

Market Practice Note

References to IMM CAD in Canadian Dollar OTC interest rate derivatives contracts

The purpose of this Market Practice Note (“MPN”) is to provide market participants with information regarding ISDA’s understanding of the market practice for Canadian Dollar OTC interest rate derivatives contracts referencing “IMM CAD”¹ as defined in the 2021 ISDA Interest Rate Derivatives Definitions (the “2021 Definitions”).

Please Note: This MPN does not constitute legal, accounting, regulatory, financial or any other professional advice. As noted in this MPN, the terms of parties’ contracts will determine the outcome in any specific case. Parties are therefore instructed to review the terms of their contracts and consult their legal advisors as appropriate. ISDA does not assume any responsibility with respect to any of the issues or matters discussed in this MPN.

A separate date convention definition exists for Canadian Dollar OTC interest rate derivatives in the 2021 Definitions allowing parties to align certain dates in their Canadian Dollar OTC interest rate derivatives contracts, such as Payment Dates and Period End Dates, to the ‘last trading day’ of three-month Canadian Bankers’ Acceptance Futures (BAX) contracts.

The introduction of this date convention in the 2021 Definitions followed previous widespread usage of a similarly defined date convention, “IMMCAD”², specified in FpML based electronic messaging for cleared and non-cleared Canadian Dollar OTC interest rate derivatives contracts incorporating the 2006 ISDA Definitions.

Effective after market close on December 19, 2022³, Bourse de Montréal amended the ‘last trading day’ of BAX contracts expiring after June 2024, from the second London banking day preceding the third Wednesday of the contract month to the third Wednesday of the contract month, to align with the reference periods of equivalent three-Month CORRA futures (CRA) contracts which are based on International Money Market ‘IMM’ dates.⁴

Also, as part of the transition from CDOR to CORRA, following the close of business on April

¹ “IMM CAD” means, in respect of a Calculation Period and a Calculation Amount denominated in CAD, the last trading day of the Canadian Derivatives Exchange (Bourse de Montréal) 3-Month Canadian Bankers’ Acceptance Futures contract. If the determined day is not a Business Day in Montreal or Toronto or is not a day on which the Bourse de Montréal is open for trading, the last trading day shall be the previous Business Day in Montreal or Toronto on which the Bourse de Montréal is open for trading.

² FpML Specification “IMMCAD” Roll Convention Enumeration description: The last trading day/expiration day of the Canadian Derivatives Exchange (Bourse de Montreal Inc) Three-month Canadian Bankers' Acceptance Futures (Ticker Symbol BAX). The second London banking day prior to the third Wednesday of the contract month. If the determined day is a Bourse or bank holiday in Montreal or Toronto, the last trading day shall be the previous bank business day. Per Canadian Derivatives Exchange BAX contract specification.

³ https://www.m-x.ca/f_circulaires_en/154-22_en.pdf

⁴ ISDA therefore intends to retire the definition of “IMM CAD” from subsequent versions of the 2021 Definitions published after the expiry of remaining BAX contracts in June 2024, as the “IMM Settlement Date” definition in the 2021 Definitions can be utilized for new Canadian Dollar OTC interest rate derivatives traded after this date.

26, 2024, Bourse de Montréal terminated positions in BAX contracts expiring after June 28, 2024, and replaced them with corresponding CRA contracts. Post-expiry of the June 2024 BAX contracts, BAX contracts will cease to exist.

ISDA understands a population of Canadian Dollar OTC interest rate derivatives contracts that reference the “IMM CAD” definition will however continue to exist beyond this date.⁵

Following discussions with the ISDA Interest Rates Steering Committee, ISDA understands that following the expiry of remaining BAX contracts on June 28, 2024, notwithstanding the reference to BAX contracts in the definition of “IMM CAD” in the 2021 Definitions or in the definition of “IMMCAD” in the FpML Specification, market expectation is that dates subsequent to June 28, 2024 determined by reference to such “IMM CAD” or “IMMCAD” definitions, are determined to be the third Wednesday of the relevant contract month.

⁵ Existing Canadian Dollar OTC interest rate derivatives transactions executed prior to the retirement of the “IMM CAD” definition in the 2021 Definitions, will continue to reference the version of the 2021 Definitions in place as of the trade date of the relevant transaction, including the definition of “IMM CAD” at of that date.