolidated near or above 50% of the daily funding volume since the T+1 transition.

Finally, he noted that the Bank has conducted only one overnight repo (OR) operation since early March, in spite of some key dates such as March quarter-end, Canadian bank quarter-end, and the June 1<sup>st</sup> bond coupon payment, which have historically required additional liquidity from the Bank of Canada. Since the Bank cut its deposit rate by 5bps, the RG auctions have replaced ORs as a supplementary source of liquidity for dealers.

Members agreed that repo markets have functioned well. The cut in the deposit rate has resulted in additional cash availability in the repo market. It was noted that take up of the Bank's term repos has been underwhelming, reflecting the abundance of cash in the front-end of the repo market.

### **3. Update on General Collateral (GC) Government of Canada repo baskets**

Danny Auger, co-chair of the CIMPA Standardized Baskets subgroup provided a progress update. He reminded members that the mandate of the subgroup is to develop and standardize repo basket products available for trading and central clearing in Canada. He noted that real value trades have been transacted on the CCMS platform and executed between participants using preliminary GoC and provincial GC baskets. The CCMS team is working to create and "lock" the standardized GoC GC basket template. The working group is increasing and expanding test trades focused on CORRA eligible bilateral baskets to ensure trades are accurately reported to CIRO.

### **4. CORRA sunset review**

A representative from the Bank presented a summary of the feedback from CAG members on the three recommendations that were proposed with respect to the review. He reminded members that the proposed recommendations were (i) no change to the existing trimming methodology as the costs outweigh any potential benefits; (ii) the minimum volume threshold (MVT) should be

increased; and (iii) continue to exclude Bank overnight repo operations and RG auctions from the calculation of CORRA. He informed members that there was unanimous agreement on the first two recommendations. While a few members felt the Bank's operations should be included in the calculation of CORRA as they do influence the rate, the majority agreed that they should be excluded. Following a brief discussion, CAG members unanimously endorsed the recommendations as proposed and noted that the trim methodology would need to be revisited in an ad hoc review or at the next sunset review to account for CCMS triparty GC baskets.

Regarding a static versus a dynamic MVT using a moving average, a representative from the Bank demonstrated how changing the moving average period can impact the MVT and CORRA. The shorter the moving average, the faster CORRA moves off the fallback rate. A longer moving average could trigger the publication of the fallback rate for an extended period. Some members opined that staying at the fallback rate for longer if CORRA volumes collapse could in fact be beneficial for market functioning. The Bank will propose specific options on the appropriate moving average to determine the MVT and seek CAG's advice before a final recommendation.

## **5. Other business**

Steve Everett from the TMX provided an update on CCMS. He noted that four clients, including a pension fund and a custodian are currently in the test phase, and are expected to "go live" by the end of June. By the end of the year, over 30 institutions will be members of CCMS. They are also working to launch floating rate repos on June 16<sup>th</sup>. He welcomed the Bank of Canada's announcement that it will be joining CCMS, likely some time in 2026.

The secretary informed members that the next CAG meeting will be in late September / early October. The exact date will be determined shortly and will depend on the progress with the CORRA sunset review.