

Minutes of the Canadian Alternative Reference Rate Working Group

Hybrid, 12 December 2022, 11:30 a.m. to 1:30 p.m.

1. Introduction

Members were welcomed to the meeting.

2. International update

Members noted that the UK FCA had launched a [consultation](#) on “synthetic” US dollar LIBOR, focused on whether to require the 1-, 3- and 6-month US dollar LIBOR settings to be published on a synthetic basis until the end of September 2024. Members also discussed synthetic GBP and JPY LIBORs and their respective cessation dates.

3. CORRA-first

Members discussed CARR’s [market notice](#) reminding the market of CARR’s two upcoming CORRA-first initiatives:

- Inter-dealer linear derivatives (i.e., Canadian dollar interest rate swaps) will move from CDOR to CORRA on January 9, 2023, and
- Both inter-dealer non-linear derivatives (i.e., Canadian dollar swaptions) and inter-dealer cross-currency swaps will move from CDOR to CORRA on March 27, 2023.

These initiatives see the inter-dealer quotations banks/dealers post in the inter-dealer market switch from CDOR to CORRA on two dates. Members reported some inquiries from clients after this market notice, however the response was relatively muted since CORRA-first directly affects only inter-dealer trading.

CARR members discussed when client liquidity would potentially begin to shift from CDOR to CORRA derivatives. Members agreed that CARR should regularly publish updated statistics tracking transition in Canadian dollar derivatives markets.

4. CARR subgroup updates

The Cash Securities subgroup highlighted the draft recommendations paper it had sent to CARR on what to communicate to market participants regarding Canada’s stock of tough legacy securities. Members discussed the paper’s content and timing.

The Derivatives subgroup noted that much of its recent work was related to CORRA-first and Term CORRA, discussed later in the meeting.

The CORRA Loans subgroup noted that they are finalizing the initial draft of a whitepaper related to the liquidity implications of basing loan facilities on risk-free rates rather than IBORs like CDOR. The whitepaper discusses a number of potential options for addressing the liquidity risks

of RFR based loans for lenders, including liquidity gates or contingent spreads. Members discussed how credit spread adjustments (CSAs) should be handled in the paper. CSAs were used in fallback language to account for the difference between IBORs and risk-free rates (i.e. to account for bank credit risk). CARR members agreed that it was not optimal for new loans to include a CSA as well as a borrower-specific credit spread (i.e. the two spreads should be combined). It was noted that some segments of the US loan market had already transitioned to just having a single credit spread in their SOFR-based loans.

The ATR subgroup co-chairs noted that ATR had continued to contribute to the work of the Cash Securities subgroup and the Term CORRA subgroup.

The Operations and Infrastructure subgroup co-chairs discussed vendor survey and draft impact assessment checklist, which will help Canadian market participants identify the steps they must take to successfully transition away from CDOR.

5. Term CORRA

The subgroup co-chairs noted that the Term CORRA methodology was finalized, and the list of permitted use cases and a note on the administrative arrangements would soon be sent to CARR and CFIF for their approval. A high-level overview of these documents was provided to members. Members discussed the final proposals for permitted use cases.

CARR's co-chairs discussed the potential publication of these documents in early January and planned efforts to communicate and publicize this announcement.

6. CARR publications and outreach

The Communications and Outreach subgroup co-chairs noted that they would soon launch a series of webcasts developed with TMX. The first webcasts would provide an overview of the transition, while later webcasts would delve into specific topics such as derivatives and cash market transition and would rely on experts from within CARR to discuss each set of topics. The initial webcasts are expected to be made public by late January.

7. Other items

The next CARR meeting will take place on 30 January 2023.

List of attendees

Market representatives

Jason Chang, AIMCO
John McArthur, Bank of America
Carol McDonald, BMO
Luke Francis, Brookfield
Karl Wildi, Canadian Imperial Bank of Commerce
Karl Wildi, CIBC
Louise Stevens, CMHC
Carl Edwards, Desjardins
Alan Turner, HSBC
Glenn Taitz, Invesco
Tom Wipf, Morgan Stanley
Jean-Sebastien Gagne, National Bank Financial
Mike Manning, Ontario Financing Authority
Audrey Gaspar, OTPP
Andrew Bastien, PSP
Jim Byrd, RBC Capital Markets
Guillaume Pichard, Quebec Ministry of Finance
Bruce Wagner, Rogers
Elaine Wright, Samuel, Son & Co.
Anuj Dhawan, Scotiabank
Brett Pacific, Sunlife
Derek Astley, TD Bank

Observers

Ann Battle, ISDA
Philip Whitehurst, LCH
Joshua Chad, McMillan LLP
David Duggan, National Bank Financial
Robert Catani, TMX

Subgroup co-leads

Nicholas Chan, BMO
Jacqui Szeto, Canso
Jacqueline Green, CIBC
Daniel Parrack, CIBC
Philip White, LSEG
Elodie Fleury, National Bank
Lisa Mantello, Osler
Christopher Abe, RBC
Robin Das, RBC Capital Markets
JP Mendes Moreira, Scotiabank
Sarah Patel, Scotiabank

Alison Perdue, TD Securities
Luc San, TD Securities

Bank of Canada

Harri Vikstedt
Wendy Chan
Zahir Antia
Yumeng Yang
Thomas Thorn