

MONTRÉAL EXCHANGE

FAQ - Transitioning to CORRA

Transitioning from BAX futures and options to CORRA

Effective June 28, 2024, the calculation and publication of all tenors of CDOR will permanently cease following a cessation notice from [Refinitiv](#). To ensure a smooth and suitable transition from MX Three-month Canadian Bankers' Acceptance Futures and Options to CORRA-based Futures and Options, TMX is working in partnership with regulatory bodies and market participants to develop robust listed CORRA markets and fallbacks for CDOR-linked contracts.

Q1 What happens to MX Three-Month Canadian Bankers' acceptance futures (BAX) upon the cessation of CDOR at the end of June 2024?

A1 BAX futures will be available for trading until their conversion, scheduled for April, 26, 2024¹, ahead of CDOR cessation date (June 28, 2024) and as of which outstanding BAX positions in post June 2024 expiries will be converted into equivalent 3M CORRA Futures contracts (see below proposed fallback provision). While BAX futures will continue to allow participants (both domestic and international) to manage their remaining CDOR exposure, the Bourse encourages participants to proactively transition their positions into equivalent CRA futures positions at any time ahead of conversion.

Proposed fallback provision for BAX expiring after June 2024: All open positions on eligible BAX contracts will be closed and converted on a 1:1 basis into same month 3M CORRA Futures (CRA) contracts, using ISDA's official Spread Adjustment for the 3M CDOR tenor². More details about the conversion methodology were provided by MX and CDCC, and can be accessed [here](#). The Fallback plan should help clients complete their operational work ahead of the cessation deadline while closely aligning with industry standards.

¹ [Advisory Notice A23-009](#) - Update on Fallbacks Implementation Plan.

² This [Spread Adjustment](#) has been fixed at 32.138 basis points on May 16, 2022.

Q2 What happens to MX Options on Three-Month Canadian Bankers’ acceptance futures (OBX, OBW, OBY and OBZ) upon the cessation of CDOR at the end of June 2024?

A2 In a similar way to BAX Futures, regular Options on BAX continue to be available for trading. Considering valuation implications around options along with liquidity/size structures, the Bourse does not foresee any conversion for Options on BAX and therefore, will not list options on BAX expiring after June 2024. Outstanding expiries up to June 2024, excluded from this transition, remain for regular Options on BAX and will trade until their natural expiry prior to CDOR cessation on June 28, 2024. Serial mid-curve options (OBW) and quarterly 1-year and 2-year mid-curve options (OBY and OBZ) on BAX were delisted at the close of business on June 23, 2023. To replace Options on BAX, MX is looking to list Options on 3M CORRA Futures in Q1-2024.

Q3 How can I properly transition my BAX futures positions to CORRA futures ahead of June 2024?

A3 Market participants are encouraged to transition their BAX positions into 3M CORRA Futures positions proactively prior to CDOR cessation. The MX also made BAX/CRA strategies available for trading to support market participants that wish to move their respective BAX exposure into equivalent 3M CORRA Futures at any time ahead of June 2024. The BAX/CRA strategies can be accessed through multiple trading interfaces including TT, Fidessa/Ion, and are also available on Refinitiv and Bloomberg terminals. Additionally, in 2022, the MX [reduced block thresholds](#) for BAX and BAX/CRA strategies to facilitate the transition of large positions without affecting market dynamics.

Note that while the MX is looking to maintain robust liquidity in both BAX and 3M CORRA Futures throughout the transition phase, the Bourse expects liquidity to shift from BAX to 3M CORRA Futures as we approach CDOR cessation date.

| <u>VENDOR INFORMATION - FUTURE VENDOR CODES</u> | BLOOMBERG | REFINITIV |
|---|------------------|------------------|
| CRA Outrights | CORA Comdty | CRA |
| CRA Spreads | CORF0B1 | CRAF0-B1 |
| BAX CRA Inter Commodity Spread | CORBA | CRA-BAXF20 |
| COA Outrights | OORA Comdty | OAC |
| COA Spreads | OORF00ORB1 | OACF0-B1 |
| COA CRA Inter Commodity Spread | Pending | OAC-CRAF20 |

Q4 When will my BAX futures position be converted and how?

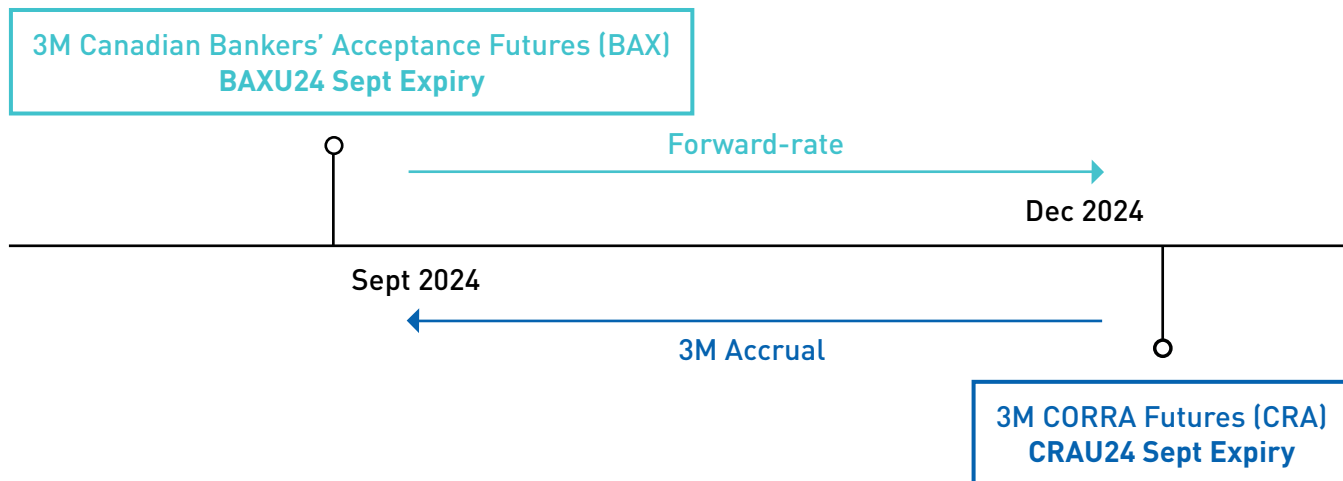
A4 The Bourse, in collaboration with its clearing house, CDCC, released a conversion proposal and consultation request released via [Advisory Notice A23-009](#) in June, 2023. Eligible open BAX positions will be terminated on April 26, 2024, and replaced by an equal number of corresponding CRA contracts. On conversion day, daily settlement price of BAX will be obtained by subtracting the ISDA Fallback spread adjustment of 32.138bps from daily CRA futures settlement prices. Kindly refer to the following documentation for more details: [BAX Fallback Provision & Implementation Plan](#).

Q5 As final settlement dates between BAX and CRA are intrinsically different, how would this impact my conversion?

A5 To better align the exposure period of BAX contracts expiring after June 2024, and which are subject to conversion, the Bourse amended in 2022 the last Trading day of the BAX, thereby making the conversion process simpler and smoother ([Circular 154-22](#)).

Q6 I have a position in a BAX September contract (BAXU24), when will my converted CRA contract expire?

A6 A participant holding a position in the September BAXU24 contract - which expires in September 2024 - will see its renewed position transfer into a September CRAU24 contract expiring in December 2024. While the expiry dates differ due to the nature of the underlying CDOR and CORRA rates - one being a forward rate set at the start of the 3-month period, the other accrued for the preceding three-month period - both contracts represent the same exposure period.



Q7 On conversion day, will I be responsible for inputting closing trades on BAX?

A7 CDCC will be handling the conversion process and automatically close outstanding BAX positions before opening replacement CRA positions, facilitating the process for participants.

Q8 What is the transition timeline and what are the key dates?

A8 Refer to [CARR's roadmap](#) or see a summary of key dates coming up on MX's [CORRA website](#) for more details.

Q9 Where can I track activity in CORRA contracts relative to BAX? How about the OTC market?

- A9** The Bourse offers a monthly tracking tool of trading activity by product category such as short-term interest rate futures, including CORRA-based contracts relative to BAX: [Monthly volume and Open Interest tracker](#).
- The CARR working group makes available a [weekly derivatives monitor](#) to monitor benchmark transition in Canadian derivatives markets. Further details on outstanding notional for CDOR and CORRA-based OTC derivatives transactions can also be accessed via the [OSC Website](#).

For more information and updates on the Canadian benchmark transition, please visit the [CARR website](#). For more information about the CORRA Futures product offering, please visit the MX's [CORRA website](#).

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