

Effective date: July 2024

Collateral Infrastructure and Market Practices Advisory Group

Terms of Reference

The Canadian Fixed Income Forum (CFIF) is a senior level committee that discusses developments in fixed income market structure and functioning, market practices, and related policy issues. To discuss and address particular issues, CFIF has established working groups focused on specific areas in the Canadian fixed income market ecosystem.¹ CFIF has created a new working group, the Collateral Infrastructure and Market Practices Advisory Group (CIMPA), to provide guidance and support to changes to Canadian financing and collateral infrastructure, as well as to develop market practices that support the safe and efficient movement of securities in the cash, collateral and securities financing markets.

Objectives:

The key objective is to promote the well-functioning of the Canadian securities and financing markets through improved operational efficiency and reduced market segmentation through industry coordination on related issues and initiatives.

Specific goals for the group include:

- Improve interconnectedness, standardization, and automation of securities flows.
- Support market functioning through promotion of best practices for clearing, settlement, margining and risk management.
- Facilitate broad adoption of the recently introduced Canadian Collateral Management Service (CCMS), a Canadian tri-party service launched by TMX and Clearstream, including developing related market conventions.
- Provide an information hub on Canadian collateral developments.
- Build consensus on relevant issues.

CIMPA's recommendations and deliverables will highlight the importance of the various financial infrastructure and process improvements in collateral and securities financing markets to market participants and help coordinate industry efforts and investments. The work is expected to

¹ Examples of CFIF subgroups include Canadian Alternative Reference Rate Working Group (CARR), Government of Canada Market Functioning Steering Group (GMF), BA Transition Virtual Network (BATVN), and Sustainable Finance Virtual Network (SFVN).

benefit the Canadian fixed income market as a whole by supporting uninterrupted, efficient functioning of cash trading, securities lending and financing markets. Benefits include:

- Reducing pain points in collateral management, securities financing, securities clearing, settlement, post trade services, and corporate events management.
- Achieving more efficient collateral utilization and faster collateral velocity.
- Shortening and synchronizing settlement cycle across bilateral, triparty, custodian and centrally cleared trades.
- Reducing operational barriers for the adoption of Canadian assets as eligible collateral in foreign markets and for using foreign collateral in Canada.

Organization:

- CIMPA will be co-chaired by senior representatives from the Bank of Canada and industry (a CFIF member).
- CIMPA membership will be comprised of 15 to 20 senior market participants from across the various types of relevant stakeholders in the Canadian financial industry, in addition to the Bank of Canada. It will include participants from buy- and sell-side firms, custodians, prime brokers and infrastructure providers. Other types of stakeholders may be invited to participate as observers. Changes to the size or composition of CIMPA will be at the discretion of the co-chairs.
- Members will be selected based on their breadth of expertise/experience and anticipated ability to contribute to the work.
- Members represent their firms and are expected to:
 - Contribute and provide feedback on the issues being discussed.
 - Sponsor recommendations within their firms.
 - Promote recommendations with other market participants.
 - Support the use of the recently launched tri-party service in Canada.
- Decisions taken by CIMPA will be made by consensus, but in the event of an inability to reach consensus decisions will be made with a two thirds majority. Any recommendations will be tabled for final approval by CFIF.
- Subgroups of subject matter experts may be formed to discuss specific issues or areas of focus. The membership of these subgroups can be outside of CIMPA member institutions. These subgroups will report their assessment and/or recommendation to CIMPA on a regular basis for discussion and approval.
- The Bank of Canada will provide the secretariat function to CIMPA. The terms of reference, membership, meetings agendas and minutes, once approved, will be made public on the bilingual CIMPA webpage.
- CIMPA will seek feedback, when required, from non-CIMPA member institutions to create the transparency necessary to achieve broad consensus around CIMPA's proposals. This

could include through targeted industry roundtables and/or through the publication of consultation papers.

- CIMPA and any subgroups will meet as required. Meetings will be held either virtually or, if in-person, either at the Bank of Canada's office in Toronto, or at the offices of a member institution.