Overview of the Canadian Derivatives Market

The Canadian derivatives market was the eighth largest in the world in April 2022, as measured by foreign exchange (FX) derivatives and interest rate derivatives (IRD) transacted in the country. Canadian dollar was also the sixth most traded currency for FX derivatives and IRD trades globally.

Total turnover of over-the-counter (OTC) FX derivatives and IRD reported by sales desks in Canada increased to $4.4 trillion in April 2022 versus $1.8 trillion in April 2010 on a net-gross basis. The growth was driven by FX derivatives, which accounted for 67.2% of total turnover in April 2022.

Average daily turnover of FX derivatives reported by sales desks in Canada rose significantly to $148.0 billion in April 2022, making it the eighth largest trading location in the world, comprising 2.1% of global FX derivatives turnover. Average daily turnover of IRD reported by sales desks in Canada was $72.2 billion in April 2022, also ranking as the eighth largest IRD trading location in the world with 1.3% of global OTC IRD turnover in April 2022.

Global average daily turnover of FX derivatives with Canadian dollar on one side of a trade totaled $337.5 billion in April 2022, representing 3.1% of global FX derivatives average daily turnover, making it the sixth most traded currency. Global average daily turnover of IRD denominated in Canadian dollars was $63.2 billion in April 2022, also ranking as the sixth largest in the world with 1.1% of global IRD average daily turnover.
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EXECUTIVE SUMMARY

While the Canadian derivatives market encompasses a relatively small share of global turnover, it plays an important role in the Canadian economy. Derivatives provide an effective means for companies to manage the risks arising from fluctuations in interest rates, commodity and equity prices and FX rates, as well as enabling investors to express a market view, diversify their portfolio and enhance returns. Derivatives also facilitate transparency, price discovery and market efficiency.

This paper provides detailed analysis of the Canadian OTC and exchange-traded derivatives markets. Specifically, it explores the size of the market, trends in trading volumes split by product and currency and the major market players. The paper also covers the regulatory framework governing OTC derivatives in Canada, including the implementation of reforms agreed by the Group-of-20 (G-20) nations. Finally, it outlines progress on the transition from the Canadian Dollar Offered Rate (CDOR) to the Canadian Overnight Repo Rate Average (CORRA).

Key highlights include:

- Turnover of OTC FX derivatives and IRD reported by sales desks in Canada totaled $4.4 trillion in April 2022 versus $1.8 trillion in April 2010 on a net-gross basis. The growth was driven by FX derivatives, which accounted for 67.2% of total turnover in April 2022 (see Chart 1).

- Average daily turnover of FX derivatives reported by sales desks in Canada grew significantly to $148.0 billion in April 2022 compared to $43.6 billion in April 2010, making Canada the eighth largest FX derivatives trading location in the world. FX derivatives turnover in Canada rose to 2.1% of global turnover in April 2022 versus 1.4% in April 2010 (see Chart 3).

- Global average daily turnover of FX derivatives with Canadian dollar on one side of a trade totaled $337.5 billion in April 2022, accounting for 3.1% of global FX derivatives average daily turnover on a net-net basis, making it the sixth most traded currency. More than half of these transactions were with cross-border counterparties (see Chart 5).

- Average daily turnover of IRD reported by sales desks in Canada totaled $72.2 billion in April 2022 compared to $41.7 billion in 2010, making it the eighth largest IRD trading location in the world. Average daily turnover of OTC IRD in Canada accounted for 1.3% of global OTC IRD turnover in April 2022 versus 1.6% in April 2010 (see Chart 7).

- Global average daily turnover of Canadian-dollar-denominated IRD totaled $63.2 billion in April 2022, accounting for 1.1% of global IRD average daily turnover. Canadian dollar ranks as the sixth largest IRD currency in the world. Most global IRD transactions denominated in Canadian dollars were traded in Canada (see Chart 10).

- The Canadian exchange-traded derivatives market has seen substantial growth over the past decade. The combined total trading volume for futures and options reached 150.5 million contracts in 2022 from 44.3 million in 2010. Combined open interest rose to 13.3 million contracts from 3.6 million over the same period (see Chart 11).

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1 This part of the analysis is based on data from the Bank for International Settlements (BIS) Triennial Central Bank Survey of over-the-counter (OTC) foreign exchange (FX) derivatives and interest rate derivatives (IRD). The BIS Triennial Central Bank Survey provides turnover data, which measures market activity. Turnover is defined as the gross value of all new deals entered during a given period. The survey is conducted on a triennial basis and collects turnover data over a one-month period in April (www.bis.org/statistics/rpfx22.html). The survey is based on turnover data “reported by the sales desks of reporting dealers, regardless of where a trade is executed, and on an unconsolidated basis, i.e., including trades between related entities that are part of the same group”

2 This turnover data does not include credit derivatives, equity-linked derivatives and commodities

3 FX derivatives include outright forwards, foreign exchange (FX) swaps, currency swaps and FX options. Spot transactions are not included in this analysis
CANADIAN OTC DERIVATIVES

Total turnover of OTC IRD and FX derivatives reported by sales desks in Canada reached $4.4 trillion in April 2022 versus $1.8 trillion in April 2010 on a net-gross basis\(^4\). The growth was driven by FX derivatives, which accounted for 67.2% of total turnover in April 2022 (see Chart 1).

**Chart 1: FX Derivatives and IRD Turnover Reported by Sales Desks in Canada (US$ trillions)**

Source: Bank of Canada

### Foreign Exchange Derivatives Turnover

Global FX derivatives average daily turnover grew to $7.2 trillion in April 2022 compared to $3.2 trillion in April 2010\(^6\). Sales desks in the UK accounted for 38.6% of global FX derivatives turnover, while the US comprised 16.8%. FX derivatives turnover reported by sales desks in Asia-Pacific (excluding Japan) represented 22.5% of global FX derivatives average daily turnover in April 2022 (see Chart 2).

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\(^5\)The BIS adjusts the turnover data for local interdealer double counting (net-gross basis) and for local and cross-border interdealer double counting (net-net basis). All data in this report is presented on a net-gross basis unless stated otherwise.

\(^6\)FX derivatives include outright forwards, FX swaps, currency swaps and FX options. Spot transactions are not included in this data analysis.
Overview of the Canadian Derivatives Market

Chart 2: Global FX Derivatives Average Daily Turnover by Region on a Net-gross Basis (US$ trillions)

Average daily turnover of FX derivatives reported by sales desks in Canada rose to $148.0 billion in April 2022 versus $43.6 billion in April 2010, making Canada the eighth largest FX derivatives trading location in the world. FX derivatives turnover in Canada increased to 2.1% of global turnover in April 2022 compared to 1.4% in April 2010 (see Chart 3).

Chart 3: FX Derivatives Average Daily Turnover Reported by Sales Desks in Canada

FX derivatives average daily turnover reported by sales desks in Canada rose by 62.6% in April 2022 compared to April 2019. This increase is attributed primarily to growth in FX swap turnover, reflecting hedging activity by Canadian asset managers as more assets are invested internationally.

Turnover in FX swaps rose by 70.4% to $117.8 billion in April 2022 from $69.1 billion in April 2019. FX swaps accounted for 79.6% of total Canada FX derivatives turnover in April 2022, while forwards comprised 13.6% (see Chart 4).

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7 EU turnover is calculated as the sum of data for Austria, Belgium, Bulgaria, Czechia, Denmark, Hungary, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden. There is no data available for Croatia, Cyprus and Malta. Asia-Pacific (excluding Japan) turnover is calculated as the sum of data for Australia, China, Chinese Taipei, Hong Kong, India, Indonesia, South Korea, Malaysia, New Zealand, Philippines, Singapore and Thailand.

8 Triennial Central Bank Survey of Foreign Exchange and Derivatives Market Activity in Canada during April 2022 [link](www.bankofcanada.ca/2022/10/triennial-central-bank-survey-foreign-april-2022)
Global average daily turnover of FX derivatives with Canadian dollar on one side of a trade totaled $337.5 billion in April 2022, accounting for 3.1% of global FX derivatives average daily turnover. As a result, Canadian dollar ranks as the sixth most traded currency. Cross-border counterparties were involved in 65.0% of these transactions and 35.0% were between local counterparties (see Chart 5).

### Chart 4: FX Derivatives Average Daily Turnover Reported by Sales Desks in Canada by Product (US$ billions)

![Chart 4](image)

This data is on a net-net basis.

### Chart 5: Global FX Derivatives Average Daily Turnover with Canadian Dollar on One Side of Trades (US$ billions)

![Chart 5](image)

This data is on a net-net basis.
Interest Rate Derivatives Turnover

Global OTC IRD average daily turnover totaled $5.8 trillion in April 2022 versus $2.6 trillion in April 2010 on a net-gross basis. Transactions reported by sales desks in the UK accounted for 45.5% of global average daily IRD turnover, while those reported by sales desks in the US represented 29.3% of global turnover in April 2022 (see Chart 6).

Chart 6: Global IRD Average Daily Turnover by Location of Sales Desks on a Net-gross Basis (US$ trillions)

Average daily turnover of OTC IRD reported by sales desks in Canada was $72.2 billion in April 2022 versus $41.7 billion in April 2010. It peaked at $122.6 billion in April 2019, reflecting growth in global OTC IRD average daily turnover, but dropped by 41.2% in April 2022 (see Chart 7).

Average daily turnover of OTC IRD reported by sales desks in Canada accounted for 1.3% of global OTC IRD turnover in April 2022 versus 1.6% in April 2010. It reached its lowest level of 1.1% in April 2016 and a high point of 1.7% in April 2019.

Chart 7: IRD Average Daily Turnover Reported by Sales Desks in Canada
The decline in IRD average daily turnover reported by sales desks in Canada in April 2022 versus April 2019 was mainly driven by a significant drop in US-dollar-denominated forward rate agreements (FRAs). The transition from LIBOR to risk-free rates (RFRs) reduced the need for market participants to use FRAs to hedge LIBOR swaps. FRA turnover fell by 96.8% to $1.1 billion in April 2022 from $32.8 billion three years earlier. Swaps turnover accounted for 97.3% of OTC IRD average daily turnover reported by sales desks in Canada in April 2022 versus 70.7% in April 2019 (see Chart 8).

Average daily turnover of Canadian-dollar-denominated OTC IRD reported by sales desks in Canada dropped by 47.9% to $37.1 billion in April 2022 from $71.3 billion in April 2019. Despite this decline, Canadian dollar remained the most actively traded currency in Canada. Canadian-dollar-denominated IRD represented 51.4% of total IRD turnover reported by sales desks in Canada in April 2022 versus 58.1% in April 2019 (see Chart 9).

Average daily turnover of US-dollar-denominated IRD fell by 52.7% to $23.0 billion in April 2022 from $48.5 billion in April 2019. US-dollar-denominated IRD represented 31.8% of Canadian turnover in April 2022 versus 39.6% in April 2019.

**Chart 8: IRD Average Daily Turnover Reported by Sales Desks in Canada by Product (US$ billions)**

Source: BIS Triennial Survey

**Chart 9: IRD Average Daily Turnover Reported by Sales Desks in Canada by Currency (US$ billions)**

Source: BIS Triennial Survey

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10 Other IRD includes highly leveraged transactions and/or trades with a variable notional amount and where a decomposition into individual plain vanilla components is impractical or impossible.
Global average daily turnover of OTC IRD denominated in Canadian dollars totaled $63.2 billion in April 2022 compared to $107.1 billion in April 2019, making Canadian dollar the sixth largest IRD currency in the world.

The majority of global Canadian-dollar-denominated IRD was traded in Canada. Canadian sales desks accounted for 58.7% of global Canadian-dollar-denominated IRD turnover in April 2022. US sales desks represented 23.3% and sales desks in the UK comprised 17.6% of global Canadian-dollar-denominated OTC IRD turnover (see Chart 10).

**Chart 10: Global Canadian Dollar-denominated IRD Average Daily Turnover by Region (US$ billions)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Canada</th>
<th>US</th>
<th>UK</th>
<th>Other Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>63.9</td>
<td>42.3%</td>
<td>50.6%</td>
<td>27.7%</td>
</tr>
<tr>
<td>2013</td>
<td>35.3</td>
<td>46.3%</td>
<td>50.6%</td>
<td>27.7%</td>
</tr>
<tr>
<td>2016</td>
<td>43.5</td>
<td>46.3%</td>
<td>50.6%</td>
<td>27.7%</td>
</tr>
<tr>
<td>2019</td>
<td>66.5</td>
<td>66.5%</td>
<td>50.6%</td>
<td>27.7%</td>
</tr>
<tr>
<td>2022</td>
<td>63.2</td>
<td>58.7%</td>
<td>50.6%</td>
<td>27.7%</td>
</tr>
</tbody>
</table>

Source: BIS Triennial Survey
CANADIAN EXCHANGE-TRADED DERIVATIVES

The Canadian exchange-traded derivatives market has seen substantial growth over the past decade. Both trading volume and open interest of listed futures and options increased significantly from 2010 to 2022.

Trading volume of futures rose to 94.5 million contracts in 2022 from 24.2 million in 2010. Futures open interest grew to 2.1 million contracts from 0.6 million over the same period. Trading volume in options more than doubled to 56.0 million contracts in 2022 from 20.1 million in 2010, while open interest increased to 11.2 million contracts from 3 million. In 2022, the combined trading volume of futures and options reached 150.5 million contacts, while combined open interest peaked at 13.3 million (see chart 11).

**Chart 11: Exchange-traded Futures and Options Trading Volume and Open Interest (millions of contracts)**

Source: Montréal Exchange

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11 Trading volume refers to the total number of contracts that are traded during the year, while open interest refers to the total number of outstanding contracts as of year end.

12 This data includes interest rate derivatives, index derivatives and equity derivatives www.m-x.ca/en/trading/data/monthly-volumes-and-open-interest
MAJOR PARTICIPANTS IN THE CANADIAN DERIVATIVES MARKET

A wide variety of participants are active in the Canadian derivatives market, including financial institutions, institutional investors, non-financial corporations and government entities. They use derivatives for a variety of hedging and investment purposes, with the aim of managing risk and optimizing returns.

Financial institutions participate in both exchange-traded and OTC derivatives markets. These entities use OTC derivatives for multiple reasons, including risk management, asset-liability matching and balance sheet optimization. Many also act as intermediaries, facilitating derivatives transactions for their clients.

Pension funds, mutual funds, insurance companies, sovereign wealth funds, hedge funds and asset managers often use derivatives as part of their investment strategies. They may use derivatives to hedge their portfolios against adverse market movements, as well as express a market view, optimize portfolio performance and achieve specific investment goals.

For example, pension plans hedge the interest rate and inflation risk inherent in long-dated pension liabilities. Insurance firms use derivatives to manage their assets and liabilities, hedge variable annuity guarantees and enhance investment income. Asset managers could use derivatives to hedge unwanted interest rate or foreign exchange risk, protect portfolios against market volatility, quickly rebalance asset allocations, take views on specific markets or sectors, and enhance returns.

Many non-financial corporations use derivatives to protect themselves from market volatility. These entities may deploy interest rate swaps to secure fixed-rate financing or currency derivatives to hedge against fluctuations in FX rates. Additionally, commodity derivatives assist in mitigating the impact of volatile raw material prices, benefiting industries such as manufacturing, agriculture and energy production.

For example, a company may decide to issue debt in foreign currency to access a new investor base or tap into cheaper funding rates, then use a cross-currency swap to eliminate interest rate and currency mismatches. An energy producer can hedge against the risk of falling oil prices by using a crude oil forward contract to fix a predetermined selling price, ensuring revenue stability regardless of market price fluctuations.

Various government entities and agencies may use derivatives to manage their financial exposures. These transactions might encompass interest rate derivatives to manage debt servicing costs and currency derivatives to hedge FX fluctuations. They may also utilize derivatives to hedge commodity price volatility, manage inflation risk through inflation-indexed bonds or swaps, and facilitate the implementation of monetary policies.

Based on the BIS triennial survey data, reporting dealers and other financial institutions account for the majority of OTC FX derivatives and IRD turnover reported by sales desks in Canada. The share of FX derivatives average daily turnover reported by dealers totaled 60.1% in April 2022. The share of other financial institutions increased to 35.8% in April 2022 versus 27.3% in April 2019, while non-financial customers comprised 4.1% of FX derivatives average daily turnover in April 2022 (see Chart 12).

14 Under the BIS Triennial Central Bank Survey classification, reporting dealers are financial institutions that participate as reporters in the triennial survey. These are mainly large commercial and investment banks and securities houses that: (i) participate in the interdealer market; and/or (ii) have an active business with large customers, such as large corporate firms, governments and non-reporting financial institutions
15 Other financial institutions include financial entities that are not classified as reporting dealers. This category includes smaller commercial banks, investment banks and securities houses, mutual funds, pension funds, hedge funds, currency funds, money market funds, building societies, leasing companies, insurance companies, financial subsidiaries of corporate firms and central banks
The share of OTC IRD average daily turnover reported by other financial institutions rose to 61.5% in April 2022 from 39.6% in April 2019. Meanwhile, the proportion reported by dealers dropped to 38.0% from 59.2% over the same period. Non-financial customers accounted for less than 1% of OTC IRD average daily turnover reported by sales desks in Canada in April 2022.16 (see Chart 13).

Non-financial customers include non-financial end users, including corporations and non-financial government entities. This category may also include private individuals who directly transact with reporting dealers for investment purposes.
CANADIAN REGULATORY LANDSCAPE

Following the 2008 financial crisis, the G-20 nations agreed to implement several key reforms to make derivatives markets safer and more transparent. The main pillars of the reforms are:

- Central clearing of standardized OTC derivatives;
- Higher capital and minimum margin requirements for non-cleared OTC derivatives;
- Exchange or electronic platform trading of standardized OTC derivatives, where appropriate; and
- Trade reporting of OTC derivatives to data repositories.

The main supervisors for OTC derivatives in Canada are the Canadian Securities Administrators (CSA) and provincial securities regulators. The CSA is the umbrella organization for Canada’s provincial and territorial securities regulators. Each Canadian province and territory has its own securities regulatory authority, which include the Alberta Securities Commission, Autorité des marchés financiers, the British Columbia Securities Commission and the Ontario Securities Commission.

The Office of the Superintendent of Financial Institutions (OSFI) is an independent federal government agency that supervises federally regulated financial institutions (FRFIs), which include all banks in Canada, all federally incorporated or registered trust and loan companies, insurance companies, cooperative credit associations and fraternal benefit societies. OSFI also regulates and supervises certain pension plans.

Central Clearing

Certain OTC derivatives transactions in Canada are required to be centrally cleared, following a rule that came into effect in April 2017 intended to reduce counterparty credit risk and bolster financial stability.

The clearing mandate applies when at least one party to a derivatives transaction qualifies as a local counterparty. A local counterparty includes entities organized under Canadian laws or those with their head offices situated in Canada. The clearing threshold for mandatory clearing is defined by notional amounts.

Derivatives subject to the clearing requirement include specific classes of interest rate derivatives, including single-currency interest rate swaps and FRAs denominated in US dollars, euros, sterling and Canadian dollars.

Firms that clear trades must adhere to stringent reporting and record-keeping requirements and must also meet margin and risk management measures.

Based on data reported to the Depository Trust & Clearing Corporation’s (DTCC) Canadian swap data repository (SDR), 52.4% of IRD traded notional and 79.6% of credit derivatives traded notional was cleared in the first half of 2023 (see Chart 14).

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17 The Canadian Securities Administrators www.securities-administrators.ca/about/
18 The Office of the Superintendent of Financial Institutions www.osfi-bsif.gc.ca/Eng/osfi-bsif/Pages/default.aspx
20 This analysis was based on data collected from the Depository Trust & Clearing Corporation’s Canadian swap data repository (SDR) https://pddata.dtcc.com/gtr/canada/dashboard.do. This data set includes only new transactions and excludes all novations, terminations, exercises, allocations, clearings, credit events, compressions or risk-reduction excises. All cancelled transactions have been removed and amended trades have been updated using the original dissemination identification field. Reported notional has been converted to US dollars based on daily FX rates. As some transactions are reported to the SDR with a capped notional, total traded notional is likely to be understated.
Margin Requirements for Non-cleared OTC Derivatives

The margin rules for non-cleared derivatives require the mandatory posting of initial margin (IM) and variation margin (VM) for OTC derivatives that are not cleared. These rules originate from a global policy framework and schedule established by the Basel Committee on Banking Supervision and the International Organization of Securities Commissions21.

OSFI issued final guidelines on margin requirements for non-cleared derivatives in February 2016. Under the guidelines, FRFIs are required to exchange IM and VM with other covered financial entities, defined as those belonging to a consolidated group with an aggregate month-end average notional amount of non-cleared derivatives in March, April and May each year in excess of C$12 billion22.

The requirement to exchange IM and VM applies to all non-cleared derivatives except for physically-settled FX forwards and FX swaps. Physically-settled commodity transactions are not included in the definition of ‘derivatives’ and so are not subject to the margin requirements. All margin transfers (combined VM and IM) are subject to a minimum transfer amount of C$750,000.

The IM and VM rules were implemented in phases based on notional thresholds of non-cleared derivatives trading activity. The IM and VM requirements for phase-one entities with the largest outstanding notional of non-cleared derivatives took effect in Canada, the US and Japan on September 1, 2016, and in the EU on February 4, 2017. VM requirements came into effect for a wider universe of entities from March 1, 201723.

Capital Requirements

OSFI announced revised capital, leverage, liquidity and disclosure rules that incorporate the Basel III capital standards in January 2022, with adjustments to make them suitable for federally-regulated deposit-taking institutions. Most of these revised rules take effect in the second fiscal quarter of 2023. Revisions to the market risk framework, which include the Fundamental Review of the Trading Book and changes to the credit valuation adjustment capital framework, are due to take effect in the first fiscal quarter of 202424.

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21 Margin Requirements for Non-centrally Cleared Derivatives www.bis.org/bcbs/publ/d317.htm
24 OSFI completes Basel III reforms, releases final capital and liquidity rules to protect Canadians www.osfi-bsif.gc.ca/Eng/osfi-bsif/med/Pages/basel23_.nr.aspx
Platform Trading

In 2015, the Canadian Securities Administrators Derivatives Committee published a consultation paper on the trading of certain OTC derivatives on exchanges or electronic trading platforms. Platform trading requirements in Canada have not yet been finalized and there have been ongoing regulatory discussions related to the trading mandate.

Trade Reporting

Trade reporting rules were established to promote transparency and regulatory oversight of OTC derivatives markets by requiring market participants to report relevant information about derivatives transactions to designated trade repositories. This information provides regulatory authorities with timely access to derivatives trade data, enabling them to monitor market activities, identify systemic risks and respond to emerging market risks.

In Canada, trade reporting rules are primarily governed by Regulation 91-507, which requires all OTC derivatives involving a local counterparty to be reported to a recognized trade repository (TR). The CSA recognizes three TRs, including DTCC Data Repository (US) LLC, ICE Trade Vault, LLC and Chicago Mercantile Exchange Inc.

TRs must provide data to regulators, counterparties to a transaction and the public. Publicly available information includes aggregate data on open positions, volume and, where applicable, price.

Reporting obligations apply to a variety of derivatives, including interest rate, credit and equity derivatives. Market participants are required to report specific details about derivatives transactions, such as the identity of the parties involved, the type of derivative, notional amount, price and other relevant terms.

The rules require three main types of data to be reported, including creation data, lifecycle event data and valuation data. Creation data is required to be reported in real time or as soon as technically practicable, but no later than the end of T+1 business days.

Trade reporting rules also include provisions for exemptions or thresholds based on trading volume or participant type. Small market participants are subject to different reporting requirements than those applied to larger institutions.

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TRANSITION TO CORRA

Canada’s two main wholesale interest rate benchmarks are currently CDOR and CORRA. CDOR is Canada’s survey-based credit sensitive benchmark and is administered and published by Refinitiv Benchmark Services. CDOR is a forward-looking term rate that reflects both bank credit and term risk and is published for one-, two- and three-month tenors. CDOR measures the average rate at which Canadian banks are willing to lend to corporate borrowers with existing committed bankers’ acceptance credit facilities.

CORRA is a transaction-based overnight risk-free interest rate benchmark that measures the cost of overnight lending via general collateral repo transactions secured by Canadian government debt. Like other RFRs, CORRA is an overnight rate and is therefore generally compounded daily over the interest period (known as compounded in arrears) to determine the rate for the period in overnight index swaps. The Bank of Canada became CORRA’s administrator in June 2020 and implemented a new enhanced calculation methodology for the rate27.

In December 2021, the Canadian Alternative Reference Rate (CARR) group recommended that Refinitiv Benchmark Solutions cease the calculation and publication of CDOR after June 202428.

CARR recommended a two-stage transition. By the end of the first stage at the end of June 2023, all market participants are expected to transition from CDOR to CORRA calculated in arrears for new transactions. No new derivatives or securities referencing CDOR should be transacted after June 2023 except in limited circumstances.

In the second stage, which will run until June 2024, market participants are allowed to transact new CDOR-based loans and can hedge using CDOR derivatives, but CDOR rates will not be published after that date.

After June 28, 2024, all CDOR derivatives subject to the ISDA IBOR Fallbacks Supplement or ISDA 2021 Interest Rate Derivatives Definitions or covered by the ISDA 2020 IBOR Fallbacks Protocol will automatically switch to a fallback published by Bloomberg based on overnight CORRA compounded in arrears plus a spread adjustment.

The IBOR Fallbacks Supplement applies to all new transactions from January 25, 2021. The 2020 IBOR Fallbacks Protocol allows firms to include the fallbacks in legacy transactions entered into before January 25, 2021 with other parties that have adhered to the protocol. Most major Canadian market participants have adhered to the protocol.

For cleared derivatives, central counterparties incorporated the ISDA fallbacks in their rule books for both new and legacy contracts.

Good progress was observed in the transition from CDOR to CORRA in the first half of 2023. The percentage of global trading activity referencing CORRA (as measured by DV01) rose from 37.4% of total Canadian dollar IRD DV01 in January 2023 to 58.9% in June 2023 (see Chart 15).

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27 Bank of Canada becomes administrator of Canadian Overnight Repo Rate Average www.bankofcanada.ca/2020/06/bank-canada-becomes-administrator-canadian-overnight-repo-rate-average

**Chart 15:** Trading Activity in CORRA as % of CAD IRD DV01 (including OTC and ETD)

![Chart showing trading activity in CORRA as % of CAD IRD DV01](image)

Source: ISDA-Clarus RFR Adoption Indicator
ISDA has published other recent research papers:

- **Examining IRD Trading Activity in Response to Rising Interest Rates and RFR Transition**

- **Interest Rate Derivatives Trading Activity Reported in EU, UK and US Markets: First Half of 2023 and the Second Quarter of 2023**

- **Transition to RFRs Review: First Half of 2023 and the Second Quarter of 2023**

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**ABOUT ISDA**

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 1,000 member institutions from 77 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to members, ISDA also works with key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association’s website: www.isda.org. Follow us on Twitter, LinkedIn, Facebook and YouTube.