

Determining a New Minimum Volume Threshold Consultation

Summary

CORRA's Minimum Volume Threshold ('MVT') was established in 2019 as a static \$3bn of trimmed volume. As CORRA-eligible repo volumes have roughly quadrupled following the industry transition from T+2 cash bond settlement to T+1, it has become increasingly unlikely that the current MVT would adequately serve its purpose. At the CORRA Advisory Group (CAG) [meeting on June 12, 2025](#), as part of the 2025 CORRA sunset review process, CAG members supported the recommendation by Bank of Canada staff to increase the MVT so that it continues to ensure CORRA is representative. With CAG's endorsement, Bank of Canada officials indicated that CAG and Canadian Fixed Income Forum (CFIF) members would be consulted on two methods to increase the MVT. The two methods are:

- 1) A one-time level change to a higher static MVT (e.g., \$10bn)
- 2) A more dynamic MVT based on a percentage of a moving average of CORRA volumes

Based on a qualitative assessment of these options, the Bank recommends the dynamic MVT. Specifically, we recommend and are seeking CAG and CFIF endorsement to change the static MVT of \$3bn to one that is calculated as 30% of the 5-day moving average (MA) of CORRA trimmed volume.¹ The dynamic MVT would also retain \$3bn as a floor in the possible but unlikely case CORRA volumes decline significantly on a sustained basis.

$$MVT_t = \max\left(\$3bn, 30\% * MA_{5-day}(CORRA \text{ trimmed volume})\right)$$

Background

Benchmark interest rates should exhibit robust underlying volumes that are representative of the market. CORRA's MVT is meant to ensure that the benchmark rate represents broad conditions in the market for overnight general collateral (GC) repo funding in Government of Canada (GoC) securities. If CORRA's trimmed volume² for the day is below the MVT of \$3bn, CORRA will be set at the 'fallback rate' using the approved fallback methodology³.

At current volumes, the \$3bn MVT is likely no longer representative of the market (Chart 1).

When CORRA's new methodology was developed, the \$3bn static MVT represented around 30% of average daily volume of about \$10bn. However, following the industry move to T+1 settlement in May 2024, CORRA trimmed volumes increased to around \$40bn on average. Thus, a \$3bn MVT now represents less than 10% of CORRA trimmed volumes.

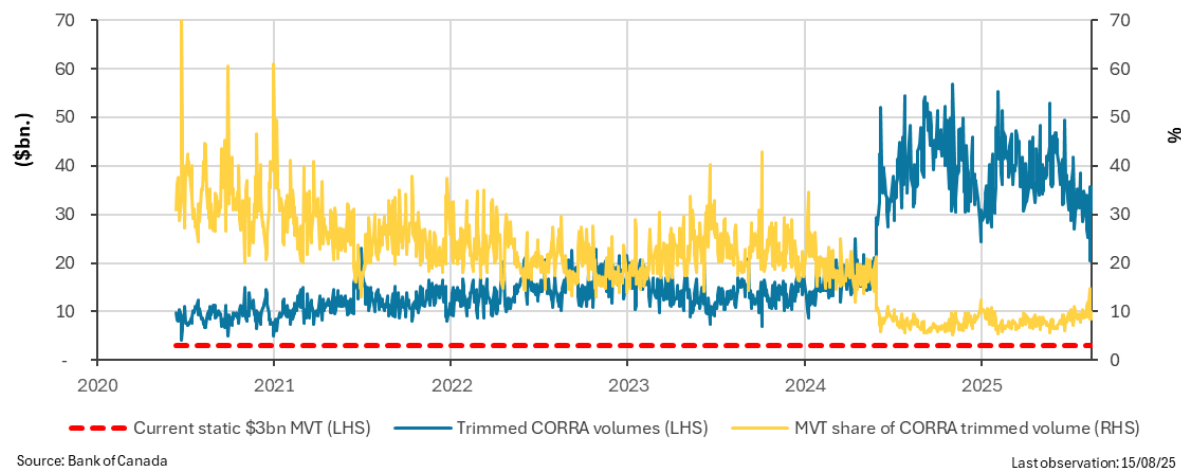
¹ The 5-day moving average excludes the most recent day.

² CORRA's total eligible volumes are trimmed in an attempt to remove trades for specific collateral. As a result, what remains — CORRA's *trimmed* volume is meant to represent trades for GC funding.

³ The [fallback rate](#) is equal to the Bank of Canada target for the overnight rate for that day plus the mean spread over the previous five business days between CORRA and the Bank of Canada target on those days. When the published CORRA rate for a given day is the fallback rate, this will be clearly identified on the website. As of August 15, 2025, the fallback rate has only ever been published once. On August 11th, 2025, due to technical issues at CIRO, CORRA was unable to be published by the required time of 11amET and as a result the fallback rate was used.

Chart 1: The minimum volume threshold has become a smaller share of CORRA trimmed volumes

CORRA trimmed volumes, minimum volume threshold (MVT), and its share of trimmed volume.



Assessment

Two options for a revised MVT are discussed — a higher static MVT, and a more dynamic MVT.

The static MVT could be revised higher, for example to \$10bn. However, the primary drawback of this continued static approach is that the MVT may need to be updated again if volumes change materially, either up or down. Among the catalysts that could change CORRA volumes in the medium-term are:

- A change in participation in the GoC markets from participants like hedge funds
- Increased issuance by the government
- An increase in collateral efficiency as CCMS is broadly adopted

Option 1: Implement a new higher static MVT

One option would be to simply increase the level of the static MVT up from \$3bn to reflect today's market with higher CORRA volumes. For example, pre-T+1 transition, the \$3bn MVT was *typically* 20-30% of CORRA trimmed volume. Post-transition the \$3bn MVT is now typically 5-10% of CORRA's trimmed volume. If we apply pre-T+1's MVT share of CORRA trimmed volume to post-T+1's volumes, then a new updated static MVT would be around \$10-15bn. While this option is relatively easy to understand and simple to implement, the primary drawback of another static MVT is that it may need to be updated again if volumes change materially. If volumes increase, the primary risk is that the MVT is not large enough to be representative. If CORRA volumes decline, especially quickly, CORRA could be set using the fallback rate for an extended period as the Bank and industry analyze developments and decide whether the MVT should be lowered.

Option 2: Implement a new dynamic MVT that adjusts with changes in CORRA volumes

Alternatively, the current static MVT can change entirely to have a more *dynamic* calculation. With a dynamic calculation, the new MVT would automatically adjust with changes (up *and* down) in

market volumes. This dynamic approach would not require ad-hoc adjustments, an improvement over the current static methodology.

Key to an effective dynamic approach is appropriate parameterization—i.e., determining a dynamic minimum threshold that remains representative to changes in volume, but is not overly sensitive to single day swings. It should also strike a balance of robustness and representativeness with simplicity, making it easily understood which helps support confidence in CORRA. The dynamic approach we propose that strikes this balance is an MVT set as $X\%$ of a n -day simple moving average of trimmed volumes, where the minimum representative threshold is determined by X and the sensitivity is determined by n .

In terms of choosing X , we find that 30% of CORRA trimmed volumes (i.e., $X=30\%$) sets an appropriate MVT. First, this share is consistent with the approximate percentage of average of trimmed volumes when the \$3bn MVT was initially set. Second, in terms of number of submitters, in the current environment this share would capture at least two and up to half the number of submitters. Thus, market participants can remain confident that in the typical case, if CORRA volumes were to fall near but above the MVT (e.g., due to technical issues collecting some submitters' data), that CORRA is still representative of the markets activities as the volume submitted captures more than a single or very few participants activity Table 1).

Table 1: MVTs that are 30% of CORRA trimmed volume will *typically* capture at least two and up to half the number of submitters

MVT's share of average daily CORRA trimmed volume ^a	MVT	Number of submitters that could be included in the MVT ^b		
		From	To	Average
25%	\$9.5 billion	1	7	4
30%	\$11.4 billion	2	7	4
35%	\$13.3 billion	2	8	5
40%	\$15.2 billion	3	9	6

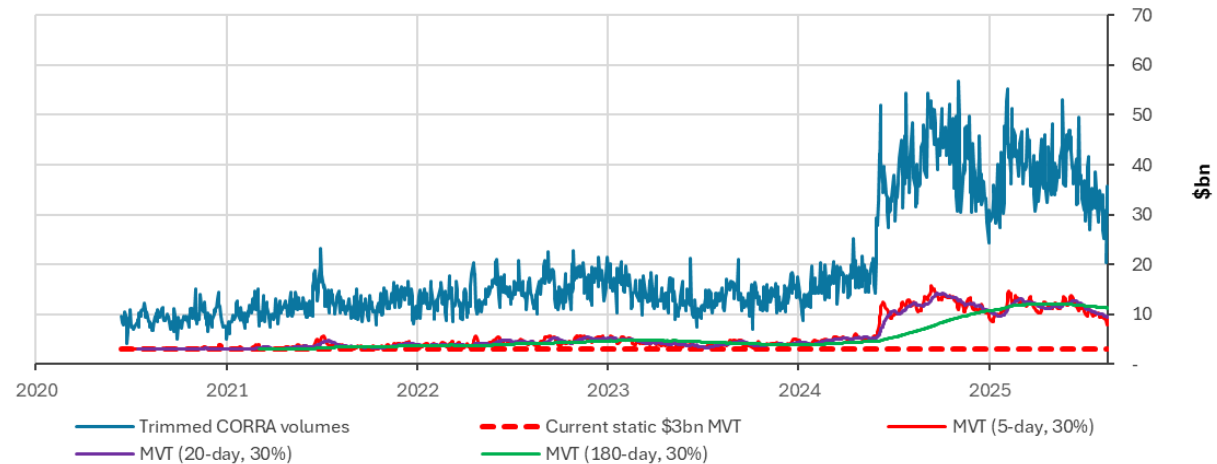
a. Average daily CORRA trimmed volumes from May 2024 to July 2025.

b. Determined using the submitters average daily CORRA trimmed volume. For example, based on the average daily trimmed volume of \$39bn post T+1 through to end-July 2025, a 30% share would represent an \$11.4bn MVT. In terms of number of submitters, this amount would include about 4 submitters on average if submitter volumes were uniform—which they are not. Hence, using the daily average volume of each submitter over the same period, the number of submitters that could make up an \$11.4bn MVT would on average be at least 2 to as many as 7 (out of 14).

In terms of choosing n , shorter lookback windows for the moving average result in a relatively more sensitive MVT, reacting faster to changes in CORRA trimmed volumes (e.g., T+1 transition). Longer lookback windows produce a relatively more stable MVT but are slower to adjust to repo volume changes (Chart 2)

Chart 2: More dynamic minimum volume thresholds adjust to faster changes in CORRA trimmed volumes

CORRA trimmed volume, static and dynamic minimum volume thresholds ('MVT')



In the event of a swift and sustained decline in repo volumes, this could result in CORRA remaining in the fallback zone for an extended period of time until enough higher-volume days have fallen out of the moving average calculation. For example, using a 60-day moving average, if CORRA trimmed volumes move lower by 75% and remain around that new low level, CORRA could remain in fallback for nearly 3 weeks. Table 2 illustrates scenarios of how long CORRA could be in fallback depending on what moving average window is chosen and how much CORRA volume remains after a sustained decline in trimmed volume. Remaining in fallback for several days is undesirable as the fallback rate might not be representative of the new prevailing market conditions. A 5-day moving average would strike an appropriate balance between the MVT's sensitivity to changes in the market, and the risk of remaining in fallback for an extended period of time.

Table 2: Number of days before the dynamic MVT crosses back below CORRA's new lower volume level (i.e. how long CORRA's methodology could remain in fallback)

		Moving average lookback period (days)							
		3	5	10	15	20	60	90	180
Remaining CORRA volume:	>30%	not in fallback							
	25%	1	2	3	4	5	14	20	40
	20%	2	3	5	7	9	25	38	75
	15%	2	3	6	9	12	36	53	106
	10%	3	4	8	12	15	45	67	134
	5%	3	5	9	14	18	53	79	158

This scenario analysis assumes the MVT is a 30% n-day moving average of CORRA trimmed volumes. Each row shows remaining CORRA volume relative to volume just prior to a swift and sustained decline in trimmed volumes.

In the possible, but unlikely event that CORRA volumes drop drastically on a sustained basis such that the 30% share of trimmed volume would drop below the current \$3bn MVT, we can keep this as a hard floor in the dynamic calculation.

Recommendation

We recommend changing the MVT to be dynamic and calculated daily as the higher of \$3bn or 30% of a 5-day moving average of CORRA trimmed volumes. For transparency, the MVT would be published on the Bank's website along with the other CORRA statistics.

$$MVT_t = \max\left(\$3bn, 30\% * MA_{5-day}(CORRA \text{ trimmed volume})\right)$$