

June 30, 2023

## Market Notice Announcement

Dear Client,

As previously communicated, the Canadian Dollar Offered Rate (CDOR) will cease to be published on June 28, 2024, and the Canadian Overnight Repo Rate Average (CORRA) is the alternative risk-free rate recommended as replacement benchmark.

As the Canadian Alternative Reference Rate working group (CARR) [recently published](#), the first stage of the two-stage transition plan will be completed on June 30, 2023. After that time, market participants are expected to have transitioned all new derivative (bilateral, cleared and exchange traded) and securities transactions to CORRA benchmarks, with limited exceptions. Bankers' acceptances are an exception. This was [reinforced](#) by Canada's prudential regulator, OSFI.

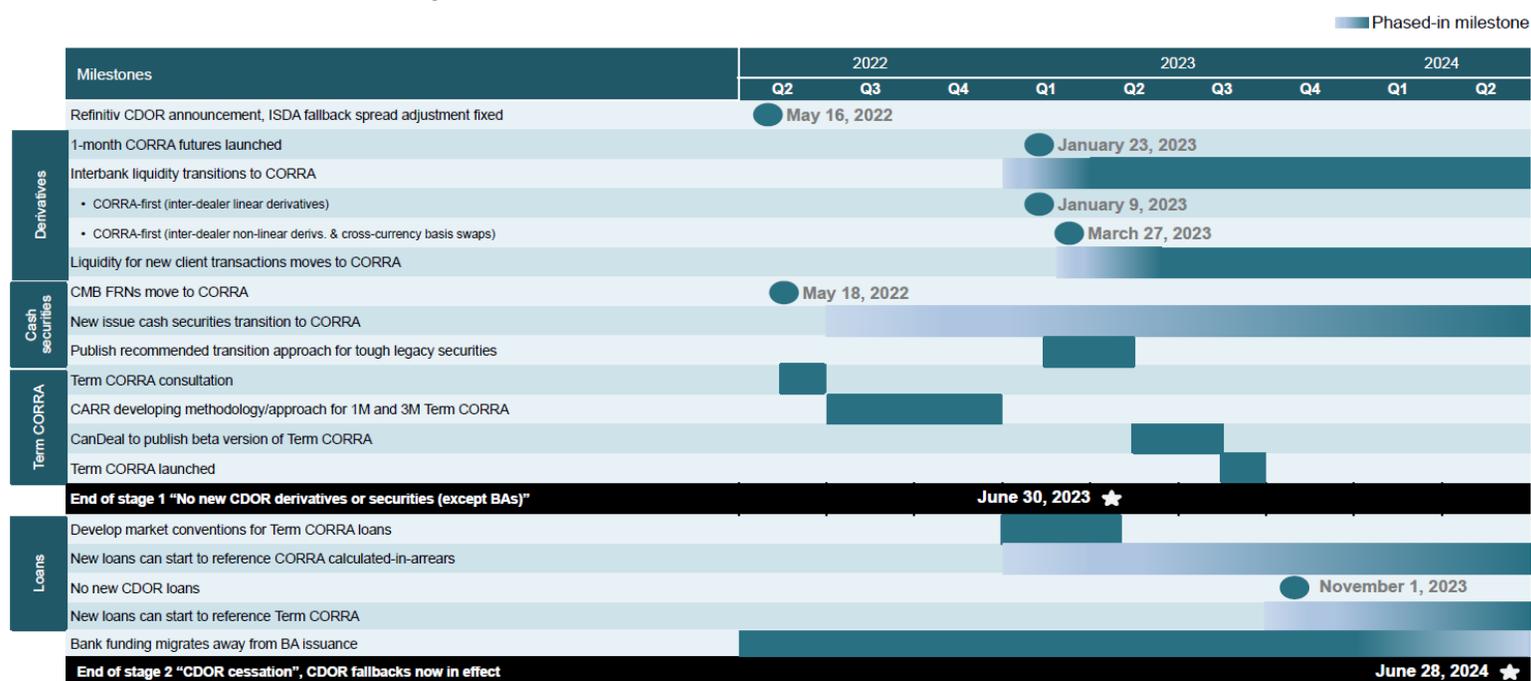
Many market participants have expressed interest in having a forward-looking term rate alternative to CDOR. To address this, Term CORRA is in production, expected to be launched in September 2023. A detailed list of Term CORRA use cases is also being developed. It is expected that after November 1, 2023, banks will not be allowed to originate or renew loans referencing CDOR or bankers' acceptances. Clients who have loans on CDOR or bankers' acceptances originated before November 1, 2023, will be able to continue to draw in CDOR and to hedge their CDOR-based loans and bankers' acceptances using CDOR derivatives.

After June 30, 2023, National Bank of Canada can only enter into new transactions referencing CDOR (e.g., interest rate swaps) with clients if the transaction reduces, hedges or offsets other CDOR exposures (e.g., swapping a CDOR loan to fixed, or trading a CDOR/CORRA basis swap to reduce CDOR exposure, or amending existing CDOR swaps to CORRA). Further, NBC cannot increase the notional amount or extend the term of existing transactions referencing CDOR unless it serves that same CDOR risk management purpose. In all other cases, National Bank of Canada still transacts CAD swaps but only referencing the recommended CORRA instead of CDOR. Hence, after June 30, 2023, if you ask us to enter into a CDOR swap, we will assume it is to reduce your exposure to CDOR.

It is strongly recommended that firms move away from CDOR as soon as possible. Although it will be technically possible for new CDOR derivative initiation after June 2023, liquidity in CDOR related derivatives is likely to worsen. OSFI will be closely monitoring any new use of CDOR after June 30, 2023, to verify that its express directives are being followed.

If you have any questions about the CDOR transition, or any of this information, please do not hesitate to contact your **National Bank of Canada** representative.

## CDOR transition roadmap and milestones



Source: CARR

# Notice to Clients

## CDOR Transition

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