

# CDOR Transition

## About CDOR and Benchmark Rate Reform

Updated: February 2024

As part of an ongoing reform of benchmark rates in international financial markets, some interbank rates, called “Interbank Offered Rates” or “IBOR,” are being phased out. In accordance with the recommendations of various regulators, central banks and industry groups, **IBOR rates are being replaced by risk-free rates (“RFRs”)**. These are based entirely on observed transactions rather than on member surveys (panel banks’ submissions based on “expert judgment” standards).

Refinitiv Benchmark Services (UK) Limited (RBSL), the administrator of the Canadian Dollar Offered Rate (CDOR), announced that it will cease the calculation and publication of CDOR after a final publication on June 28, 2024,<sup>1</sup> following the recommendation by the Canadian Alternative Reference Rate (CARR) Working Group.<sup>2</sup>

After June 28, 2024, CDOR will no longer be offered and will transition to the Canadian Overnight Repo Rate Average (CORRA) or (for some products) to the Term CORRA rate. This impacts all remaining CDOR tenors as well as bankers’ acceptances. The 6-month and 12-month CDOR tenors were discontinued as of May 2021.

If you have a National Bank of Canada (NBC) credit or loan product that is currently calculated based on the CDOR or on bankers’ acceptances, you’ll find the answers to your questions below. This information is updated regularly as market developments occur. If you have any questions, please contact your account manager.

## Frequently asked questions

### 1 What is CDOR?

The Canadian Dollar Offered Rate (CDOR) is a recognized Canadian financial benchmark and represents the rate at which banks are willing to lend to companies. CDOR is also used as the rate in Canada for bankers’ acceptances (BAs). The rate is determined through a daily survey of 6 principal market-makers, which consist of the major Canadian banks.

### 2 What is CORRA?

The Canadian Overnight Repo Rate Average (CORRA) measures the cost of overnight general collateral funding in Canadian dollars using Government of Canada treasury bills and bonds as collateral for repurchase (repo) transactions.

<sup>1</sup> [The official announcement](#) of the cessation of CDOR was made by RBSL on May 16, 2022.

<sup>2</sup> Bank of Canada: CARR publishes White Paper on the [recommended future of CDOR](#), on December 16, 2021.

### 3 Key Characteristic of CDOR and CORRA

CDOR	CORRA
Credit-based measure that incorporates both term and bank credit risk premium	Risk-free measure that reflects the overnight risk-free rate, which closely tracks the Bank of Canada's <a href="#">Target Rate</a>
Measures the rate that Canadian banks are willing to lend to clients with existing credit agreements via bankers' acceptances	Measures the cost of overnight lending via general collateral repo transactions secured by Government of Canada debt
Survey-based rate	Transparent and transaction-based (i.e., reflects actual market transactions)
Submitted rates lack transparency	Overnight rate
Forward-looking term rate (payment is known in advance) published for 1-, 2- and 3-month tenors	Needs to be compounded in arrears to calculate the payment over the specified payment period
Administrator: <a href="#">Refinitiv</a>	Administrator: <a href="#">Bank of Canada</a>
Publication delay for free usage	No publication delay for free usage

Source: [CARR White Paper on the recommended future of CDOR](#).

### 4 Is there, or will there be, a forward-looking term rate alternative to CDOR?

On January 11, 2023, the Canadian Alternative Reference Rate Working Group (CARR) released a [market notice](#) announcing certain important developments with respect to the advent of a Term CORRA rate. See the following publications for further details:

- › [Consultation on a potential new term interest rate to replace CDOR in certain financial instruments: Summary of results](#)
- › [Term CORRA Methodology – CARR Recommended Approach](#)
- › [The administration of Term CORRA](#)
- › [CARR's approved uses for Term CORRA](#)

The Term CORRA rate is available in tenors of 1 month and 3 months and CARR has released a [guidance on the allowable use cases for Term CORRA](#) on August 29, 2023.

### 5 What are the timelines for the CDOR transition?

The CDOR transition timeline and key milestones can be found on the CARR website [here](#).

### 6 What will the impact be if I have CDOR in my credit agreement?

On August 2, 2022, CARR published [recommended fallback language](#) to remediate loan contracts referencing CDOR. By amending existing credit agreements with the recommended fallback language, the CDOR rate will be replaced by the corresponding adjusted risk-free rate (i.e., Term CORRA with a credit spread adjustment) on the relevant CDOR cessation effective date (i.e., June 28, 2024). Otherwise, we will replace the CDOR rate by the corresponding adjusted risk-free rate (i.e., Term CORRA with a credit spread adjustment) or by CORRA compounded in arrears (which is recommended if you hedge your floating rate with a swap) when your credit agreement comes up for annual review prior to the cessation of CDOR. On July 27, 2023, CARR published its [recommendations for transitioning loans from CDOR to CORRA](#) and provided a "no new CDOR or BA loan" milestone (November 1, 2023).

## 7 What will the impact be if I have a rate swap based on CDOR?

If you have an interest rate swap with us to hedge the CDOR exposure of your loan, we will coordinate the amendment of the benchmark rate in your swap contract with the replacement of the benchmark rate in your credit agreement. It will be important that the two instruments be modified in a synchronized fashion to avoid creating a mismatch. The CARR working group recommends to convert both instruments (the loan and the swap) to CORRA compounded in arrears as there will be more liquidity in the overnight CORRA rate so it should be less expensive to hedge than Term CORRA.

If you have a swap with us but your credit agreement is with another financial institution (including a syndicated loan where we are not acting as the agent), you will need to contact your derivatives specialist at NBC to coordinate the conversion of your swap with the amendment of your credit agreement.

## 8 What will the impact be on bankers' acceptances?

Along with the cessation of CDOR, bank funding is migrating away from bankers' acceptances (BAs) within the same timeframe. Borrowers will be able to replace their bankers' acceptances by drawing on CORRA or Term CORRA.

## 9 What is the ISDA protocol?

The International Swap and Derivatives Association (ISDA) has put in place a protocol to which market participants can adhere to inform their counterparties with derivative contracts that they agree to apply the rate replacement methodology determined by ISDA, which is to use the RFR compounded in arrears with a credit spread adjustment.

In short, if both parties to a rate swap concluded before January 25, 2021, have signed the ISDA protocol, the ISDA replacement methodology will apply to the transaction upon the discontinuation of the relevant IBOR rate.

For any rate swap concluded after January 25, 2021, the ISDA replacement methodology is integrated into the transaction and refers to the ISDA definitions amended on January 25, 2021. The protocol doesn't need to have been signed by both parties.

## 10 Should I adhere to the ISDA protocol if I have CDOR swaps with NBC?

If you have stand-alone swaps (not related to a loan or other cash product) executed before January 25, 2021, or if you are replacing the rate applicable to your credit agreement by CORRA compounded in arrears and you have associated CDOR swaps executed before January 25, 2021, it could be beneficial for you to sign the ISDA protocol to adopt the fallback to CORRA compounded in arrears which will take effect after June 28, 2024. Otherwise, if you are replacing CDOR in your credit agreement by Term CORRA and you want your outstanding swaps to be converted to Term CORRA to avoid basis risk between the two instruments, it should be done in coordination with the replacement of CDOR in the credit agreement through a bilateral negotiation process between you and NBC (and any other financial institution in charge of your credit agreement, as the case may be).

## 11 Where can I find more detailed information on the transition of benchmark rates?

Our Economics and Strategy team has written a detailed background document on the broader global [Benchmark Rate Reform](#). This document, which is regularly updated, provides a comprehensive picture of past, current and future issues surrounding the transition of benchmark rates, including CDOR, and the broader reform of benchmark rates underway in international financial markets. You'll find a list of links to external content from relevant sources that we recommend for your review. Moreover, on January 11, 2023, CARR and TMX launched a series of CDOR to CORRA transition webcasts to inform the market of important facts and dates relevant to investors, issuers, borrowers and financial institutions, for which we encourage you to register [here](#).

## 12 Who can I contact if I have more questions on the impact of the transition on my products?

Your account managers and derivatives specialists are available to answer your questions, so please don't hesitate to contact them. They will be able to direct any question requiring greater expertise to a group of experts at NBC.