

Interest Rates Watch: CDOR to End in June 2024; Consultation on Potential Term CORRA Rate Announced

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Welcome back to our *Interest Rates Watch* series, developed to provide timely updates and practical advice on developments related to interest rates and benchmarks on a regular basis. As always, we are here to help.

On May 16, 2022, Refinitiv Benchmark Services (UK) Limited (Refinitiv), the administrator of the Canadian Dollar Offered Rate (CDOR), published a CDOR cessation notice, announcing that the calculation and publication of all tenors of CDOR will permanently cease following a final publication on Friday, June 28, 2024.

This follows the December 2021 recommendation of the Canadian Alternative Reference Rate working group (CARR) that Refinitiv cease publication of CDOR after June 2024. Under CARR's recommended two-staged transition, all new Canadian dollar interest rate derivative and cash security transactions would move to referencing Canada's risk-free rate, the Canadian Overnight Repo Rate Average (CORRA), published by the Bank of Canada, by the end of June 2023, while bilateral and syndicated loans would have an additional year to transition to alternative rates, including CORRA.

With CDOR's cessation, financial contracts, systems, and processes will need to migrate to alternative reference rates. While this will be a significant task, similar transitions have occurred (and continue to occur) in connection with the cessation of LIBOR.

CARR has formed a subgroup to determine the need for the development of a term rate (i.e., Term CORRA) to replace CDOR in certain loan and hedging agreements, similar to the term reference rate based on the secured overnight financing rate which has been widely implemented as a LIBOR replacement in loan transactions. Any replacement Term CORRA rate would be limited, at least initially, to 1- and 3-month tenors. In connection with Refinitiv's announcement, the Term CORRA subgroup is seeking feedback on the need for a potential Term CORRA rate. Consultation responses must be submitted by June 13, 2022.

While Refinitiv's announcement may not have an immediate impact on Canadian dollar loan transactions, market participants should begin to consider whether fallback language or other amendments are appropriate. CARR has identified, as a short-term priority, finalizing recommended fallback language for CDOR-based loan facilities. In the interim, market participants may choose to include amendment fallback language (whereby parties would agree to negotiate and implement a replacement benchmark rate upon

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certain conditions being satisfied). Early iterations of the LIBOR fallback language were based on an amendment approach, and there has been an uptick in the number of CDOR-based facilities with similar language. With Refinitiv's announcement, we expect this trend to continue.

We will be issuing further articles relating to interest rates. Find other articles in our Interest Rates Watch Series [here](#).

This publication is a general summary of the law. It does not replace legal advice tailored to your specific circumstances.