

Minutes of the Canadian Alternative Reference Rate Working Group

Hybrid, 1 October 2024, 11:00 a.m. to 12:00 p.m.

1. Introduction

Members were welcomed to the meeting. The CARR co-chair noted that the transition from CDOR to CORRA has been very smooth, with no significant issues. He thanked all members and their institutions for their hard work in facilitating the seamless transition.

2. Update on CORRA Futures

Alexandre Prince from the Montreal Exchange (MX) provided an update on liquidity conditions in CORRA futures. He noted that liquidity in 3-Month CORRA futures has been very strong. Trading volumes and open interest are already in line with historical highs in BAX contracts. There has been increased activity from international participants, reflecting the reliability and robustness of the futures contract, with record volumes trading in the overnight session. However, liquidity in the 1-Month contract has been lighter than anticipated, and there is potential for trading volumes to grow further. In an effort to enhance liquidity in the contract, the MX has waived trading fees for members of the Proprietary Trader Program until December 31, 2024, to encourage their participation. He reminded members that the 1-month Futures rate is a key input for the Term CORRA rate, and encouraged market participants to support trading in the contract to ensure that Term CORRA remains a robust benchmark. Finally, he noted that the TMX has established a liquidity development program for options on CORRA futures, to facilitate trading in the options contracts.

3. Term CORRA update

Andrew Munn from CanDeal Benchmark Administration Services (CBAS) noted that it has been over one year since Term CORRA was officially launched. Since then, CBAS has updated several policies and procedures to ensure Term CORRA remains a robust benchmark. He echoed the views of the member from the MX for the need to see more liquidity in the 1-month CORRA futures contract. Finally, he informed members that CBAS will survey Term CORRA licensees annually to provide an estimate of the volume of loans and associated derivatives linked to Term CORRA, and to ensure that the use cases are being adhered to. The survey will be conducted in December 2024, with the results expected to be published early in Q2-2025.

4. CORRA Sunset Review

The CARR co-chair informed members that a mandatory review of the CORRA methodology is undertaken every five years to ensure CORRA remains representative of the market it measures, and the data source and the data providers remain optimal for the calculation of the benchmark. The next review is scheduled in 2025. He reminded members that the CORRA methodology and calculation is overseen by the Bank of Canada's internal CORRA Oversight Committee. The industry based CORRA Advisory Group (CAG) advises the Bank on changes to repo market functioning and emerging methodological issues, as well as on methodology or calculation

changes undertaken as part of methodology reviews. According to the current governance process, CARR oversees CAG and reviews and approves any CAG recommendations.

In September, CARR conducted a survey of its members, including CAG members, to determine the timing and scope of the sunset review. Based on the survey results, members agreed that the current definition of CORRA is representative of the broad overnight repo market for Government of Canada (GoC) general collateral and major changes are not required. There was, however, consensus that the scope of the 2025 review should include analysis on the trim rate, the potential inclusion of overnight repo trades done by the Bank of Canada, and the \$3 billion minimum fallback volume threshold. Members agreed that the timing of the review be pushed to Q4-2025 to capture more data, given various changes to repo market functioning. In addition, members agreed that a more in-depth review of the calculation methodology may need to take place in a few years as the introduction of GoC general collateral baskets could have profound implications on the Canadian repo market and the calculation of the rate as this volume would not need to be trimmed to remove the impact of bonds trading on “special”. Finally, CARR members agreed that additional transparency around various CORRA metrics would be beneficial to the market.

In terms of next steps, CARRs recommendations will be presented to CFIF at its meeting on October 3.

5. Other items

CARR members agreed that given that the transition from CDOR has now been successfully completed there was no more need for CARR to continue to exist and that therefore CARR will be officially wound up and this meeting will be the last meeting for the group. The CARR co-chair noted that the CARR website will remain available for viewing for a few years, after which important reference information may be transferred to other relevant websites. He also noted that CAG will continue to exist and work with the Bank on CORRA related issues.

The co-chairs again thanked members for all their efforts since CARR’s founding in March 2018 and especially for their tireless work in ensuring that Canada had a very successful transition from CDOR to CORRA.

List of attendees

Market representatives

Brett Pacific, Sunlife
Carl Edwards, Desjardin
Derek Astley, TD Bank
Jason Chang, AIMCO
Jean-Philippe Drolet, National Bank of Canada
Jim Byrd, RBC
Luke Francis, Brookfield

Observers

Dave Duggan, CAG chair
Josh Chad, McMillan LLP
Alexandre Prince Catani, TMX
Andrew Munn, CanDeal

Subgroup co-leads

Elodie Fleury, National Bank of Canada
Robin Das, RBC Capital Markets
Mike Elsey, RBC
JP Mendes Moreira, Scotiabank
Jacqueline Green, CIBC
Daniel Parrack, CIBC

CORRA Advisory Group members

Annaleigh Greene, BMO Capital Markets
Maxime Vives, Desjardins Securities Inc.
Jordan McKenna, GWN Capital Management Ltd.
Faye Li, British Columbia Investment Management Corporation
Rick Brown, CIRO

Bank of Canada

Harri Vikstedt
Wendy Chan
Danny Auger
Xuezhi Liu
Thomas Thorn
Zahir Antia