

August 10, 2018

## INTRODUCING COUNTERPARTY RATING AS A REQUIREMENT UNDER THE CMB PROGRAM

### PURPOSE

To introduce under the CMB Program the inclusion of counterparty ratings for Approved Swap and Repo Counterparties as developed by rating agencies in response to bank recapitalization or “bail-in” resolution regimes and to revise existing Swap Counterparty exposure limits used in the CMB Program. The policy changes will take effect on October 1, 2018.

### POLICY AMENDMENT

#### New Requirement under the CMB Program - the Counterparty Rating

Under current terms of the CMB Program (“the Program”), long-term unsecured, unguaranteed, unenhanced debt ratings (“long-term debt ratings”) are used in several instances including as eligibility criteria applicable to Program participants and in connection with permitted reinvestment assets, as triggers intended to curtail the ability of Swap and Repo Counterparties to enter into new transactions or maintain counterparty status under the Program, and as a basis for setting exposure limits to Swap and Repo Counterparties.

Existing Program terms and definitions, as set forth in Program documentation<sup>1</sup>, are hereby revised to replace long-term debt ratings with counterparty ratings in all instances where the relationship between Canada Housing Trust No.1 and its counterparties is that of parties to a derivatives contract and where such ratings are available; otherwise, long-term debt ratings will continue to apply.

The counterparty rating of the type specified under the name of the respective Rating Agency may be used in place of long-term debt ratings from that Rating Agency, as follows:

DBRS	Fitch	Moody’s	S&P
Critical Obligations Rating	Derivative Counterparty Rating	Counterparty Risk Rating or Counterparty Risk Assessment	Counterparty Resolution Rating

<sup>1</sup> Includes the Swap related documents (i.e., ISDA Master Agreement, Schedule to the Master Agreement and Credit Support Annex), the Repo related documents (i.e., TBMA/ISMA Global Master Repurchase Agreement, and related annexes), and the CMB Program Definitions Agreement.

**Revision of Swap Exposure Limits**

In addition, swap exposure limits are adjusted downward regardless of the rating trigger used (i.e., counterparty rating or long-term debt rating), as follows:

Rating				Exposure Threshold (Millions \$)
DBRS	Fitch	Moody's	S&P	
Senior Unsecured Long-Term Debt Rating or Critical Obligations Rating	Senior Unsecured Long-Term Debt Rating or Derivative Counterparty Rating	Senior Unsecured Long-Term Debt Rating or Counterparty Risk Rating/Counterparty Risk Assessment	Senior Unsecured Long-Term Debt Rating or Counterparty Resolution Rating	
AAA/AAA	AAA/AAA(dcr)	Aaa/Aaa/Aaa(cr)	AAA/AAA	150
AA(high)/AA(high)	AA+/AA+(dcr)	Aa1/Aa1/Aa1(cr)	AA+/AA+	100
AA/AA	AA/AA(dcr)	Aa2/Aa2/Aa2(cr)	AA/AA	50
AA(low)/AA(low)	AA-/AA-(dcr)	Aa3/Aa3/Aa3(cr)	AA-/AA-	25
A(high)/A(high)	A+/A+(dcr)	A1/A1/A1(cr)	A+/A+	0
A/A	A/A(dcr)	A2/A2/A2(cr)	A/A	0
A(low)/A(low)	A-/A-(dcr)	A3/A3/A3(cr)	A-/A-	0
BBB(high)/BBB(high)	BBB+/BBB+(dcr)	Baa1/Baa1/Baa1(cr)	BBB+/BBB+	0

All other eligibility criteria and requirements will remain unchanged and continue to apply to each entity seeking Approved status.

Program participants who will use the counterparty ratings must contact the Trust Administrator to obtain the updated/revised Program-related legal documentation. To be eligible to enter into new CMB transactions, such Program participants will be required to execute revised legal documentation prior to November 1, 2018.

Revisions to the CMB User Guide reflecting these changes will be made concurrent with the next scheduled update.

For more information on these changes, please contact  
Canada Housing Trust No. 1, Scott Allen (416-594-8724) at the Trust Administrator.