

Interest Rates Watch: What Will the Transition From CDOR to CORRA Mean For Borrowers and Lenders? New Spread Adjustments, Compounded CORRA In-Arrears Contingency Planning and More

Jennifer Wasylyk
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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.

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CDOR vs. CORRA – Key Differences

CDOR is Credit Sensitive, CORRA is Risk Free

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CDOR is a Forward-Looking Term Rate, CORRA is an Overnight Rate

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CDOR / CORRA Spread

CDOR Tenor	ISDA Credit Spread Adjustment
1-month	29.547 bps
2-months	30.190 bps
3-months	32.138 bps

Impact on Credit Facilities

Fallback Language is Imperative

previous commentary

Understanding the Methodology for Compounded CORRA in Arrears

Economic Impact and Credit Spread Adjustments

What's Next

Find other articles in our Interest Rates Watch Series here

¹ <https://www.bankofcanada.ca/wp-content/uploads/2021/12/CARR-Review-CDOR-Analysis-Recommendations.pdf>

² The six-bank CDOR submission panel, which decreased from nine banks in 2012, is comprised of Bank of Montreal, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada and The Toronto-Dominion Bank.

³ A repo is structured as a sale of collateral, with a requirement that the seller repurchase the collateral on the termination date. From an economic standpoint, repos are similar to collateralized loans (i.e. a seller (borrower) sells collateral to a purchaser (lender) for cash (the loan), and agrees to repurchase the same collateral later (loan repayment) at a higher price, with the difference between the initial sale price and the repurchase price being the interest on the loan).

⁴ After public consultation, CDOR's administrator, Refinitiv Benchmark Services (UK) Limited, discontinued CDOR's 6-month and 12-month tenors in May 2021 due to a lack of underlying BAs issued in those tenors.