

Recommended fallback language should encourage a smooth transition from CDOR to CORRA (webinar)

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Following the Canadian Alternative Reference Rate (CARR) working group's release of recommended fallback language for credit agreements using the Canadian Dollar Offered Rate (CDOR) benchmark earlier this month, Osler hosted a follow-up webinar to review the announcement and its implications for lenders and borrowers. Financial Services partner Joyce Bernasek hosted the session, which also featured partner Lisa Mantello and associate Jasmyn Lee. Lisa and Jasmyn were both actively involved with CARR in drafting the fallback language and its accompanying white paper.

Back in May, Refinitiv announced that it would cease publication of CDOR in June 2024. The recommended fallback language creates a mechanism for replacing CDOR with the Canadian Overnight Repo Rate Average (CORRA), using a waterfall of two rates: Term CORRA, which is subject to ongoing consultations and unclear as to whether it will be available before June 2024, and Daily Compounded CORRA. Anticipating the need to retroactively incorporate the Term CORRA rate into a credit agreement once it becomes available, the working group included language allowing an administrative agent to "climb the waterfall" and propose to the borrower and lender a switch to that rate.

The presenters expect that the market will largely embrace the fallback language, as it provides certainty to involved parties moving forward. All the major Canadian banks helped to prepare it and should therefore be well positioned to adopt it quickly. Ultimately, the banks will have to implement their own policies and formalize the language they wish to incorporate into their credit agreements.

Though they were the subject of significant discussion by the working group, the fallback language includes hard-coded spreads, as well. Lisa anticipates, however, that eventually the market will move away from a credit spread adjustment model, adapting to the CORRA rate plus an applicable margin spread.

The group also discussed bankers' acceptances, how the language might interact with multicurrency credit agreements, how the American experience informed the process and other topics surrounding the upcoming transition.

[Watch the full webinar.](#)