

SUMMARY OF THE DISCUSSION

Toronto, June 12, 2025, 4:00 to 6:00 p.m.

1. CDCC repo central counterparty clearing roadmap

The CDCC representatives presented their roadmap for expanding central counterparty (CCP) repo clearing in Canada. The roadmap responds to evolving repo market dynamics, including increased tri-party repo adoption, rising debt issuance, growing US primary dealer participation, increased leveraged trading by hedge funds, and the broader global momentum towards central clearing. They see central clearing as bringing substantial benefits to the Canadian financial system. Currently, CDCC clears around \$40–45 billion daily, about 10–15% of Canada’s repo market, significantly lower than in peer jurisdictions. CDCC aims to close this gap by enhancing infrastructure, increasing product offerings, and expanding buy-side access through a sponsored repo model.

CDCC plans a three-phase roadmap to scale up repo central clearing: (1) modernize operations and broaden eligible collateral (starting late 2025), (2) integrate with the Canadian Collateral Management Service (CCMS) to support the clearing of CCMS’ general collateral (GC) GoC repo baskets (targeted for mid-2027), and (3) potentially launch a sponsored repo model post-2027 for wider buy-side participation.

The members acknowledged that increased central clearing brings benefits to the Canadian financial market but that having cross-product margining is an important aspect to gain more uptake. Members also discussed the need to educate market participants on the benefits of integrating both repo and cash trades under CCP to maximize balance sheet relief, as well as calls for improved awareness of existing CDCC functionality. Participants noted that the Canadian approach should learn from both the successes and limitations of the U.S. and European clearing models, balancing operational simplicity, risk mitigation, and adoption incentives. The need for coordination with CIMPA was also emphasized, and members discussed forming a dedicated clearing focused CIMPA subgroup in the future.

2. Final best practice recommendations for U.S. Treasury repo risk management

Ellen Correia Golay from the Federal Reserve Bank of New York provided a comprehensive overview of the Treasury Market Practices Group’s (TMPG) finalized best practice recommendations for U.S. Treasury repo risk management. The TMPG, sponsored by the New York Fed and involving key stakeholders from across financial industry, has developed these voluntary guidelines to improve transparency and consistency in risk management, particularly for the non-centrally cleared bilateral repo market segment. While not regulatory in nature, all TMPG members are responsible for operating in accordance with the

best practices and building support for the best practices within their firms. Additionally, [primary dealers](#) are expected to operate in accordance with the best practices as part of the New York Fed counterparty requirements, covering Treasury, agency debt, and agency MBS markets.

The updated guidance follows extensive analysis, including a 2023 [study](#) by the U.S. Office of Financial Research that revealed that more than 70% of uncleared bilateral Treasury repo trades had zero haircuts. In its [study](#) of risk management practices in the U.S. Treasury repo market, the TMPG found that while some of the prevalence of zero haircuts is driven by the existence of portfolio margining or netting agreements, the TMPG also found that at times the use of zero haircuts is driven by competitive pressures and client relationships. The TMPG identified this as a potential systemic risk to overall functioning of the Treasury repo market if one or more market participants were to default. Following broad industry consultation, the TMPG [published](#) its final recommendations on May 22, 2025, emphasizing sound risk management practices (e.g., applying haircuts, strong legal documentation, and robust risk management frameworks), while avoiding prescriptive haircut levels to maintain flexibility. They noted that haircut decisions must be framed as risk management tools rather than commercial trade terms subject to negotiation. A phased implementation of the TMPG recommendations is expected through June 2026.

Following the presentation, the co-chairs of CIMPA valuation and haircut subgroup discussed the haircut dynamics in Canada. Discussions across buy- and sell-side firms confirmed that near-zero haircuts remain the current norm for non-cleared bilateral repo backed by high-quality liquid assets (HQLA, i.e., GoC, provincial, and agency bonds). This reflects both competitive dynamics and the strong credit quality of many of the larger domestic counterparties (e.g., pension funds). Some buy-side members also cautioned that dynamic margining during high volatility could introduce procyclical liquidity stress. Nonetheless, the subgroup members acknowledged that such minimal haircut practices may expose the market to tail risks, particularly in stress scenarios like the 2022 UK gilts selloff, which could result in the reduced availability of repo funding. With the TMPG's finalized U.S. best practice guidance offering an important reference, the subgroup will look to finalize the draft haircuts guidance note, for circulation to CIMPA members, that discusses their use as one potential risk management tool to support a more robust market structure.

3. Canadian Collateral Management Service (CCMS) update

A CDS representative provided an update on CCMS, highlighting 11 clients now live on the platform. Between June and September this year, 12 more organizations are set to begin onboarding, with about 30 to 35 active clients expected by year-end. In addition, CCMS recently announced a new tri-party pledge capability, which allows for expanded collateral substitutability throughout the day.

Further developments include the expected launch of SGC (Secured General Collateral) Notes later in the year, as well as future work to support initial margin pledge functionality for CDCC margin via the tri-party framework. The CIMPA co-chair reminded participants that the Bank of Canada (BoC) will begin CCMS onboarding this summer. The BoC expects to eventually conduct all its monetary policy market operations through CCMS. The CIMPA co-chairs will discuss the ongoing repo and CCP-related developments in Canada at the upcoming Provincial Borrowers Roundtable in July, given the role that the provinces play in the Canadian repo market, especially as potential major cash providers.

4. CIMPA subgroups update

The CIMPA subgroups provided updates on their progress.

a. Custodian model subgroup

The subgroup has successfully completed Phase 1 of the CCMS custodian model for cash providers and Phase 2 for non-NI 81-102 securities providers. The implementation model has been formally documented in a draft white paper, which is currently under review by the subgroup. The subgroup discussed the regulatory constraints impacting NI 81-102 investment funds acting as securities providers, particularly the requirement for agent involvement in repo transactions. As a result, the subgroup is exploring the pursuit of targeted exemptions from the agent requirement under NI 81-102. The CIMPA co-chairs suggested that the subgroup reach out to the Securities and Investment Management Association (SIMA) to discuss the issue.

Additionally, a new settlement workstream has been formed within the subgroup to review Canada's settlement processes and timeline, with broad participation from subject matter experts across various stakeholders. The first meeting is expected to take place in the next month.

b. Standardized baskets subgroup

The subgroup continues work to establish standardized GoC GC baskets for use on the CCMS platform. Progress has slowed due to competing resource demands (e.g., the Post-Trade Modernization project) and increasing complexity, but testing and early adoption of GC basket trading are underway. Key priorities include ensuring accurate reporting of the basket trades in MTRS (Market Trade Reporting System), especially considering the importance of accurately capturing all GoC repo trades for the potential inclusion in the CORRA calculation. The subgroup is also working to lock the CIMPA agreed standardized basket templates on CCMS OSCAR and, once ready, will publish an official list of CIMPA-approved baskets on the CIMPA website to promote consistency and transparency. Future phases of work could support the clearing of baskets via CDCC, and the subgroup expects that a best practice guide will be published to align data reporting across dealers.

The CIMPA co-chairs noted that market participants can also use bespoke baskets if required, but that having standardised industry baskets is very beneficial for market functioning and liquidity. They also noted that most trading on Eurex takes place through the key standardized baskets.

c. Valuation and haircuts subgroup

The subgroup continues to progress on its two deliverables: a best practices note on collateral pricing and valuations, and a principles-based guidance note on repo haircuts. Both notes have been circulated within the subgroup for review, with a targeted finalization by the end of the year.

5. Other items

A BoC representative provided an update on re-initiating the development of a short-dated T+0 CORRA-based floating rate note (FRN) as a money market alternative following BA (bankers acceptance) cessation. Modeled after the U.S. Yankee Certificate of Deposit market, the proposed instrument would target T+0 settlement with maturities from 3 to 12 months, with aims to deliver operational simplicity and the ability

for the FRN to be issued directly from the money market desk. A dedicated workstream is being finalized, with its inaugural meeting expected by late summer.

The fail fee subgroup is finalising its members. Its mandate is to finalize governance, define fail parameters, and oversee the development of CDS reporting infrastructure. While GoC fails are not an issue currently given the current rate environment, building the infrastructure now ensures readiness in the event of fails becoming an issue, which could happen in low or negative rate environments, during which the cost of failing is low, or even beneficial.

The final 2025 meeting will be rescheduled from September 18 to October 16, with the 2026 meetings to begin in January.

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
Richard Anton, CIBC Mellon (represented by Louis Lesnika)
Sandy McRae, CPP Investment Board
Nicolas Poisson, Fiera Capital
Rob Goobie, Healthcare of Ontario Pension Plan (HOOPP)
David McKinnon, Manulife
Chris Miller, National Bank
Arthur Kolodziejczyk, RBC IS (represented by Imran Sheri)
Brian Tinney, RPIA
Robert Dias, Scotiabank (represented by Ciaran Dayal)
Travis Keltner, State Street
Adnann Syed, TD Asset Management

External participants:

Elie Elkhal, CDCC
Ellen Correia Golay, Federal Reserve Bank of New York
Todd Evans, Securities and Investment Management Association (SIMA)

Observers:

Fabrice Tomenko, Clearstream
Kelsey Gunderson, CDS
Manisha Ramji, CDS
Joshua Chad, McMillan LLP

Subgroup co-leads:

Alasdair Graham, BMO
Aaron Carter, CIBC
Breiffni McCormack, RBC IS

Bank of Canada:

Harri Vikstedt (Co-Chair)
Maks Padalko
Wendy Chan
Adrian Walton
Zahir Antia
Danny Auger
Michael Mueller
Xuezhi Liu
Mehak Khatter