

Minutes of the CORRA Advisory Group (CAG) meeting

Hybrid, 16 October 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 recent trends in CORRA rate settings. He noted that CORRA had been setting at or near the Bank's target rate for most of the summer but began to rise ahead of the large Government of Canada bond maturity on September 1st. It consolidated around 5bps over the target rate at the end of September, reflecting on-going funding pressures around quarter-end. The Bank conducted overnight repo operations sporadically in September to address the tightness in funding conditions. RG auctions remained an important supplementary source of liquidity for dealers. More recently, CORRA has settled around 2bps above the target rate as the market adjusted to the large bond maturity and quarter-end. CORRA volume continues to be robust, ranging from \$45 billion to \$55 billion since the last meeting. The average daily trimmed volume for that period was \$35 billion.

He reminded members that on September 19th, the Bank announced that it will conduct 2-week term repos on a weekly basis. In addition, federal and provincial inflation linked bonds will now be eligible to pledge as collateral. Participants will also be able to substitute collateral pledged at term repo operations on an unlimited basis. Finally, in addition to the regular term repo operations, the Bank will conduct 1-month NHA MBS term repos.

A member provided her perspective on the effectiveness of the Bank's tools to alleviate funding pressures and lower the spread of CORRA to the Bank's overnight rate. She noted that upward pressure on CORRA has subsided since mid-September but continues to trade persistently above the BoC overnight target rate, suggesting a need for addressing underlying issues such as structural funding market imbalances. She suggested that RG auctions appear to be the most effective tool to reduce the CORRA spread to the overnight rate, likely because RG auctions are the best substitute for overnight repos. Term repos appear to have less direct effective in lowering the CORRA spread.

Members agreed that repo markets have generally functioned well, despite recent pressures. A few members noted that CORRA is supposed to reflect actual funding conditions and is not necessarily supposed to be equal to the overnight rate. One member highlighted that as balance sheet costs have increased with bank regulation, it is not surprising that CORRA trades above the overnight rate when there is increased demand for government bonds (which are funded in the repo market).

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

Danny Auger, co-chair of the CIMPA Standardized Baskets subgroup provided a progress update. He noted that the CCMS TMX/Clearstream teams have developed and demonstrated the “locked” standardized GoC GC basket, which was well received by the participants in the working group. Work to ensure that accurate CORRA data is captured from CIRO reporting entities is on-going. Testing sessions between CIRO and a few dealers to follow GoC GC basket trades through the reporting cycle have been planned. The GoC GC basket is expected to be listed on the Bank’s CIMPA website by the end of November.

4. CORRA sunset review

A representative from the Bank presented the final proposals of the CORRA sunset review. He reminded members that CAG has already agreed that (i) there will be no change to the existing trimming methodology, and (ii) the Bank’s overnight repo transactions and RG auctions will continue to be excluded from the calculation of CORRA. The only change proposed is to make the Minimum Volume Threshold (MVT) dynamic - calculated as 30 percent of the 5-day moving average of CORRA trimmed volumes.

CAG members endorsed the final proposals. The Bank will now seek CFIF endorsement at its meeting on November 6th. Assuming CFIF endorses these proposals, the Bank’s internal CORRA Oversight Committee will have to approve the changes at its meeting on November 17th. A report summarizing the sunset review and recommendations will be published on the Bank’s website before the end of the year. The change to the MVT is expected to be implemented in early 2026.

5. Other business

Members discussed potential topics for CAG’s workplan for 2026. Members agreed that monitoring CCMS will be a priority. Other potential topics considered were whether open repos should be included in the calculation of CORRA, and the growth of stablecoins and the implications for repo funding.

There will be four CAG meetings in 2026.