

CANADIAN REGISTERED COVERED BOND PROGRAMS GUIDE

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Table of Contents

CHAPTER 1 INTRODUCTION.....	1
1.1 Canadian Registered Covered Bond Programs' Legal Framework.....	1
1.2 Role and Powers of CMHC	1
1.3 Scope and Application of Guide	2
1.4 Covered Bonds Registry	3
1.5 Interpretation.....	5
CHAPTER 2 REGISTERED ISSUERS	7
2.1 Applying for Registration	7
2.2 Eligibility	8
2.3 Minimum Requirements	9
2.4 Registration of Issuers.....	10
2.5 Deregistration of Issuers	11
CHAPTER 3 REGISTERED PROGRAMS	12
3.1 Applying for Registration	12
3.2 Programs	14
3.3 Guarantor Entities	15
3.4 Counterparties.....	16
3.5 Ratings and Ratings Triggers	18
3.6 Title to Mortgages	19
3.7 Recordkeeping	25
3.8 Registration of Programs.....	26
3.9 Deregistration of Programs.....	27
CHAPTER 4 ASSETS & LIABILITIES OF REGISTERED COVERED BOND PROGRAMS	28
4.1 Permitted Assets	28
4.2 Mortgage Eligibility Criteria.....	29
4.3 Required Overcollateralization	36
4.4 Registered Covered Bond Terms	37
4.5 Management of Interest Rate and Currency Risk	37
4.6 Management of Housing Market Risks.....	40
CHAPTER 5 DISCLOSURE	42
5.1 General Principles.....	42
5.2 Program Website	42
5.3 Offering Disclosure.....	43
5.4 Private Placements	44
5.5 Monthly Reports and Ongoing Disclosure	45
5.6 Disclaimers	45
5.7 On Issuer Event of Default	46
CHAPTER 6 ISSUER DEFAULT & INSOLVENCY	47
6.1 Ranking of Covered Bondholders.....	47
6.2 Impact of Issuer Default and Guarantor Entity Default.....	48
6.3 Program Requirements Addressing Default Risk.....	51
6.4 Liquidity.....	53
CHAPTER 7 COVER POOL MONITORS	54
7.1 Requirement to Engage	54
7.2 Qualifications.....	54
7.3 Responsibilities	54

7.4	Access to Information.....	56
7.5	Cover Pool Monitor(s)' Fees.....	56
7.6	On Insolvency	57
CHAPTER 8 REPORTING AND NOTIFICATIONS.....		58
8.1	Notification of Covered Bond Issuances.....	58
8.2	Annual Compliance Certificate	58
8.3	Notification of Change to Registered Covered Bond Program or Terms of Covered Bonds.....	58
8.4	Approval for Changes to Transaction Documents of a Registered Covered Bond Program	59
8.5	Notification of Breach	59
8.6	Method of Notification.....	59
CHAPTER 9 ENFORCEMENT		61
9.1	CMHC's Suspension Powers	61
9.2	Remedy.....	61
9.3	Suspension	62
9.4	Disclosure of Suspension.....	63
9.5	Additional Disclosures to CMHC.....	63
CHAPTER 10 FEES.....		65
10.1	Fees.....	65
10.2	Timing of Payment	65
10.3	Method of Payment.....	65
ANNEX A APPLICATION FOR REGISTRATION AS A COVERED BOND ISSUER		
ANNEX B ISSUER UNDERTAKINGS		
ANNEX C APPLICATION FOR REGISTRATION AS A COVERED BOND PROGRAM		
ANNEX D ASSET COVERAGE TEST METHODOLOGY		
ANNEX E VALUATION CALCULATION		
ANNEX F MATERIAL TRANSACTION DOCUMENTS TO BE DISCLOSED		
ANNEX G OFFERING DISCLOSURE REQUIREMENTS		
ANNEX H MONTHLY REPORTING REQUIREMENTS		
ANNEX I AMORTIZATION TEST METHODOLOGY		
ANNEX J COVER POOL MONITOR'S RESPONSIBILITIES		
ANNEX K ANNUAL COMPLIANCE CERTIFICATE		
ANNEX L SCHEDULE OF FEES		
ANNEX M RELEASE OF SECURITY		

CHAPTER 1 INTRODUCTION

1.1 Canadian Registered Covered Bond Programs' Legal Framework

1.1.1 On June 29, 2012, Bill C-38 received Royal Assent. The *Jobs, Growth and Long-term Prosperity Act*, S.C. 2012, c. 19 came into force on July 6, 2012, serving to amend the *National Housing Act*, R.S.C. 1985, c.N-11 (the “**NHA**”) and establish a legal framework for covered bond programs in Canada.

1.1.2 The objective underlying the covered bonds legal framework established by Part I.1 of the NHA is to develop a robust Canadian covered bonds regime designed to promote:

- (a) appropriate disclosure; and
- (b) continuity of payment (and ultimate repayment) of issued covered bonds,

without intimation of a guarantee on the part of the federal government.

1.2 Role and Powers of CMHC

1.2.1 Canada Mortgage and Housing Corporation is a Crown Corporation. Its powers are prescribed in the *Canada Mortgage and Housing Corporation Act* (Canada), the *Financial Administration Act* (Canada) and the NHA. Under Part I.1 of the NHA, Canada Mortgage and Housing Corporation has been given responsibility to administer the legal framework for Canadian registered covered bond programs established thereunder, with discretionary authority to establish conditions and restrictions applicable to registered issuers and registered covered bond programs and to oversee and enforce compliance with those conditions and terms.

1.2.2 In addition to the rights and powers expressly afforded it under Part I.1 of the NHA, in fulfilling its responsibility to administer the legal framework for Canadian registered covered bond programs, Canada Mortgage and Housing Corporation or its successor (“**CMHC**”):

- (a) shall be afforded access to each registered issuer’s Program Website;
- (b) shall be afforded, upon request, reasonable access to documents and information relating to a registered issuer’s registered covered bond program which are delivered or made available to Investors other than through the registered issuer’s Program Website (or which are not otherwise made publicly available) if necessary to verify the registered issuer’s, guarantor entity’s and/or registered covered bond program’s compliance with any requirement of this Guide and Part I.1 of the NHA;
- (c) shall have the discretionary power to suspend a registered issuer upon failure to remedy any non-compliance with the requirements of this Guide (including the requirements of Chapter 5 of this Guide) or Part I.1 of the NHA on the part of a registered issuer, guarantor entity or registered covered bond program (whether or not notified of such non-compliance pursuant to Section 8.5.1 of this Guide);

- (d) shall have the discretionary power to amend this Guide from time to time (to the extent permitted by Part I.1 of the NHA);
- (e) shall have such other rights and powers afforded it by this Guide; and
- (f) may recommend the enactment of regulations under Section 21.66 of Part I.1 of the NHA.

1.2.3 Other than as required to be disclosed in the Registry (in accordance with Section 1.4 of this Guide) or to Investors (in accordance with Chapter 5 or Section 9.5.3 of this Guide), all information to which CMHC shall be afforded access in accordance with Section 1.2.2(b) of this Guide shall remain confidential.

1.3 Scope and Application of Guide

The Corporation may, at any time, establish conditions or restrictions applicable to registered issuers and registered programs.

NHA Section 21.58

1.3.1 The general purpose of this Guide is to set out the conditions and restrictions applicable to registered covered bond issuers and registered covered bond programs.

1.3.2 This Guide should be read together with Part I.1 of the NHA.

1.3.3 The conditions and restrictions set out in this Guide reflect the minimum requirements considered necessary by CMHC to fulfill the objective underlying the covered bonds legal framework established by Part I.1 of the NHA as set out in Section 1.1.2 of this Guide.

1.3.4 CMHC expects registered issuers to:

- (a) structure their registered covered bond programs;
- (b) service (or cause to be serviced) the covered bond collateral of their registered covered bond programs; and
- (c) issue covered bonds under their registered covered bond programs,

in a manner, and on terms and conditions, designed to fulfill the objective underlying the covered bonds legal framework established by Part I.1 of the NHA as set out in Section 1.1.2 of this Guide, including:

- (a) overcollateralization requirements designed to ensure that sufficient covered bond collateral is maintained to satisfy all principal, interest and other payments on covered bonds issued under each registered covered bond program of the registered issuer when due through to maturity; and
- (b) appropriate risk management systems are established to identify, measure and manage credit, collection, market (including volatility in interest rates and currency exchange rates) and liquidity risks associated

with the covered bond collateral of each registered covered bond program of the registered issuer.

- 1.3.5 CMHC further expects each registered issuer to comply, in all material respects, with the laws, regulations and rules applicable to covered bonds which are promulgated by each jurisdiction and market in which covered bonds issued under each of its registered covered bond programs have been offered by it or have been listed or otherwise posted for trading by it.

1.4 Covered Bonds Registry

(1) The Corporation must establish and maintain a registry containing

- (a) the names and business addresses of registered issuers;*
- (b) a list of registered programs and information relating to those programs, including the name of each essential service provider to the guarantor entity;*
- (c) a list of registered issuers whose right to issue covered bonds is suspended under subsection 21.62(1) and the reasons for the suspension;*
- (d) any other information that, in the Corporation's opinion, is necessary; and*
- (e) any prescribed information.*

(2) The Corporation must make the registry accessible to the public through the Internet and by any other means that it considers appropriate.

NHA Section 21.51

- 1.4.1 CMHC shall maintain the registry contemplated by Section 21.51 of Part I.1 of the NHA (the "**Registry**") at the "Canadian Registered Covered Bonds" section of the CMHC website, www.cmhc-schl.gc.ca/coveredbonds.
- 1.4.2 The Registry shall identify each registered issuer, its business address, its status as "active" or "suspended", and its Program Website address.
- 1.4.3 The Registry shall include a link to each registered issuer's Program Website, but the registered issuer's Program Website shall not form part of the Registry.
- 1.4.4 The Registry shall include the following information relating to each registered covered bond program of a registered issuer:
- (a) the program's name;
 - (b) the guarantor entity's name and the name of its general partner(s) or trustee(s);
 - (c) the name of each counterparty to a Covered Bond Collateral Hedge;
 - (d) the name of each servicer of Eligible Loans forming part of the covered bond collateral;
 - (e) the name of the cash manager;

- (f) the name of the Cover Pool Monitor;
- (g) the name of the Custodian;
- (h) the name of the Bond Trustee;
- (i) the name of the portfolio manager, if any;
- (j) the name of the account bank (or other financial institution at which an account or deposit may be maintained);
- (k) the name of the standby account bank (or other financial institution at which an account or deposit may be maintained), if any;
- (l) the name of the provider of a guaranteed rate of return in respect of one or more accounts or deposits of the guarantor entity (“**GIC Provider**”), if any;
- (m) the name of the standby GIC Provider, if any;
- (n) the name of the paying agent(s);
- (o) minimum Asset Percentage; and
- (p) maximum Asset Percentage.

(each of the entities identified in paragraph (c) through (n) inclusive shall hereinafter be referred to as “**Counterparties**”).

1.4.5 The Registry shall include the following information relating to each series or tranche of covered bonds issued and outstanding under a registered covered bond program (whether prior to or following its registration):

- (a) date of issue;
- (b) series designation;
- (c) issue currency;
- (d) nominal amount;
- (e) ISIN number;
- (f) hard bullet/soft bullet;
- (g) maturity date and extended maturity date (if soft bullet);
- (h) coupon rate (%);
- (i) interest payment date(s)/frequency;
- (j) listing authority (if applicable); and

- (k) other material characteristics or features of series or tranche, if any, required by CMHC to be included in the Registry.
- 1.4.6 Each registered issuer must notify CMHC forthwith upon a change or modification to any information contained in the Registry relating to the registered issuer, any of its registered covered bond programs or any series or tranche of covered bonds issued under any of its registered covered bond programs. CMHC shall update the Registry as soon as practicable following receipt of any such notification. The currency of all information contained in the Registry relating to a registered issuer, any of its registered covered bond programs or any series or tranche of covered bonds issued under any of its registered covered bond programs shall be noted on the Registry and correspond to the date upon which the information was received by CMHC from the registered issuer.
- 1.4.7 The Registry shall include a list of registered issuers whose right to issue further covered bonds under any of its registered covered bond programs has been suspended and the suspension not revoked (in accordance with Section 9.3.1 and Section 9.3.2 of this Guide), identifying both the registered issuer's name and the reason for its suspension.
- 1.4.8 The Registry shall, wherever information provided by a registered issuer is posted, clearly display disclaimers:
- (a) as to the absence of any warranty on the part of CMHC in relation to the accuracy or completeness of information contained in the Registry;
 - (b) as to the absence of any responsibility on the part of CMHC for the contents or reliability of Program Websites linked to the Registry;
 - (c) as to the currency of the information contained in the Registry; and
 - (d) recommending readers to seek professional advice prior to any decision to invest in covered bonds.

1.5 Interpretation

- 1.5.1 In this Guide, all terms used and not otherwise defined shall have the meaning ascribed thereto under Part I.1 of the NHA. Reference is made to the Index of Terms included in this Guide for a list of all terms used and defined herein (including where such terms have been defined). Nothing in this Guide shall be construed to require the transaction documents of a registered covered bond program to use the same terms as those used in this Guide. However:
- (a) transaction documents of a registered covered bond program containing terms and conditions commonly understood to be contained in one or more transaction documents identified in Annex F, however named under the program, shall be considered a material transaction document to which this Guide applies; and
 - (b) persons performing functions and/or providing services under the transaction documents of a registered covered bond program which are commonly understood to be performed and/or provided by a Counterparty shall be considered a Counterparty for purposes of this Guide.

- 1.5.2 For purposes of this Guide, a registered issuer's "**Affiliates**" shall be determined with reference to the meaning of "Affiliates" in the *Bank Act* (Canada) or other governing legislation of the registered issuer, provided that (i) where the governing legislation of a registered issuer does not ascribe a meaning to "Affiliate" (or a like term), reference shall be made to the meaning of "Affiliate" in the *Bank Act* (Canada) and (ii) in the case of a central cooperative credit society or cooperative credit society league, an "Affiliate" shall be construed to include the credit unions or caisses populaires for which a central or league performs treasury functions or from which the central or league purchases mortgages or hypothecs for purposes of a covered bond program.
- 1.5.3 For purposes of this Guide, a "**Business Day**" shall mean any day except Saturday or Sunday and any day on which banks are generally not open for business in Ottawa, Ontario and the city identified by the registered issuer in its application for registration of the relevant registered covered bond program, provided that for purposes of Section 6.3.1 of this Guide, "Business Day" shall, with reference to each series or tranche of covered bonds issued and outstanding, have the meaning ascribed thereto in the relevant covered bond terms. A reference to a "day" in this Guide, not otherwise qualified by the word "business", shall be construed to be a calendar day.
- 1.5.4 For purposes of this Guide, if an action is required to be taken no later than a day which is not a Business Day, then such action shall instead be required to be taken no later than the next succeeding Business Day.
- 1.5.5 For purposes of this Guide, if an action may be taken within, or any right or obligation is to expire at the end of a period of days, then the day which is the reference day in calculating such period shall be excluded.
- 1.5.6 For purposes of this Guide, any notice, document or information provided, delivered or given to, or filed with, CMHC shall be deemed to have been so provided, delivered, given or filed (and received) on the day and at the time its delivery by personal delivery, courier or electronic transmission is confirmed, but if that day is not a Business Day or if that time is after 4:00 p.m. (local time), then such notice, document or information shall be deemed to have been given or received on the next Business Day.
- 1.5.7 When reference is made in this Guide to the Canadian dollar equivalent of any amount, unless otherwise specified in this Guide or, if not, in the transaction documents of the registered covered bond program, currency conversion shall be undertaken at mid day spot exchange rates on the date of calculation.
- 1.5.8 Subject as hereinafter provided, nothing in this Guide is intended to preclude or otherwise constrain the right of holders of covered bonds (or the Bond Trustee on their behalf) issued under a registered covered bond program to waive a breach of, or default or event under, the provisions of the transaction documents of the program whereupon such breach, default or event shall be construed not to have occurred for purposes of this Guide. Any such waiver must be subject to an approval process prescribed by the relevant transaction document(s), disclosed to Investors, at least congruent with industry standard practice for covered bonds in Canada and in compliance with the provisions of this Guide.
- 1.5.9 Nothing in this Guide shall preclude the inclusion of a *force majeure* clause in any transaction document of a registered covered bond program.

CHAPTER 2 REGISTERED ISSUERS

2.1 Applying for Registration

(1) Any of the following institutions may apply for registration as a registered issuer:

(a) a federal financial institution as defined in section 2 of the Bank Act; and

(b) a cooperative credit society that is incorporated and regulated by or under an Act of the legislature of a province.

(2) The applicant must provide the Corporation, in the time, manner and form required by the Corporation, with the required fees and any information that, in the Corporation's opinion, is required for the purposes of the registration.

NHA Section 21.52

(2) Paragraph 21.52(1)(b) of the National Housing Act, as enacted by section 356, comes into force on the day to be fixed by order of the Governor in Council.

Jobs, Growth and Long-term Prosperity Act (Canada) Section 367

2.1.1 An issuer may apply for registration as a registered issuer by submitting the following to CMHC:

- (a) an application (in the form appended as Annex A) identifying (among other things) its name and business address and the name of each Rating Agency that has assigned ratings to the short-term or long-term indebtedness of the issuer (and the ratings assigned).
- (b) a conditional undertaking not to issue covered bonds except under a registered covered bond program following its initial registration of a covered bond program (in the form appended as Annex B);
- (c) a conditional undertaking to comply (and cause compliance) with the requirements of this Guide and Part I.1 of the NHA and, in all material respects, with all applicable securities laws, regulations and rules (in the form appended as Annex B);
- (d) evidence (which may be or include the attestation of an executive officer of the issuer) of its eligibility and satisfaction of the minimum requirements applicable to a registered issuer or any of its Affiliates (as set forth in Section 2.2 and Section 2.3 of this Guide);
- (e) a certified copy of its non-statutory constating documents;
- (f) a certified copy of a resolution of its board of directors authorizing (or ratifying) (i) the creation of one or more covered bond programs complying (or the modification of an existing covered bond program to comply) with the requirements of this Guide and Part I.1 of the NHA, (ii) applications for registration as a registered issuer and for the registration

of one or more covered bond programs, (iii) the administration of each covered bond program so registered and (iv) the issuance of covered bonds under each covered bond program so registered;

- (g) a certified copy of a certificate of incumbency identifying applicable signing officers of the issuer;
- (h) a certificate of status, compliance or good standing and other evidence of registration of each of the issuer (and any of its Affiliates which are intended to serve as Counterparties of any covered bond program for which the issuer may seek registration) to carry on its business (including its mortgage lending business, if applicable) in each jurisdiction of Canada requiring such registration; and
- (i) the fees prescribed by Chapter 10 of this Guide.

2.1.2 In its application for registration as a registered issuer, an issuer must not knowingly provide information that is false or misleading, and an executive officer of the issuer must attest to the accuracy and completeness, in all material respects, of the information provided in the application.

2.1.3 Until its application for registration as a registered issuer has been accepted or rejected, an issuer must immediately inform CMHC of any significant change to the information provided in the application.

2.1.4 Unless otherwise stated, an issuer must submit its application for registration as a registered issuer and all ancillary forms and information to CMHC's address (700 Montreal Road, Ottawa, Ontario K1A 0P7) marked for the attention of "Canadian Registered Covered Bond Programs" by any of the following methods:

- (a) courier; or
- (b) leaving it at CMHC's address and obtaining a time-stamped receipt; or
- (c) e-mail (with return acknowledgement from CMHC) to ccba@cmhc-schl.gc.ca or ccba@cmhc.ca.

2.2 Eligibility

In order to make an application for registration as a registered covered bond issuer, an issuer must be one of the following:

- (a) a bank listed in Schedule I or Schedule II to the *Bank Act* (Canada);
- (b) a body corporate to which the *Trust and Loan Companies Act* (Canada) applies;
- (c) an association to which the *Cooperative Credit Associations Act* (Canada) applies or a central cooperative credit society for which an order has been made under subsection 473(1) of that Act;
- (d) an insurance company or a fraternal benefit society incorporated or formed under the *Insurance Companies Act* (Canada); or

- (e) a cooperative credit society that is incorporated and regulated by or under an Act of the legislature of a province.

2.3 Minimum Requirements

An eligible issuer applying for registration as a registered covered bond issuer must (and must ensure each of the issuer's Affiliates which are intended to serve as Counterparties of any covered bond program for which the issuer may seek registration):

- (a) in the case of the issuer only, have the necessary authority to issue covered bonds and otherwise create and administer a covered bond program established in accordance with this Guide and Part I.1 of the NHA;
- (b) be in good standing with the prudential regulator or other supervisory authority having jurisdiction over the issuer or Affiliate with no current, pending or threatened regulatory intervention or restrictions imposed which have (or, if adversely resolved, could reasonably be expected to have) a material adverse effect upon (i) in the case of the issuer, its mortgage lending business or covered bond program(s) or (ii) in the case of the Affiliate, that aspect of its business (including its mortgage lending business, if applicable) relevant to its proposed contractual relationship with, or services proposed to be provided to, the guarantor entity;
- (c) be in material compliance with its disclosed underwriting, servicing and risk management policies relevant to its covered bonds and covered bond programs;
- (d) be in material compliance with all laws, regulations and rules applicable to its covered bonds and covered bond programs; and
- (e) in the case of the issuer and those of its Affiliates originating Eligible Loans to serve as covered bond collateral of the covered bond program only, be subject to and governed by (i) the requirements of the Office of the Superintendent of Financial Institutions applicable or otherwise relevant to covered bonds and the origination and servicing of residential mortgages or (ii) substantially equivalent requirements of another regulator in Canada (it being understood that an eligible issuer unable to demonstrate compliance with this requirement may be required to comply with additional requirements as CMHC may deem necessary to ensure the issuer is able to comply with such requirements of this Guide and Part I.1 of the NHA and is otherwise able to fulfill the objectives underlying the covered bonds legal framework established by Part I.1 of the NHA as set out in Section 1.1.2 of this Guide).

2.4 Registration of Issuers

The Corporation may register an institution in the registry if

(a) in the Corporation's opinion, all of the requirements under this Part have been met; and

(b) the institution gives an undertaking to not issue any debt obligation that is commonly known as a covered bond except under a registered program.

NHA Section 21.53

(1) The Corporation must notify the applicant in writing of its decision with respect to the application to register the applicant or the program.

(2) An applicant may withdraw the application for registration by so notifying the Corporation in writing at any time before the day on which the applicant receives notice of the Corporation's decision.

NHA Section 21.56

- 2.4.1 Upon receipt of an issuer's application for registration as a registered issuer, CMHC may request such additional information or explanation concerning the application as may be reasonably necessary for CMHC's consideration of the application.
- 2.4.2 CMHC will endeavour to process expeditiously applications for registration as a registered issuer following the receipt of all documents, information and explanations contemplated by Section 2.1.1 and Section 2.4.1 of this Guide.
- 2.4.3 If it appears to CMHC that an applicant for registration as a registered issuer complies (and is able to comply) with the requirements of this Guide and Part I.1 of the NHA and is otherwise able to fulfill the objective underlying the covered bonds legal framework established by Part I.1 of the NHA as set out in Section 1.1.2 of this Guide, CMHC shall accept the application of the issuer, register it as a registered issuer and notify it accordingly in writing.
- 2.4.4 If it appears to CMHC that an applicant for registration as a registered issuer does not comply (or will be unable to comply) with the requirements of this Guide or Part I.1 of the NHA or is otherwise unable to fulfill the objective underlying the covered bonds legal framework established by Part I.1 of the NHA as set out in Section 1.1.2 of this Guide, CMHC shall advise the issuer of its concerns. To address CMHC's concerns, the issuer may provide additional information or assurances to CMHC. Following receipt of such additional information and assurances, CMHC shall notify the issuer in writing of its decision to accept its application for registration as a registered issuer (if the conditions identified in Section 2.4.3 of this Guide appear satisfied) or to refuse to accept its application for registration as a registered issuer and the reasons therefor (if CMHC's concerns have not been adequately addressed).
- 2.4.5 If an issuer's application for registration as a registered issuer is refused in accordance with Section 2.4.4 of this Guide, nothing shall prevent the issuer from submitting a new application for registration as a registered issuer.

- 2.4.6 Other than as required to be disclosed in the Registry (in accordance with Section 1.4 of this Guide) or to Investors (in accordance with Chapter 5 or Section 9.5.3 of this Guide), all forms, information and other communications by and between an applicant for registration and CMHC contemplated by, or otherwise arising in connection with, this Chapter 2 shall remain confidential.
- 2.4.7 Covered bonds issued under a program for which registration as a registered covered bond program has not been (and will not be) sought or granted (“**Historical Bonds**”) must be clearly identified as covered bonds issued outside the registered covered bonds legal framework established by the NHA by (i) segregating disclosure relating to Historical Bonds from any disclosure relating to covered bonds issued under a registered covered bond program (through separate disclosure documents, investor reports and/or communications, and websites, webpages and/or website locations) and (ii) affixing or posting to any new document created, any webpage or any website link or website location of the registered issuer which includes disclosure relating to Historical Bonds and is made available to Investors or potential Investors or otherwise maintained by the registered issuer subsequent to the registered issuer’s initial registration of a covered bond program.

2.5 Deregistration of Issuers

(2) The Corporation may deregister a registered issuer on the request of the issuer only if the issuer has no registered programs

NHA Section 21.57(2)

- 2.5.1 Following deregistration of a (former) registered issuer in accordance with Section 21.57(2) of Part I.1 of the NHA, CMHC shall remove from the Registry all information concerning the registered issuer, each of its registered covered bond programs and any series or tranche of covered bonds issued thereunder.

CHAPTER 3 REGISTERED PROGRAMS

3.1 Applying for Registration

(1) *A registered issuer may apply for registration of a program under which covered bonds are to be issued.*

(2) *The registered issuer must provide the Corporation, in the time, manner and form required by the Corporation, with the required fees and the information referred to in subsection (3).*

(3) *An application must contain a complete description of the program, including the following information:*

(a) the name of the entity that will act as the guarantor entity and the type of entity;

(b) a description of the loans or other assets to be held as the covered bond collateral and their value;

(c) the minimum and maximum ratio required under the program of the value of the covered bonds to be issued to the value of the loans or other assets to be held as covered bond collateral;

(d) a description of the contractual relationships between the registered issuer and the entity that will act as the guarantor entity;

(e) the names of all essential service providers to the entity that will act as the guarantor entity, a description of the services to be provided and, if a registered issuer or one of its affiliates is acting as a service provider, the circumstances in which it must be replaced;

(f) the names of any parties to a derivatives agreement with the entity that will act as the guarantor entity; and

(g) any other information that, in the Corporation's opinion, is required.

NHA Section 21.54

3.1.1 A registered issuer may apply for registration of a covered bond program by submitting the following to CMHC:

(a) an application (in the form appended as Annex C) identifying (among other things) the name of the program, all information required to be provided by Section 21.54 of Part I.1 of the NHA and all information necessary to assess the program's and its guarantor entity's compliance (and ability to comply) with the requirements of this Guide and Part I.1 of the NHA and their ability to otherwise fulfill the objective underlying the covered bonds legal framework established by the NHA (as set forth in Section 1.1.2 of this Guide);

(b) a *pro forma* Public Offering Document containing all material information concerning the registered issuer, the guarantor entity, each of the Counterparties, the eligibility, qualifications, role and relationships of the program participants, the governance and oversight of the guarantor entity, minimum and maximum Asset Percentages, mortgage eligibility criteria, underwriting and servicing procedures and policies relevant to the

- program, the program level documents, events of default and remedy periods therefor, risk factors, credit enhancements, approval process(es) for changes in transaction documents, coverage, cashflow and other tests (and the consequences of failure), Ratings Triggers and requirements for Rating Agency confirmation (if or to the extent known) and other items required to be disclosed in a Public Offering Document pursuant to Section 5.3.1 of this Guide (other than items pertaining exclusively to series or tranches of covered bonds yet to be issued under the program);
- (c) the information and documents contemplated by Section 3.3.2 of this Guide, if applicable;
 - (d) a certified copy of the constating documents of the guarantor entity;
 - (e) a certified copy of a certificate of incumbency identifying the signing officers of the guarantor entity;
 - (f) a certificate of status, compliance or good standing and other evidence of registration of the guarantor entity to carry on its business in each jurisdiction of Canada requiring such registration (it being acknowledged that delivery of evidence of registration to carry on business in a jurisdiction of Canada requiring such registration by reason of the transfer or contribution to the guarantor entity of Eligible Loans originated in such jurisdiction may be deferred to the date on which such Eligible Loans are transferred or contributed to the guarantor entity);
 - (g) a certified copy of an authorizing resolution of the board of directors of the general partner of the guarantor entity (or equivalent document of the trustee(s) or other analogous entity responsible for carrying on, overseeing, managing or otherwise administering the business activities and assets of the guarantor entity) authorizing the guarantee of all outstanding covered bonds issued under the program and the execution, delivery and performance of each transaction document of the program to which it is a party;
 - (h) attestation of an executive officer of the registered issuer as to matters of fact evidencing compliance with Section 6.2.3 of this Guide;
 - (i) evidence of the engagement of a Custodian and Cover Pool Monitor;
 - (j) to the extent a series or tranche of covered bonds is proposed to be issued or marketed to the public concurrently with the registration of the program, a Public Offering Document complying with the requirements of Section 5.3 of this Guide, together with the information to be included in the Registry pursuant to Section 1.4.5 of this Guide in relation thereto (once available);
 - (k) to the extent a series or tranche of covered bonds is proposed to be issued or marketed concurrently with the registration of the program, the name of each Rating Agency engaged to assign a rating in relation to such series or tranche of covered bonds and the provisional rating assigned (once available);

- (l) to the extent a series or tranche of covered bonds is proposed to be issued or marketed concurrently with the registration of the program, the initial report contemplated by Section 7.3.1 of this Guide as to the results of applying specified auditing procedures to the matters identified therein (prepared in accordance with Section 9100 of the Other Canadian Standards);
- (m) a legal opinion(s) as to (i) the subsistence, capacity and authority of the guarantor entity, (ii) the due authorization, execution and delivery of each transaction document of the program to which the registered issuer, any of its Affiliates or the guarantor entity is a party, (iii) the enforceability of each transaction document of the program (other than the Security Sharing Agreement) as against each of the registered issuer, any of its Affiliates and the guarantor entity, (iv) compliance with the provisions of Section 6.2.3 of this Guide, (v) the non-consolidation of the guarantor entity, (vi) the true sale of covered bond collateral to the guarantor entity, and (vii) the security interest granted by the guarantor entity over the covered bond collateral in favour of the Bond Trustee;
- (n) each material transaction document of the covered bond program listed in Annex F or otherwise required by CMHC (other than the Underwriting Agreement (or form thereof)); and
- (o) the fees prescribed by Chapter 10 of this Guide.

3.1.2 In its application for registration of a covered bond program, a registered issuer must not knowingly provide information that is false or misleading, and an executive officer of the registered issuer must attest to the accuracy and completeness, in all material respects, of the information provided in the application.

3.1.3 Until its application for registration of a covered bond program has been accepted or rejected, a registered issuer must immediately inform CMHC of any significant change to the information provided in the application.

3.1.4 Unless otherwise stated, a registered issuer must submit its application for registration of a covered bond program and all ancillary forms and information to CMHC's address (700 Montreal Road, Ottawa, Ontario K1A 0P7) marked for the attention of "Canadian Registered Covered Bond Programs" by any of the following methods:

- (a) courier; or
- (b) leaving it at CMHC's address and obtaining a time-stamped receipt; or
- (c) e-mail (with return acknowledgement from CMHC) to ccba@cmhc-schl.gc.ca or ccba@cmhc.ca.

3.2 Programs

A registered issuer must separately apply for registration of each covered bond program maintained or sponsored by it. A covered bond program shall not be limited in the number or timing or jurisdiction of issuance of series or tranches of covered bonds thereunder. However, the terms of all series or tranches of covered bonds issued under a registered covered bond program (and the provisions of all transaction documents

governing such series or tranches of covered bonds) must comply with the requirements of this Guide and Part I.1 of the NHA. Holders of all series or tranches of covered bonds issued under a single covered bond program shall be required to have recourse, on a *pari passu* basis, to all of the assets of a single guarantor entity. CMHC may vary this requirement where necessary to accommodate credit enhancement (such as a guarantee) in favour of one or more (but not all) series or tranche(s) of covered bonds issued under the program.

3.3 Guarantor Entities

3.3.1 The guarantor entity of a registered covered bond program shall be (or shall have been) established for the exclusive purpose of guaranteeing covered bonds issued under the program (whether prior to or following its registration), holding the covered bond collateral of the program (whether prior to or following its registration) and all activities ancillary thereto or otherwise permitted under Part I.1 of the NHA and this Guide, shall maintain its registered and head office in Canada, and may be established as:

- (a) a limited partnership under the laws of Canada or any province or territory of Canada (the general partner(s) of which is not an individual);
- (b) a trust under the laws of Canada or any province or territory of Canada (the trustee(s) of which is not an individual); or
- (c) such other form of legal entity (an “**Alternative Guarantor Form**”) established under the laws of Canada or any province or territory of Canada and considered acceptable by CMHC.

3.3.2 Any application for registration of a covered bond program which proposes to use an Alternative Guarantor Form must be accompanied by:

- (a) an assessment of the impact of the use of such Alternative Guarantor Form upon the registered issuer’s, the guarantor entity’s and the covered bond program’s ability to comply with the requirements of this Guide and Part I.1 of the NHA, and to otherwise meet the objective underlying the covered bonds legal framework established by Part I.1 of the NHA as set out in Section 1.1.2 of this Guide; and
- (b) confirmation that the registered issuer has received all requisite expert advice (including legal and accounting if applicable) in relation to the use of such Alternative Guarantor Form to the effect that its use will not adversely impact the registered issuer’s, the guarantor entity’s or the covered bond program’s ability to comply with the requirements of this Guide and Part I.1 of the NHA, or to otherwise meet the objective underlying the covered bonds legal framework established by Part I.1 of the NHA as set out in Section 1.1.2 of this Guide.

3.3.3 If it appears to CMHC that the use of an Alternative Guarantor Form as the guarantor entity of a (to be) registered covered bond program will not (or is not likely to) adversely impact the registered issuer’s, the guarantor entity’s or the (to be) registered covered bond program’s ability to comply with this Guide and Part I.1 of the NHA or to otherwise fulfill the objective underlying the covered bonds legal framework established by Part I.1 of the NHA as set out in Section 1.1.2 of this Guide, it shall accept the use of such Alternative Guarantor Form.

- 3.3.4 Subject to the provisions of Section 6.2.3 of this Guide, the general partner(s), the trustee(s), the administrative agent(s) and/or other entity responsible for carrying on, overseeing, managing or otherwise administering the business, activities and assets of the guarantor entity and the members of their respective boards or other governing bodies may be Affiliate(s) of the registered issuer or shareholder(s), director(s), officer(s), employee(s) or other representative(s) of the registered issuer or any of its Affiliates.

3.4 Counterparties

- 3.4.1 Each Counterparty of a registered covered bond program (including, for greater certainty, a Covered Bond Collateral Hedge Counterparty) must at the time it becomes a Counterparty (or such later date on which the covered bond program was registered) and for so long as it remains a Counterparty:
- (a) possess the necessary experience, qualifications, facilities and other resources to perform their responsibilities in relation to the registered covered bond program;
 - (b) meet or exceed the minimum standards (and, if applicable, possess the minimum ratings), if any, prescribed by the Rating Agencies which have assigned ratings to one or more series or tranches of covered bonds issued and outstanding under the relevant registered covered bond program;
 - (c) if regulated, be in regulatory good standing;
 - (d) be in material compliance with its internal policies and procedures (including risk management policies), if any, relevant to its contractual relationship with, or services provided to, the guarantor entity; and
 - (e) be in material compliance with all laws, regulations and rules applicable to that aspect of the business of the Counterparty relevant to its contractual relationship with, or services provided to, the guarantor entity.

For purposes hereof:

“Rating Agencies” means DBRS, S&P, Fitch Ratings, Moody’s and such other credit rating agency as may be recognized by CMHC for purposes of this Guide (or such of them as the context may require), and **“Rating Agency”** means any one of them.

- 3.4.2 In relation to covered bonds issued under each of its registered covered bond programs, a registered issuer must designate a trustee (each a **“Bond Trustee”**) to represent the views and interests (and enforce the rights) of the holders of the covered bonds. The Bond Trustee may hold the security interest over the covered bond collateral of the guarantor entity for the benefit of all secured creditors of each such registered covered bond program, provided that it is expressly acknowledged by the secured creditors (other than the holders of covered bonds) that the Bond Trustee shall act and exercise all powers, discretion and authority afforded it in respect of such security interest in accordance with the instructions and directions of, and having exclusive regard for the interests of, the holders of the covered bonds, subject to compliance with applicable law. The Bond Trustee of a registered covered bond program must be at arm’s length from (and otherwise independent and not an Affiliate of) the registered issuer.

- 3.4.3 Each transaction document of a registered covered bond program which governs a Counterparty's relationship with, or services provided to, the guarantor entity must include:
- (a) representations and warranties of the Counterparty serving to confirm satisfaction of those eligibility criteria set out in Section 3.4.1 of this Guide and, in the case of the Custodian, Section 3.6.5 of this Guide or, in the case of the Cover Pool Monitor, Section 7.2.1 of this Guide;
 - (b) covenants on the part of the Counterparty to comply with the provisions of, and perform its obligations under, the transaction documents (which provisions and obligations shall be structured and drafted to comply with, and ensure the Counterparty, the contractual relationship of the Counterparty with the guarantor entity and the services provided by the Counterparty to the guarantor entity, in each case comply with, the requirements of this Guide and Part I.1 of the NHA); and
 - (c) provisions requiring or affording the guarantor entity the discretion to require (all in accordance with Section 3.4.4 and Section 3.4.5 of this Guide) the termination and replacement of the Counterparty upon a breach of representation, warranty or covenant contemplated by this Section 3.4.3.
- 3.4.4 The transaction documents of a registered covered bond program may not, at any time the guarantor entity is not Independently Controlled and Governed, afford the guarantor entity discretion to refrain from forthwith replacing a Counterparty of the program upon a Ratings Trigger (other than a Covered Bond Collateral Hedge Counterparty, the replacement of which shall be governed by Section 4.5.6 and Section 4.5.7 of this Guide).
- 3.4.5 The terms of each transaction document of a registered covered bond program (other than the terms of Covered Bond Collateral Hedges which shall be governed by Section 4.5.6 and Section 4.5.7 of this Guide) must explicitly provide that, at any time the guarantor entity is Independently Controlled and Governed, it shall have discretion (but not be required) to replace a Counterparty (other than the account bank (or other financial institution at which an account may be maintained) and the GIC Provider (if any) which the guarantor entity shall be required to replace):
- (a) on or following a Ratings Trigger; or
 - (b) in the case of a Counterparty which is the registered issuer or an Affiliate of the registered issuer, on or following an event of default which is continuing on the part of the registered issuer (within the meaning prescribed by the terms of any series or tranche of covered bonds issued and outstanding under the registered covered bond program (which must comply with Section 6.2.1 of this Guide)).
- 3.4.6 A guarantor entity or registered issuer must provide notice to CMHC of the termination or resignation of any Counterparty (other than a Covered Bond Collateral Hedge Counterparty in relation to which the notification provisions of Section 4.5.8 of this Guide shall govern) and of the Counterparty's replacement contemporaneously with the earlier of (i) notice of such termination or resignation and replacement to a Rating Agency, (ii) notice of such termination or resignation and replacement being provided to or otherwise

made available to Investors and (iii) five Business Days following such termination or resignation and replacement (unless the replacement Counterparty has yet to be identified at that time, in which case notice of the replacement Counterparty may be provided no later than 10 Business Days thereafter). Any such notice shall include (if known) the reasons for the termination or resignation of the Counterparty, all information relating to the replacement Counterparty required by this Guide to be provided to CMHC in relation to a Counterparty and the transaction document (or amended transaction document) of the registered covered bond program governing the replacement Counterparty's contractual relationship with, and services provided to, the guarantor entity.

- 3.4.7 If, upon a Ratings Trigger or otherwise, the obligations of a Counterparty are guaranteed by another entity, the guarantor entity or registered issuer must forthwith notify CMHC of the identity of the guarantor and, if relevant, the rating of the guarantor.

3.5 Ratings and Ratings Triggers

- 3.5.1 If there are covered bonds issued and outstanding under a registered covered bond program, no less than two Rating Agencies must at all times have current ratings assigned to at least one series or tranche of covered bonds outstanding (which need not, for greater certainty, be the same series or tranche of covered bonds).

- 3.5.2 In the transaction documents of a registered covered bond program, Ratings Triggers must be prescribed for:

- (a) the replacement of all Counterparties required to be rated (other than Covered Bond Collateral Hedge Counterparties) or, for such Counterparties other than the account bank (or other financial institution at which an account may be maintained) and the GIC provider (if any), the guarantee of their obligations by an appropriately rated entity;
- (b) the collateralization of a Covered Bond Collateral Hedge Counterparty's obligations under a Covered Bond Collateral Hedge and/or the guarantee of such obligations or replacement of such Counterparty;
- (c) the coming into effect of Contingent Covered Bond Collateral Hedges (which must comply with Section 4.5.4(a) of this Guide);
- (d) the establishment of a cash reserve sufficient to satisfy in full the Canadian dollar equivalent of all interest payments due under all series or tranches of covered bonds outstanding for a period prescribed in the transaction documents of the program together with all payment obligations of the guarantor entity ranking prior to such interest payments (which must comply with Section 4.1.2 of this Guide);
- (e) pre-maturity tests designed to ensure the covered bond collateral includes sufficient cash to satisfy in full the Canadian dollar equivalent of all principal payments due under all series or tranches of hard bullet covered bonds maturing during a period prescribed in the transaction documents of the program together with all payment obligations ranking in priority to the repayment of such principal (which must comply with Section 4.1.2 of this Guide); and

- (f) the curtailment of the period in which the commingling of the guarantor entity's cash with that of the registered issuer, servicer or cash manager will be permitted.

For purposes hereof:

"Ratings Trigger" means (i) a downgrade in ratings below a minimum rating (or a withdrawal of ratings) or (ii) a breach of such other financial test as may reasonably be expected to confirm financial soundness, in each case requiring remedial action to be taken within a reasonable period (where the minimum rating, remedial action and time period for remedy are expressly provided for in the relevant transaction document of the registered covered bond program).

"Contingent Covered Bond Collateral Hedge" means a Covered Bond Collateral Hedge the effective date of which is later than its trade date and occurs upon prescribed events or circumstances (including the Ratings Trigger contemplated by Section 3.5.2(c) of this Guide).

- 3.5.3 All Ratings Triggers applicable to a series or tranche of covered bonds issued and outstanding under a registered covered bond program must be disclosed in the applicable Public Offering Document and each Monthly Report required by Section 5.5.1 of this Guide.
- 3.5.4 All Ratings Triggers applicable to a series or tranche of covered bonds issued and outstanding under a registered covered bond program must be the subject of a contractual covenant (on the part of the party required to take the relevant remedial action) in a transaction document of a registered covered bond program. Any waiver, amendment or modification of such a contractual covenant to lower the minimum rating, modify the financial test or modify the remedial action required by the downgrade or withdrawal of ratings or the breach of the financial test contemplated by the Ratings Trigger in a manner which serves to render it less onerous (or having the effect of so lowering the minimum rating or modifying the financial test or remedial action), must be subject to an approval process prescribed by the relevant transaction document, disclosed to Investors, at least congruent with industry standard practice for covered bonds in Canada and in compliance with the provisions of this Guide.

3.6 Title to Mortgages

- 3.6.1 In a registered covered bond program:
 - (a) an assignment of universality of claims must be prepared and registered in each applicable registry office upon the later of: (i) the transfer or contribution to the guarantor entity of Eligible Loans originated in the Province of Quebec and (ii) the registration of the covered bond program; and
 - (b) legal title to the covered bond collateral must be required to be transferred to the guarantor entity (or a nominee on its behalf) forthwith following the earlier of:
 - (i) a material breach or default (other than an impending or actual insolvency), on the part of the registered issuer, of or under the terms of any series or tranche of covered bonds issued and outstanding under the registered covered bond program (which breach or default has not been remedied within 30 days or such shorter period prescribed therefor by the

covered bond terms (which must comply with Section 6.3.1 of this Guide));

- (ii) any impending or actual insolvency on the part of the registered issuer, as evidenced by, but not limited to:
 - (A) the commencement of a dissolution proceeding or a case in bankruptcy involving the registered issuer,
 - (B) the appointment of a trustee or other similar court officer over, or the taking of control or possession by such officer, of the registered issuer's business, in whole or in part, before the commencement of a dissolution proceeding or a case of bankruptcy,
 - (C) a general assignment by the registered issuer for the benefit of any of its creditors, and
 - (D) the general failure of, or the inability of, or the written admission of the inability of, the registered issuer to pay its debts as they become due;
- (iii) a material breach or default (other than an impending or actual insolvency), on the part of the servicer of Eligible Loans forming part of the covered bond collateral, of or under the terms of the servicing agreement (which breach or default has not been remedied within 30 days or such shorter period prescribed therefor by the servicing agreement); or
- (iv) such other event prescribed by the transaction documents of the registered covered bond program for the required transfer of legal title to the covered bond collateral to the guarantor entity

(each a “**Registered Title Event**”)

- 3.6.2 Notwithstanding the provisions of Section 3.6.1 of this Guide, the transaction documents of a registered covered bond program need not require legal title to the covered bond collateral to be transferred to the guarantor entity (or a nominee on its behalf) upon any event or circumstance contemplated by Section 3.6.1 of this Guide if satisfactory assurances are provided by the prudential regulator or other supervisory authority having jurisdiction over the registered issuer, permitting the legal title to the covered bond collateral to remain with the registered issuer (or any of its Affiliates) until such time as (i) the covered bond collateral is to be sold or otherwise disposed of by the guarantor entity or the Bond Trustee in the performance of their respective obligations or (ii) actions must be taken by the guarantor entity or its servicer to enforce or otherwise deal with the cover bond collateral (including in circumstances of borrower default).
- 3.6.3 Every registered issuer is required to engage a custodian (each a “**Custodian**”) in respect of each of its registered covered bond programs.
- 3.6.4 Where a registered issuer has more than one registered covered bond program, it may engage a different Custodian in respect of each program or a single Custodian in respect of all of its programs.

3.6.5 In addition to the requirements set forth in Section 3.4.1 of this Guide, the Custodian of a registered covered bond program must:

- (a) be a federally or provincially chartered institution authorized to act in a fiduciary capacity with respect to valuable documents, or a chartered bank as described in Schedule I of the *Bank Act* (Canada);
- (b) be equipped with secure, fireproof storage facilities, with adequate controls on access to assure the safety, confidentiality and security of the documents, in accordance with customary standards for such storage facilities;
- (c) use employees who are knowledgeable in the handling of mortgage and security documents and in the duties of a mortgage and security document custodian;
- (d) have computer systems that can accept electronic versions of asset details, and be able to transmit that data to CMHC, the Cover Pool Monitor, the guarantor entity or its representatives or a new servicer in a form that is generally readable by computer systems;
- (e) be at arm's length from (and otherwise independent and not an Affiliate of) the registered issuer; and
- (f) satisfy such other reasonable requirements that CMHC may deem necessary for purposes of verifying the registered issuer's, guarantor entity's and/or registered covered bond program's compliance with any requirement of this Guide and Part I.1 of the NHA.

3.6.6 It is expressly acknowledged that the Bond Trustee of a registered covered bond program may serve, in a separate and distinct capacity, as the Custodian of the program.

3.6.7 It is expressly acknowledged that counsel to the guarantor entity (acting in his, her or its capacity as such and owing a duty only to the guarantor entity in relation to the information and documents delivered to him, her or it in his, her or its capacity as Custodian) may serve as the Custodian of a registered covered bond program whereupon the requirements of Section 3.4.1 of this Guide shall be deemed to be satisfied, and the provisions of Section 3.4.3, Section 3.4.4, Section 3.4.5 and Section 3.6.5(a) of this Guide shall not apply to the terms of the Custodian's engagement for so long as counsel to the guarantor entity serves in such capacity. The terms upon which the guarantor entity may engage its counsel to serve as the Custodian must afford the guarantor entity discretion (but not require the guarantor entity) to terminate the engagement of its counsel (in the capacity of Custodian) upon an event of default on the part of the registered issuer (within the meaning prescribed by the terms of any series or tranche of covered bonds issued and outstanding under the registered covered bond program (which must comply with Section 6.2.1 of this Guide)). The registered issuer or guarantor entity shall be required (in accordance with Section 3.4.6 of this Guide) to provide to CMHC notice of any termination or resignation and replacement of counsel to the guarantor entity in its capacity as Custodian, and the registered issuer and guarantor entity shall ensure the terms of the engagement of the guarantor entity's counsel in the capacity of Custodian shall be such as to allow the registered covered bond program to

comply with the provisions of Section 3.6.14, Section 3.6.15, Section 3.6.16, Section 3.6.17 and Section 3.6.18 of this Guide.

- 3.6.8 On the first transfer of covered bond collateral to a guarantor entity (or, if later, the registration of the relevant covered bond program) and, in the case of paragraphs (a) and (b), each subsequent transfer to or from the guarantor entity or subsequent investment or divestiture by the guarantor entity, the registered issuer must deliver (or cause to be delivered) to the Custodian (on terms sufficient to protect information subject to, and otherwise comply with, applicable privacy legislation):
- (a) the Eligible Loan Details in respect of Eligible Loans forming part of the covered bond collateral transferred to the guarantor entity;
 - (b) the Substitute Asset Details in respect of Substitute Assets forming part of the covered bond collateral transferred to the guarantor entity; and
 - (c) to the extent not previously delivered, valid, enforceable and irrevocable powers of attorney duly executed by the registered issuer (or other Lender) in favour of the guarantor entity sufficient to allow the guarantor entity (or a nominee on its behalf) to effect the transfer of title to all covered bond collateral transferred to it together with an opinion of counsel confirming the powers of attorney satisfy the requirements of this Section 3.6.8(c) (with a copy of such opinion delivered contemporaneously to CMHC).

For purposes hereof:

“Eligible Loan Details” means, in electronic format, the following data:

- (a) registered issuer’s loan number;
- (b) borrower(s)’ full name;
- (c) property address (no., street, city/town, province, postal code);
- (d) loan principal balance amount;
- (e) authorized loan amount (at origination or last renewal);
- (f) interest adjustment date (at origination or last renewal);
- (g) mortgage maturity date; and
- (h) mortgage lender on title if other than the registered issuer.

“Substitute Asset Details” means, in electronic format, the following data:

- (a) asset type (e.g. Government of Canada bond);
- (b) coupon;
- (c) interest payment dates;

- (d) maturity date;
- (e) principal amount; and
- (f) CUSIP, if applicable.

“**Lender**” means the beneficial owner (or owner) of a loan and all sums derived from the loan (and includes any person registered on title as a mortgagee under the mortgage or hypothecary instrument securing the loan).

- 3.6.9 On at least a quarterly basis a registered issuer shall be required to (i) update (or deliver to the Custodian updated) Eligible Loan Details and Substitute Asset Details and (ii) confirm that it is not aware of any change in law affecting or reasonably expected to affect the validity or enforceability of powers of attorney previously delivered to the Custodian.
- 3.6.10 Forthwith upon a change in law affecting or reasonably expected to affect the validity or enforceability of powers of attorney previously delivered to the Custodian, a registered issuer shall be required to deliver to the Custodian updated irrevocable powers of attorney satisfying the requirements of Section 3.6.8(c) of this Guide together with the opinion contemplated by Section 3.6.8(c) of this Guide (with a copy of such opinion delivered contemporaneously to CMHC).
- 3.6.11 Upon each anniversary of the first issuance of covered bonds following the registration of a registered covered bond program, a registered issuer shall deliver to the Custodian an opinion confirming the continued validity and enforceability of each power of attorney previously delivered to the Custodian pursuant to Section 3.6.8(c) or Section 3.6.9 of this Guide (with a copy of such opinion delivered contemporaneously to CMHC).
- 3.6.12 Forthwith upon any Registered Title Event, a registered issuer shall be required to update (or deliver to the Custodian updated) Eligible Loan Details and Substitute Asset Details in relation to the Eligible Loans and Substitute Assets forming part of covered bond collateral and, to the extent necessary, powers of attorney previously delivered to the Custodian together with documentary evidence of chain of title to the covered bond collateral and executed registrable forms of assignment in relation to the covered bond collateral.
- 3.6.13 Where Eligible Loans forming part of covered bond collateral have been originated in the Province of Quebec, a registered issuer shall be required to deliver to the Custodian executed registrable forms of mortgage assignment in relation to each such Eligible Loan upon the earlier of:
 - (a) any Registered Title Event; and
 - (b) the senior long-term ratings assigned to the registered issuer by one or more of the Rating Agencies falling below BBB(high)/BBB+/BBB+/Baa1, as the case may be.

At the same time, a registered issuer domiciled in Quebec will similarly be required to deliver to the Custodian executed forms of assignment in relation to all Eligible Loans originated outside the Province of Quebec and all Substitute Assets forming part of the covered bond collateral of its registered covered bond program (which, in the case of forms of assignment of Eligible Loans, shall be in registrable form). The actual transfer

of legal title to covered bond collateral will continue to be governed by Section 3.6.1 of this Guide.

3.6.14 To facilitate a transition in servicing, a registered issuer must deliver to the Custodian in electronic form (where available), or provide to the guarantor entity reasonable access to, all of its mortgage loan servicing files (and cause each of its Affiliates acting as a servicer of Eligible Loans forming part of the covered bond collateral to similarly deliver or afford reasonable access to all of its mortgage loan servicing files) relating to the covered bond collateral of the registered covered bond program for which the Custodian performs the custodial functions contemplated by this Section 3.6 (including, in the case of each Eligible Loan, affording reasonable access to the records contemplated by Section 3.7 of this Guide) upon the earlier of:

- (a) any impending or actual insolvency on the part of the registered issuer, as evidenced by, but not limited to:
 - (i) the commencement of a dissolution proceeding or a case in bankruptcy involving the registered issuer (and where such proceeding is the result of an involuntary filing, such proceeding is not dismissed within 60 days after the date of such filing),
 - (ii) the appointment of a trustee or other similar court officer over, or the taking of control or possession by such officer, of the registered issuer's business, in whole or in part, before the commencement of a dissolution proceeding or a case of bankruptcy,
 - (iii) a general assignment by the registered issuer for the benefit of any of its creditors, and
 - (iv) the general failure of, or the inability of, or the written admission of the inability of, the registered issuer to pay its debts as they become due;
- (b) a material breach or default (other than an impending or actual insolvency), on the part of the servicer of Eligible Loans forming part of the covered bond collateral, of or under the terms of the servicing agreement (which breach or default has not been remedied within 30 days or such shorter period prescribed therefor by the servicing agreement); or
- (c) such other event prescribed by the transaction documents of the registered covered bond program for the required replacement of the registered issuer (or an Affiliate of the registered issuer) as the servicer of the covered bond collateral.

3.6.15 The terms of a Custodian's engagement shall require the Custodian to remain responsible for the data and documents delivered to it in respect of a registered covered bond program until the earlier of:

- (a) the time of their release to a replacement Custodian (it being acknowledged that the replacement Custodian shall be responsible for the safe transfer of the data and documents to its premises and systems);
- (b) the termination of the registered covered bond program, whereupon the Custodian shall either (i) release the data and documents to the registered issuer (or, in the case of data and documents related to Eligible Loans or Substitute Assets, to their owner) or as they may direct or (ii) destroy the data and documents in accordance with procedures satisfactory to the registered issuer (or, in the case of data and documents related to Eligible Loans or Substitute Assets, to their owner) all in accordance with their instructions; and
- (c) in relation to a particular Eligible Loan or Substitute Asset, its disposition by the guarantor entity or its maturity (whereupon the Custodian shall either (i) release the particular data and documents related to such covered bond collateral to its owner (or as it may direct) or (ii) destroy such data and documents in accordance with procedures satisfactory to its owner, all in accordance with its instructions).

3.6.16 In relation to each of its registered covered bond programs, a registered issuer, or the guarantor entity or the Bond Trustee of the program shall be responsible for paying any remuneration, reimbursement of expenses or other sums due to the Custodian in connection with the performance of its responsibilities in relation to the program.

3.6.17 A registered issuer or guarantor entity shall require that all data and documents delivered to a Custodian engaged by it in respect of each of its registered bond programs are, upon reasonable request, made available to the Cover Pool Monitor engaged in respect of the program for the purposes of enabling the Cover Pool Monitor to perform its responsibilities in relation to the program.

3.6.18 A registered issuer or guarantor entity shall require that all data and documents delivered to a Custodian engaged by it in respect of one or more of its registered covered bond programs are, upon reasonable request, made available to CMHC if required by CMHC to verify that the registered issuer, guarantor entity and/or registered covered bond program are in compliance with any requirement of this Guide and Part I.1 of the NHA.

3.7 Recordkeeping

3.7.1 The mortgage loan servicing system of the servicer of a registered covered bond program must be able to produce, at the time of its replacement, for all Eligible Loans forming part of the covered bond collateral, an accounting or transcript that identifies the registered issuer's loan number in respect of each Eligible Loan and, in chronological order:

- (a) the installment due dates for the mortgage;

- (b) the amount and date of each collection, disbursement, advance, adjustment or other transaction affecting the amounts due from or to the mortgage debtor; and
- (c) the latest outstanding balances of principal, deposits, advances and unapplied payments of the mortgage.

3.7.2 The accounts and records relating to the covered bond collateral of a registered covered bond program must be maintained according to sound accounting and business practices.

3.7.3 A registered issuer shall require that all accounts and records relating to the covered bond collateral of each of its registered covered bond programs are, upon reasonable request, made available to CMHC if required by CMHC to verify that the registered issuer, guarantor entity and/or registered covered bond program are in compliance with any requirement of this Guide and Part I.1 of the NHA.

3.8 Registration of Programs

The Corporation may register the program in the registry if, in the Corporation's opinion, all of the requirements under this Part have been met.

NHA Section 21.55

(1) The Corporation must notify the applicant in writing of its decision with respect to the application to register the applicant or the program.

(2) An applicant may withdraw the application for registration by so notifying the Corporation in writing at any time before the day on which the applicant receives notice of the Corporation's decision.

NHA Section 21.56

3.8.1 Upon receipt of a registered issuer's application for registration of a covered bond program, CMHC may request such additional information or explanation concerning the application as may be reasonably necessary for CMHC's consideration of the application.

3.8.2 CMHC will endeavour to process expeditiously applications for registration of a covered bond program following the receipt of all documents, information and explanations contemplated by Section 3.1.1 and Section 3.8.1 of this Guide.

3.8.3 If it appears to CMHC that the covered bond program for which a registered issuer seeks registration and the guarantor entity of such program comply (and are able to comply) with the requirements of this Guide and Part I.1 of the NHA and are otherwise able to fulfill the objective underlying the covered bonds legal framework established by Part I.1 of the NHA as set out in Section 1.1.2 of this Guide, CMHC shall accept the application of the registered issuer for registration of the covered bond program, register the program as a registered covered bond program and notify the registered issuer accordingly in writing.

- 3.8.4 If it appears to CMHC that the covered bond program for which a registered issuer seeks registration or the guarantor entity of such program do not comply (or will be unable to comply) with the requirements of this Guide or Part I.1 of the NHA or are otherwise unable to fulfill the objective underlying the covered bonds legal framework established by Part I.1 of the NHA as set out in Section 1.1.2 of this Guide, CMHC shall advise the registered issuer of its concerns. To address CMHC's concerns, the registered issuer may provide additional information or assurances to CMHC. Following receipt of such additional information and assurances, CMHC shall notify the registered issuer in writing of its decision to accept its application for registration of the covered bond program (if the conditions identified in Section 3.8.2 of this Guide appear satisfied) or to refuse to accept its application for registration of the covered bond program and the reasons therefor (if CMHC's concerns have not been adequately addressed).
- 3.8.5 If a registered issuer's application for registration of a covered bond program is refused in accordance with Section 3.8.4 of this Guide, nothing shall prevent the registered issuer from submitting another application for registration of a covered bond program.
- 3.8.6 Other than as required to be disclosed in the Registry (in accordance with Section 1.4 of this Guide) or to Investors (in accordance with Chapter 5 or Section 9.5.3 of this Guide), all forms, information and other communications by and between the registered issuer and CMHC contemplated by, or otherwise arising in connection with, this Chapter 3 shall remain confidential.

3.9 Deregistration of Programs

(1) The Corporation may deregister a registered program on the request of the registered issuer only if there are no covered bonds outstanding under the program.

NHA Section 21.57

- 3.9.1 CMHC shall deregister a registered covered bond program upon receipt of a written request of the registered issuer, provided that no series or tranche of covered bonds issued thereunder remains outstanding.
- 3.9.2 Following deregistration of a (former) registered covered bond program upon request of the registered issuer, CMHC shall remove from the Registry all information concerning the registered covered bond program and any series or tranche of covered bonds issued thereunder.
- 3.9.3 No further issuance of covered bonds shall be permitted under a covered bond program which has been deregistered in accordance with Section 21.57(1) of Part I.1 of the NHA.

CHAPTER 4
ASSETS & LIABILITIES OF REGISTERED COVERED BOND PROGRAMS

4.1 Permitted Assets

“covered bond collateral” means the loans or other assets that secure the payment of principal, interest and any other amounts owing in relation to the covered bonds that are issued under a registered program.

NHA Section 21.5

(1) Only the following assets may be held as covered bond collateral:

- (a) loans made on the security of residential property that is located in Canada and consists of not more than four residential units; or*
- (b) any prescribed assets.*

(2) Despite subsection (1), covered bond collateral may include securities that are issued by the Government of Canada and any prescribed assets.

(3) Unless regulations have been made under paragraph 21.66(g), the value of the assets described in subsection (2) must not exceed 10 per cent of the total value of the loans or other assets held as covered bond collateral.

(4) Despite subsections (1) and (2), the following loans must not be held as covered bond collateral:

- (a) a loan made on the security of residential property if the loan is insured by the Corporation;*
- (b) a loan made on the security of residential property if the loan is insured by the Canada Guaranty Mortgage Insurance Company, the Genworth Financial Mortgage Insurance Company of Canada, the PMI Mortgage Insurance Company Canada or any successor to any of those companies; and*
- (c) a loan made on the security of residential property if the amount of the loan, together with the amount then outstanding of any mortgage or hypothecary loan having an equal or prior claim against the property, exceeds 80 per cent of the value of the property at the time of the loan.*

NHA Section 21.6

4.1.1 A guarantor entity may hold the following:

- (a) Eligible Loans;
- (b) all sums derived from Eligible Loans (whether on account of principal, interest or otherwise and whether received from the borrower or a guarantor thereof); and
- (c) securities issued by the Government of Canada, repos of Government of Canada securities having terms acceptable to CMHC and sums derived from Government of Canada securities or repos of Government of Canada securities (collectively, “**Substitute Assets**”), provided that the

value of all Substitute Assets does not exceed 10 percent of the total value of all covered bond collateral,

as covered bond collateral for purposes of this Guide and Part I.1 of the NHA, and may also hold:

- (a) all sums, securities and other assets pledged or otherwise transferred to the guarantor entity as collateral for the obligations of a Counterparty under or pursuant to a Covered Bond Collateral Hedge; and
- (b) contracts (and associated rights) relating to the covered bond collateral of the guarantor entity or to any covered bond guaranteed by the guarantor entity or otherwise entered into in connection with the registered covered bond program (including inter-company loans), and sums related thereto.

4.1.2 All cash and Substitute Assets of a guarantor entity must be held in one or more accounts in the name of the guarantor entity maintained at the account bank (or other financial institution at which an account may be maintained) of the guarantor entity and, in the case of Substitute Assets, segregated from the assets of the account bank (or financial institution), provided that nothing herein shall be construed to preclude the commingling of the guarantor entity's cash with that of the registered issuer, servicer or cash manager of a registered covered bond program in compliance with Section 6.3.3 of this Guide.

4.1.3 The assets of a guarantor entity of a registered covered bond program (including assets pledged or otherwise transferred to the guarantor entity as collateral for the obligations of a Counterparty under or pursuant to a Covered Bond Collateral Hedge and Trigger Collateral) may not include cash in excess of cash necessary to meet the guarantor entity's payment obligations for the immediately succeeding six months pursuant to the provisions of the transaction documents of the program or such greater amount as CMHC may, at its discretion, permit, provided that, to the extent the cash receipts of the guarantor entity cause the cash held by the guarantor entity to exceed the limit prescribed therefor by this Section 4.1.3, such excess cash holdings shall not be considered to be in breach of this Section 4.1.3 if applied or distributed by the guarantor entity in accordance with Section 6.3.4 of this Guide or reinvested in Eligible Loans or Substitute Assets complying with the requirements of this Guide and Part I.1 of the NHA (in each case, within 31 days of their receipt).

4.1.4 If, among other reasons, the guarantor entity's cash position is insufficient to comply with the requirements for remedial action contemplated by the Ratings Triggers referenced in Section 3.5.2(d) and/or Section 3.5.2(e) of this Guide, then the guarantor entity may sell Eligible Loans for cash proceeds, or cash capital contributions or inter-company loan advances may be made to the guarantor entity.

4.2 Mortgage Eligibility Criteria

4.2.1 Only Eligible Loans may be transferred or contributed to a guarantor entity and held as covered bond collateral. If a loan which does not qualify as an Eligible Loan is transferred or contributed to the guarantor entity, the transaction documents of the registered covered bond program must require the registered issuer to repurchase the loan. Loans (together with their related security) which Section 21.6 of Part I.1 of the NHA permits to be held as covered bond collateral and which, at the time of transfer or contribution to the guarantor entity, satisfy the qualifications hereinafter set forth in this

Section 4.2 and such other eligibility criteria as may be established (and amended from time to time) by the registered issuer and disclosed to Investors shall be considered “**Eligible Loans**”. From and after the registration of a covered bond program, in order to qualify as Eligible Loans, loans must (at a minimum) meet the requirements of Section 21.6 of Part I.1 of the NHA and the following requirements or qualifications:

- (a) a loan shall not qualify as an Eligible Loan if, at the time of transfer to the guarantor entity, one or more payments of principal or interest payable thereunder are in arrears;
- (b) a loan shall not qualify as an Eligible Loan until one or more payments of principal or interest (or blended payment(s) of principal and interest) have been made in accordance with the terms of the loan;
- (c) a loan shall not qualify as an Eligible Loan for so long as the mortgage or hypothecary instrument charging the residential property securing such loan does not represent a first priority perfected security interest (subject to encumbrances or claims customarily permitted by a prudent lender);
- (d) a loan shall not qualify as an Eligible Loan (i) unless, at the time of transfer to the guarantor entity, the loan, the mortgage or hypothecary instrument securing the loan and (in the case of a loan extended or advanced upon the security of a mortgage or hypothecary instrument also securing Retained Loans) all Retained Loans are beneficially owned (or owned) by the same Lender (disregarding, for such purposes, nominee title holders) and (ii) for so long as the loan, all sums derived from the loan (whether on account of principal, interest or otherwise and whether received from the borrower or a guarantor thereof) and the mortgage or hypothecary instrument charging the residential property securing the loan are not clear of any ownership interests, security interests, encumbrances or other claims other than (A) encumbrances or claims customarily permitted by a prudent lender or that will cease to apply to such loan, sums and mortgage or hypothecary instrument upon the purchase by or contribution to the guarantor entity of the loan, (B) those of the guarantor entity, (C) those in favour of holders of covered bonds issued under the registered covered bond program (or the Bond Trustee on behalf of such holders) or in favour of other Secured Creditors (in each case to secure the payment of amounts owing to them by the guarantor entity) and (D) those which may be reflected in a Security Sharing Agreement and are the subject of a Release of Security delivered by each Lender to the Custodian in trust upon and subject to the provisions of the Security Sharing Agreement or are otherwise provided for (in compliance with the requirements of this Guide) under the transaction documents of the registered covered bond program;
- (e) a loan shall not qualify as an Eligible Loan if one or more other loans are extended or advanced under the same mortgage or hypothecary instrument which have been insured by CMHC, Canada Guaranty Mortgage Insurance Company, the Genworth Financial Mortgage Insurance Company of Canada, the PMI Mortgage Insurance Company Canada, any other private mortgage insurer recognized by CMHC for purposes hereof or otherwise identified in the *Protection of Residential*

Mortgage or Hypothecary Insurance Act (Canada), or any successor to any of them;

- (f) a loan extended or advanced upon the security of a mortgage or hypothecary instrument also securing (or capable of securing) Retained Loans shall not qualify as an Eligible Loan unless it and all Related Retained Loans have the benefit of cross-default provisions (whether contained in the terms and conditions of the loan and Related Retained Loans, the mortgage or hypothecary instrument securing the loan and Related Retained Loans or other documentation applicable to the loan and Related Retained Loans, and enforceable against the borrower) such that a default under the loan or a Related Retained Loan shall constitute a default under the loan and all Related Retained Loans or, in the case of a loan or Related Retained Loan not having the benefit of cross-default provisions but repayable on demand, the Lender has covenanted in writing to demand repayment (in a manner and in circumstances customary for a prudent lender) of the loan and all Related Retained Loans upon a default under the loan or the Related Retained Loan, as the case may be;
- (g) a loan shall not qualify as an Eligible Loan if, at the time of transfer to the guarantor entity, it is subject to any dispute proceeding, set-off, counterclaim or defence whatsoever;
- (h) a loan shall not qualify as an Eligible Loan if its terms and conditions or the provisions of the mortgage or hypothecary instrument securing the loan or other documentation applicable to the loan and enforceable by the borrower expressly afford the borrower a right of set-off;
- (i) a loan extended, advanced or renewed on or after July 1, 2014 (which, for greater certainty, shall not include further advances under an existing non-amortizing loan unless amended) shall not qualify as an Eligible Loan unless an express waiver of set-off rights on the part of the borrower is included in the terms and conditions of the loan and all Related Retained Loans, the mortgage or hypothecary instrument securing the loan and all Related Retained Loans or other documentation applicable to the loan and all Related Retained Loans, and enforceable against the borrower; and
- (j) a loan shall not qualify as an Eligible Loan unless it was originated or otherwise complies with the registered issuer's or, where it is the regulated lender, its Affiliate's approved underwriting policies (in effect or otherwise applicable at the time the loan was originated).

For purposes hereof:

“Security Sharing Agreement” means, in relation to an Eligible Loan and all Related Retained Loans, an agreement entered into between the registered issuer, each Lender and the guarantor entity (in a form verified by CMHC to be in compliance with the requirements of this Guide) pursuant to which the registered issuer, each Lender and the guarantor entity shall acknowledge and agree that:

- (a) the registered issuer and/or any Lender retain(s) a beneficial interest (or interest) in each mortgage or hypothecary instrument transferred or contributed to the guarantor entity in relation to which there are (or may in the future be) Retained Loans;
- (b) following a default or breach (which has not been remedied or waived) under an Eligible Loan beneficially owned (or owned) by the guarantor entity or under a Related Retained Loan, all sums derived from the Eligible Loan or Related Retained Loan (including proceeds of enforcement of the mortgage or hypothecary instrument securing such Eligible Loan or Related Retained Loan) shall first be applied to the repayment in full of all amounts owing under or in respect of all Eligible Loans beneficially owned (or owned) by the guarantor entity and secured by the mortgage or hypothecary instrument (notwithstanding any term or condition of the Eligible Loan or Related Retained Loan or any provision of the mortgage or hypothecary instrument securing the Eligible Loan and Related Retained Loan or other applicable documentation to the contrary), and if the registered issuer and/or any Lender (or any person acting for or on their behalf) receive any monies to which the guarantor entity is properly entitled in accordance with the provisions of the Security Sharing Agreement, they shall hold such monies in a separate account for the benefit of the guarantor entity and forthwith remit such monies to it;
- (c) the servicing of each Eligible Loan beneficially owned (or owned) by the guarantor entity and all Related Retained Loans shall be performed by the same servicer or sub-servicer;
- (d) the guarantor entity shall be afforded exclusive control and direction over the servicing of all Eligible Loans transferred or contributed to the guarantor entity and, subject to Section 4.2.2(b) of this Guide, all Related Retained Loans (including the engagement of the servicer and the terms and conditions of the servicer's engagement), and all dealings with the mortgages or hypothecary instruments securing such Eligible Loans and Related Retained Loans;
- (e) upon the request of a party to the Security Sharing Agreement (other than the Affected Party) accompanied by a notice of the servicer contemplated by Section 4.2.4(c) of this Guide (or such other evidence satisfactory to the Custodian (acting reasonably) of circumstances properly the subject of such a notice), the Custodian shall deliver to the party the Release of Security in respect of the mortgage or hypothecary instrument securing the Eligible Loan or Related Retained Loan which is the subject of the notice or other evidence (and the Release of Security shall, for greater certainty, only be exercisable in respect of the mortgage or hypothecary instrument securing such Eligible Loan or Related Retained Loan), provided that the Custodian shall only deliver the Release of Security upon receipt of an opinion of Independent Legal Counsel confirming it is required by the provisions of the Security Sharing Agreement to so deliver the Release of Security (which legal opinion may assume or rely upon the accuracy of factual matters set out in the servicer's notice or otherwise evidenced);

- (f) the Security Sharing Agreement shall be expressly assignable by each party (together with in the case of the guarantor entity, the related Release of Security) upon written assumption by the assignee of the assignor's obligations thereunder and, upon any such assignment, the assignee shall be entitled to all of the rights of (and be bound by all of the obligations of) the assignor (other than as contemplated by Section 4.2.2(c) of this Guide); and
- (g) the Security Sharing Agreement shall be terminable in relation to (and the Release of Security rendered inapplicable to) a particular mortgage or hypothecary instrument transferred or contributed to the guarantor entity upon the sale, disposition or transfer to the same party of all Eligible Loans and all Related Retained Loans secured by the mortgage or hypothecary instrument by the guarantor entity and the registered issuer (and each Lender), or the repayment in full of all amounts owing under or in respect of each Eligible Loan beneficially owned (or owned) by the guarantor entity and secured by the mortgage or hypothecary instrument.

For purposes hereof:

"Affected Party" means, in relation to a mortgage or hypothecary instrument which secures one or more Eligible Loans beneficially owned (or owned) by the guarantor entity and one or more Retained Loans and which is the subject of a Release of Security delivered to the Custodian in trust pursuant to a Security Sharing Agreement, the registered issuer, each Lender, and their respective assignees and successors in title.

"Independent Legal Counsel" means, in respect of a registered covered bond program, a law firm of national repute that is not, and has not within the three years prior to the date on which any opinion is delivered by such firm, been engaged in connection with such covered bond program (except for the purposes of delivering an opinion of Independent Legal Counsel in respect of the program) and is not otherwise generally, typically or regularly engaged by any of the parties to the Security Sharing Agreement to provide legal counsel or advice.

"Release of Security" means an executed, irrevocable and valid release of all of the interest of each Lender in any mortgage or hypothecary instrument transferred or contributed to the guarantor entity originally securing both Eligible Loans and Retained Loans substantially in the form appended as Annex M which is delivered to the Custodian in trust upon and subject to the provisions of the Security Sharing Agreement.

"Retained Loans" means loans, indebtedness or liabilities extended or advanced upon the security of a mortgage or hypothecary instrument securing an Eligible Loan(s) transferred or contributed to the guarantor entity which are not also being transferred or contributed to the guarantor entity.

"Related Retained Loans" means, in relation to any Eligible Loan, all Retained Loans extended or advanced upon the security of the same mortgage or hypothecary instrument securing such Eligible Loan.

4.2.2 A Security Sharing Agreement may expressly provide:

- (a) that it does not create any rights in favour of a borrower under an Eligible Loan or Retained Loan which is subject to the provisions of the Security Sharing Agreement;
- (b) that prior to a default under, breach of, or demand for repayment of, a Retained Loan which is subject to the provisions of the Security Sharing Agreement, the registered issuer (and/or any Lender) shall be entitled to advise the servicer in writing as to the application of all sums derived from the Retained Loan (whether on account of principal, interest or otherwise) and other dealings with the Retained Loan (but not, for greater certainty, as to dealings with the mortgage or hypothecary instrument securing the Retained Loan); and
- (c) for a right, on the part of the registered issuer (and/or any Lender) to purchase from the guarantor entity Eligible Loans which are subject to the provisions of the Security Sharing Agreement for a price or for consideration no less than their fair market value (or, if purchasing pursuant to a pre-emptive right, such lesser price or consideration as the guarantor entity may be permitted to sell such Eligible Loans in accordance with the transaction documents of the registered covered bond program), provided that all coverage tests prescribed by the registered covered bond program (including the Asset Coverage Test and the Amortization Test, as applicable) will be met after giving effect to such purchase and such purchase would not (or would not reasonably be expected to) adversely affect the interests of the holders of covered bonds issued and outstanding under the registered covered bond program.

4.2.3 A Security Sharing Agreement and Release of Security delivered to the guarantor entity must be accompanied by a legal opinion as to the due authorization, execution and delivery of the Security Sharing Agreement and Release of Security.

4.2.4 Under a registered covered bond program in relation to which a Security Sharing Agreement has been entered into, the servicing agreements pursuant to which Eligible Loans and all Related Retained Loans are serviced must include:

- (a) provisions ensuring compliance with the terms and conditions of the Security Sharing Agreement and precluding any action in contravention of the Security Sharing Agreement unless the subject of a written notice or direction (whereupon the provisions of the Security Sharing Agreement contemplated by Section 4.2.4(c) of this Guide shall apply);
- (b) a right of termination of the servicer upon a sale, disposition or transfer of Eligible Loans to a third party, exercisable by the guarantor entity or the purchaser of the Eligible Loans on 30 days' prior written notice or such shorter period otherwise agreed to by the parties thereto and the servicer (which right of termination may be conditional upon the agreement of the purchaser (or successor servicer) of the Eligible Loans so sold, disposed of or transferred to also service all Related Retained Loans);
- (c) provisions requiring the servicer to provide notice to each party to the Security Sharing Agreement:
 - (i) upon (A) receiving advice from an Affected Party to apply any sum derived from an Eligible Loan or Related Retained Loan which is subject to the Security Sharing Agreement, to transfer the servicing of an Eligible

Loan or Related Retained Loan which is subject to the Security Sharing Agreement or to deal with an Eligible Loan or Related Retained Loan which is subject to the Security Sharing Agreement or a mortgage or hypothecary instrument securing such an Eligible Loan or Related Retained Loan in contravention of the provisions of the Security Sharing Agreement contemplated by paragraphs (b), (c) or (d) of the definition of “Security Sharing Agreement” in Section 4.2.1 of this Guide or (B) otherwise being provided or coming into possession of written evidence of such a breach, in each case where such advice is not withdrawn or breach is not otherwise remedied by the Affected Party (or the Security Sharing Agreement is not terminated in accordance with paragraph (g) of the definition of “Security Sharing Agreement” in Section 4.2.1 of this Guide in relation to the Eligible Loan or Related Retained Loan) within 60 days (or, after an event of default on the part of the registered issuer (within the meaning prescribed by the terms of any series or tranche of covered bonds issued and outstanding under the registered covered bond program (which must comply with Section 6.2.1 of this Guide)), 10 Business Days) of receiving notice of the breach;

- (ii) upon receiving advice from an Affected Party (or otherwise being provided or coming into possession of written evidence) of or referencing the sale, disposition or transfer of a Related Retained Loan if all Eligible Loans beneficially owned (or owned) by the guarantor entity and secured by the same mortgage or hypothecary instrument have not also been transferred to the transferee, where a written assumption of the transferor’s obligations in relation the Related Retained Loan under the Security Sharing Agreement has not been provided by the transferee and a Release of Security in respect of the mortgage or hypothecary instrument securing such Related Retained Loan has not been delivered by the transferee to the Custodian in trust;
- (iii) upon being provided or coming into possession of written evidence of any challenge by an Affected Party of the validity, legality or enforceability of the provisions of the Security Sharing Agreement contemplated by paragraphs (b), (c), or (d), of the definition of “Security Sharing Agreement” in Section 4.2.1 of this Guide in relation to an Eligible Loan or Related Retained Loan; and

- (d) provisions requiring the servicer to provide immediate notice to the Affected Party of a contravention of the provisions of the Security Sharing Agreement contemplated by Section 4.2.4(c)(i) of this Guide.

4.2.5 Contemporaneous with the delivery of each report of the Cover Pool Monitor contemplated by Section 7.3.2 of this Guide, the registered issuer must cause to be prepared and delivered to CMHC and the Bond Trustee a legal opinion confirming, on the basis of the Underlying Source Mortgage Documents (as defined in [Annex J](#)), the Eligible Loans forming part of the Sample (as defined in [Annex J](#)) selected by the Cover Pool Monitor for purposes of its report each comply with the requirements and qualifications set out in Sections 4.2.1(f), 4.2.1(h) and 4.2.1(i) of this Guide.

4.3 Required Overcollateralization

- 4.3.1 In relation to each of its registered covered bond programs, a registered issuer must establish a minimum and maximum level of overcollateralization. Minimum and maximum levels of overcollateralization shall be measured with reference to Asset Percentages.

For purposes hereof:

“Asset Percentage” means the percentage (not exceeding 100%) of the value of the covered bond collateral which is represented by the Canadian dollar equivalent of the principal amount of all covered bonds outstanding under the registered covered bond program (using foreign exchange rates reflected in related Covered Bond Collateral Hedges) where the value of the covered bond collateral is determined in accordance with Section 4.6 of this Guide in the case of Eligible Loans or, in the case of Substitute Assets, calculated at the face value of the Substitute Assets.

- 4.3.2 Minimum Asset Percentages shall be determined by the registered issuer with regard to limits, if any, imposed thereon by regulatory or supervisory authorities or regulation.
- 4.3.3 As required by Section 21.54 of Part I.1 of the NHA, a registered issuer must disclose in its application for registration of a covered bond program the minimum and maximum Asset Percentages established for the program, and that disclosure will be included in the Registry.
- 4.3.4 The maximum Asset Percentage established for a registered covered bond program must be disclosed in any Public Offering Document (it being understood that the maximum Asset Percentage disclosed in such Public Offering Document may differ, but not be greater than, the maximum Asset Percentage disclosed by the registered issuer in its application for registration of the covered bond program under which the covered bonds are to be issued).
- 4.3.5 The maximum Asset Percentage disclosed in any Public Offering Document shall be the subject of a contractual covenant of the registered issuer in favour of the covered bondholders (or the Bond Trustee on their behalf). Any amendment or modification to increase the maximum Asset Percentage must be subject to an approval process prescribed by the relevant transaction document, disclosed to Investors, at least congruent with industry standard practice for covered bonds in Canada and in compliance with the provisions of this Guide.
- 4.3.6 Both before and after an event of default on the part of the registered issuer (within the meaning prescribed by the terms of any series or tranche of covered bonds issued and outstanding under a registered covered bond program (which must comply with Section 6.2.1 of this Guide)), a guarantor entity shall be required to confirm the level of overcollateralization represented by the covered bond collateral it holds by performing an asset coverage test monthly based on the methodology prescribed by Annex D (the **“Asset Coverage Test”**).
- 4.3.7 The results of each Asset Coverage Test required to be performed in relation to a registered covered bond program pursuant to Section 4.3.6 of this Guide must be disclosed in the program’s Monthly Report for the month in which the test is performed and (other than the Asset Coverage Test performed for purposes of the Monthly Report prepared on the first issuance of covered bonds under a covered bond program

contemporaneous with or following its registration) in any Public Offering Document prepared, filed or otherwise made available to Investors during the currency of the test.

4.4 Registered Covered Bond Terms

Covered bonds issued under a registered covered bond program may *inter alia*:

- (a) be distributed to the public pursuant to a Public Offering Document or be distributed in an offering exempt from prospectus, registration or equivalent requirements;
- (b) be issued in Canadian dollar or other currencies;
- (c) bear interest at any rate and any payment frequency; and
- (d) be of any term and have a fixed (hard bullet) or extendable (soft bullet) maturity.

4.5 Management of Interest Rate and Currency Risk

- 4.5.1 To ensure a registered covered bond program's exposure to market risk (namely, volatility in interest rates and currency exchange rates) is monitored, a guarantor entity shall be required to perform a valuation calculation in accordance with the methodology prescribed by Annex E (the "**Valuation Calculation**") measuring the present value of the covered bond collateral held by it relative to the Canadian dollar equivalent of the market value of the outstanding covered bonds guaranteed by it (without regard for any Covered Bond Collateral Hedge in place unless and to the extent assets have been pledged or otherwise transferred to the guarantor entity as collateral for the obligations of the counterparty under or pursuant to a Covered Bond Collateral Hedge and the Covered Bond Collateral Hedge is then in effect).
- 4.5.2 Each Valuation Calculation required to be performed pursuant to Section 4.5.1 of this Guide must be disclosed in the relevant registered covered bond program's Monthly Report for the month in which the test is performed as well as in any Public Offering Document prepared, filed or otherwise made available to Investors during the currency of the test.
- 4.5.3 Subject to Section 4.5.4 of this Guide, the guarantor entity of a registered covered bond program shall be required, at the time of each transfer of covered bond collateral to the guarantor entity and each issuance of a series or tranche of covered bonds, to enter into one or more transactions (each a "**Covered Bond Collateral Hedge**"), to the extent not already in place, the purpose or effect of which is to materially mitigate its risk of financial loss or exposure from fluctuations in interest rates or currency exchange rates affecting, or which may come to affect, its obligation to make one or more payments.
- 4.5.4 In satisfaction of its obligations under Section 4.5.3 of this Guide, the guarantor entity of a registered covered bond program may enter into one or more Contingent Covered Bond Collateral Hedges, provided that the effective date of each such Contingent Covered Bond Collateral Hedge is prescribed to be the earlier to occur of:
 - (a) the senior long-term rating assigned to the Contingent Covered Bond Collateral Hedge Counterparty by one or more of the Rating Agencies falling below BBB(high)/BBB+/BBB+/Baa1, as the case may be (or falling

below such higher rating as the registered issuer or a Rating Agency may determine appropriate or require); and

- (b) an event of default on the part of the registered issuer (within the meaning prescribed by the terms of any series or tranche of covered bonds issued and outstanding under the registered covered bond program (which must comply with Section 6.2.1 of this Guide)),

provided that the provisions of a Contingent Covered Bond Collateral Hedge may either:

- (c) afford the guarantor entity the discretion to defer the effective date of the Contingent Covered Bond Collateral Hedge otherwise occurring by reason of a ratings downgrade contemplated by paragraph (a) or an event of default contemplated by paragraph (b) (other than any impending or actual insolvency) by depositing or contributing Trigger Collateral to the guarantor entity within ten Business Days of the ratings downgrade or event of default, as the case may be; or
- (d) prescribe the effective date of the Contingent Covered Bond Collateral Hedge to occur only upon an event of default contemplated by paragraph (b), but require the deposit or contribution of Trigger Collateral to the guarantor entity within ten Business Days of a ratings downgrade contemplated by paragraph (a) (with the same ability to defer the effective date of the Contingent Covered Bond Collateral Hedge otherwise occurring by reason of the event of default contemplated by paragraph (b) by the deposit or contribution of Trigger Collateral to the guarantor entity within ten Business Days of the event of default).

The deferral of the effective date of any Contingent Covered Bond Collateral Hedge by the deposit or contribution of Trigger Collateral to the guarantor entity as contemplated by paragraph (c) or (d) shall only be operative for so long as the guarantor entity holds Trigger Collateral. Any failure of the guarantor entity to hold Trigger Collateral at a time that (i) the senior long-term rating assigned to the Contingent Current Bond Collateral Holding Counterparty is below any of the ratings contemplated by paragraph (a) or (ii) an event of default contemplated by paragraph (b) (other than any impending or actual insolvency for which no deferral of the effective date to possible) is continuing, shall cause the Contingent Covered Bond Collateral Hedge to be immediately effective.

For purposes hereof:

“Trigger Collateral” means covered bond collateral (i) having a value at least equal to the guarantor entity’s mark to market exposure from time to time under the relevant Covered Bond Collateral Hedge (calculated, in the case of a Contingent Covered Bond Collateral Hedge, as if it were in effect) and (ii) incremental to the covered bond collateral required to satisfy all coverage tests prescribed by the registered covered bond program (including the Asset Coverage Test and Amortization Test, as applicable). Trigger Collateral shall, for greater certainty, serve to secure the payment of principal, interest and other amounts owing in relation to covered bonds that are issued under or pursuant to the registered covered bond program and shall not be considered to serve as collateral under the relevant Covered Bond Collateral Hedge or otherwise secure the obligations of the Counterparty thereunder.

4.5.5 Each Covered Bond Collateral Hedge must be documented using ISDA documentation templates or forms.

4.5.6 The terms of each Covered Bond Collateral Hedge:

- (a) may not at any time the guarantor entity is not Independently Controlled and Governed, afford the guarantor entity discretion to:
 - (i) waive the requirement for the Counterparty to provide credit support pursuant to and in accordance with the provisions of the Covered Bond Collateral Hedge and/or find a guarantor of (or novate) its obligations under the Covered Bond Collateral Hedge upon a Ratings Trigger, or
 - (ii) refrain from forthwith terminating and replacing the Counterparty under (or requiring the novation of) the Covered Bond Collateral Hedge upon the occurrence of an event of default on the part of the Counterparty thereunder or any other event attributed solely to the Counterparty thereunder (which shall include, where the Counterparty is the registered issuer, an event of default on the part of the registered issuer within the meaning prescribed by the terms of any series or tranche of covered bonds issued and outstanding under the registered covered bond program (which must comply with Section 6.2.1 of this Guide))

unless (in each case other than an event of default on the part of the registered issuer constituting an impending or actual insolvency) Trigger Collateral is deposited or contributed to the guarantor entity within ten Business Days of the Ratings Trigger, event of default or other event contemplated by Section 4.5.6(a)(i) or Section 4.5.6(a)(ii), as the case may be (with any failure of the guarantor entity to hold Trigger Collateral thereafter constituting a termination event attributed solely to the Counterparty under the Covered Bond Collateral Hedge in relation to which the guarantor entity (if not Independently Controlled and Governed) shall have no discretion to refrain from forthwith terminating or replacing the Counterparty under (or requiring the novation of) the Covered Bond Collateral Hedge unless, in the case of a Ratings Trigger, the Counterparty provides credit support pursuant to and in accordance with the provisions of the Covered Bond Collateral Hedge and/or finds a guarantor of (or novates) its obligations under the Covered Bond Collateral Hedge);

- (b) must preclude the Counterparty from ranking in priority to the covered bondholders' entitlement to receive interest payments following and for so long as an event of default on the part of the registered issuer (within the meaning prescribed by the terms of any series or tranche of covered bonds issued and outstanding under the registered covered bond program (which must comply with Section 6.2.1 of this Guide)) is continuing (and the guarantor entity is then required to make payments of principal, interest and other amounts owed to holders of covered bonds pursuant to its guarantee) unless the guarantor entity (being Independently Controlled and Governed in accordance with Section 6.2.3

of this Guide) determines, at its discretion, to afford the Counterparty such a priority ranking; and

- (c) must require any termination payment due from the guarantor entity to the Counterparty upon a termination of a Covered Bond Collateral Hedge by reason of a failure or default on the part of the Counterparty (or any other event attributed solely to the Counterparty) to be subordinated to the covered bondholders' entitlement to receive interest payments.

4.5.7 The terms of each Covered Bond Collateral Hedge must explicitly provide that, at any time the guarantor entity is Independently Controlled and Governed, it shall have discretion (but not be required) to:

- (a) waive the requirement for the Counterparty to provide credit support pursuant to and in accordance with the provisions of the Covered Bond Collateral Hedge and/or find a guarantor of (or novate) its obligations under the Covered Bond Collateral Hedge upon a Ratings Trigger; and
- (b) terminate and/or replace (or novate) the Covered Bond Collateral Hedge upon the occurrence of an event of default on the part of the Counterparty thereunder or any other event attributed solely to the Counterparty thereunder (which shall include, where the Counterparty is the registered issuer, an event of default on the part of the registered issuer within the meaning prescribed by the terms of any series or tranche of covered bonds issued and outstanding under the registered covered bond program (which must comply with Section 6.2.1 of this Guide)).

4.5.8 A guarantor entity or registered issuer must provide CMHC notice of the termination (or novation) of each Covered Bond Collateral Hedge to which the guarantor entity is a party contemporaneously with the earlier of (i) notice of such termination (or novation) to a Rating Agency, (ii) notice of such termination (or novation) being provided to or otherwise made available to Investors, and (iii) five Business Days following such termination (or novation). Any such notice shall include the reasons for such termination (or novation) and, if the Covered Bond Collateral Hedge has been novated, all information relating to the replacement Covered Bond Collateral Hedge Counterparty required by this Guide to be provided to CMHC in relation to a Counterparty and the Covered Bond Collateral Hedge documentation (or amended documentation) governing the replacement Covered Bond Collateral Hedge Counterparty's contractual relationship with the guarantor entity.

4.6 Management of Housing Market Risks

4.6.1 When determining (i) the value of the covered bond collateral held by a guarantor entity for purposes of the Asset Coverage Test required by Section 4.3.6 of this Guide, (ii) the present value of the covered bond collateral held by a guarantor entity for purposes of the Valuation Calculation required by Section 4.5.1 of this Guide, (iii) the value of the covered bond collateral held by a guarantor entity as Trigger Collateral and (iv) the value of the covered bond collateral for purposes of Section 6.3 of this Guide, if the principal amount (or, in the case of the Valuation Calculation, its present value) of an Eligible Loan included in the covered bond collateral represents more than 80% of the Market Value of the residential property securing the mortgage, the amount by which the principal amount (or its present value, as the case may be) of the Eligible Loan exceeds 80% shall be disregarded.

- 4.6.2 Subject to the provisions of Section 4.6.3 of this Guide, the “**Market Value**” of a residential property securing an Eligible Loan included in the covered bond collateral shall be determined by adjusting its Original Market Value, at least quarterly, to account for subsequent price developments. The indexation methodology used to account for subsequent price developments must be disclosed to holders of covered bonds issued under a registered covered bond program and must accord with any regulatory requirement to which the registered issuer is subject (or supervisory guidelines provided to the registered issuer) in relation to the valuation of residential properties or the indexation of such values as well as any methodology established by CMHC in relation thereto and set forth in this Guide.

For purposes hereof:

“**Original Market Value**” of a residential property securing an Eligible Loan means its value as most recently determined or assessed in accordance with the underwriting policies of the registered issuer or, if applicable, an Affiliate of the registered issuer (whether upon origination or renewal of the Eligible Loan or subsequently thereto) or, if not capable of determination in accordance therewith, on the basis of the most recent sale price of the property.

- 4.6.3 A registered issuer will be required to comply with the provisions of Section 4.6.2 of this Guide contemplating the indexation of Original Market Values on or before July 1, 2014. Until the date on which a registered issuer so indexes Original Market Values, the Market Value of residential properties securing Eligible Loans which are included in covered bond collateral shall be determined by reference to their Original Market Value for all purposes (including the calculation of Voluntary Overcollateralization, and Section 4.6.1 and Section 6.3.4 of this Guide).

CHAPTER 5 DISCLOSURE

5.1 General Principles

- 5.1.1 Registered issuers are required to disclose to investors and potential investors (which, for greater certainty, shall not include dealers acting as underwriters or agents) (collectively, “**Investors**”) all material information concerning themselves, their registered covered bond program(s) and the relevant series or tranche of covered bonds issued thereunder, such that an Investor can make an informed investment decision with respect to buying, selling or continuing to hold the bonds. Information should be available at the time that (i) an issuer establishes a registered covered bond program, (ii) a series or tranche of covered bonds is initially issued and (iii) on an ongoing basis for so long as covered bonds are outstanding under a program.
- 5.1.2 A registered issuer may not proceed with an issuance of covered bonds under a registered covered bond program until all material changes contemplated by Section 5.5.2 of this Guide have been posted on the Program Website.

5.2 Program Website

Each registered issuer is required to establish a website for its registered covered bond program(s) (which may be linked or otherwise form part of its principal website), maintain one or more dedicated webpages on its principal website for its registered covered bond program(s) or otherwise include all information concerning its registered covered bond program(s) in a readily identifiable location on its principal website (any such website, webpage(s) or location hereinafter referred to as the registered issuer’s “**Program Website**”). The key features of such Program Website are as follows:

- (a) Investors must have access to the Program Website on a continuous basis in order to facilitate an informed investment decision and/or the monitoring of an investment in a series or tranche of covered bonds. From a practical perspective, CMHC would expect that, to meet this objective, a Program Website would generally need to be available to the general public. However, CMHC recognizes that there may be circumstances where access could be restricted (e.g. via a password), for securities law purposes or otherwise, and the foregoing objective still be satisfied.
- (b) CMHC must have access to the Program Website on a continuous basis. In addition, a registered issuer must back-up the contents of the Program Website in such a manner as to afford the registered issuer the ability to provide CMHC, upon reasonable request, with (i) access to all documents and information posted at any time to the Program Website and pertaining to a series or tranche of covered bonds (and the covered bond collateral securing payment of such covered bonds) at any time covered bonds of the series or tranche are outstanding and for a period of two years following the final maturity, repayment or redemption of all covered bonds of the series or tranche and (ii) access to all documents and information posted at any time to the Program Website and pertaining generally to a registered covered bond program at any time prior to (and for a period of two years following) the program’s termination;

- (c) the Program Website must be set up such that the Program Website can be accessed by following a link from the Registry website;
- (d) a Program Website can incorporate required content through links to other websites (e.g. a securities regulator’s website) but any such links must bring the reader to the relevant webpage or document in the third party website without the requirement for any additional navigating or searching;
- (e) the Program Website must include a glossary of the definitions and terms that are included in the Monthly Reports contemplated by Section 5.5 of this Guide;
- (f) the Program Website must include access to the material transaction documents listed in Annex E (or otherwise required by CMHC) and any amendments or supplements thereto. A registered issuer may redact commercially sensitive information from these documents (and include an annotation describing the redacted information) but only to the extent that a redaction does not prevent an Investor from understanding a material aspect of the registered issuer’s registered covered bond program or a series or tranche of covered bonds issued thereunder;
- (g) CMHC expects a registered issuer to develop its Program Website in a “user-friendly” manner including, where applicable and practicable, making documents available in various formats (e.g. searchable Adobe PDF and Microsoft Excel); and
- (h) data required to be included on a registered issuer’s Program Website (including data included in the Monthly Reports contemplated by Section 5.5.1 of this Guide) must be made available as static information in Microsoft Excel or other format from which a user may download and analyze data.

5.3 Offering Disclosure

- 5.3.1 Subject to Section 5.4 of this Guide, in connection with the establishment of a registered covered bond program (or, if later, registration of a covered bond program) and the first and each subsequent issuance of a series or tranche of covered bonds thereafter, a registered issuer is required to provide Investors with full, true and plain disclosure of all material facts concerning the program and the bonds. CMHC recognizes that the phrases “full, true and plain”, “material facts” and “material change” are cornerstone concepts of Canadian securities laws, and has intentionally embraced those phrases herein. Accordingly, in determining the scope and level of information to be included in a Public Offering Document for covered bonds and otherwise determining the materiality of information for purposes of this Chapter 5 and elsewhere in this Guide (unless and to the extent otherwise expressly stated), CMHC expects a registered issuer to be guided by the principles that govern the disclosure included in a prospectus for a distribution of securities to the public in Canada and the principle of “materiality” in Canadian securities laws. At a minimum, a Public Offering Document must include material disclosure regarding each of the items set out in Annex G.

- 5.3.2 The information which is (i) contained in the *pro forma* Public Offering Document filed with CMHC in accordance with Section 3.1.1(b) of this Guide and (ii) relates to the registered issuer, the guarantor entity, each of the Counterparties, the eligibility, qualifications, role and relationships of the program participants, the governance and oversight of the guarantor entity, minimum and maximum Asset Percentages, mortgage eligibility criteria, underwriting and servicing policies relevant to the program, program level documents, events of default and remedy periods therefor, credit enhancements, approval process(es) for changes in transaction documents, Ratings Triggers and requirements for Rating Agency confirmation (if or to the extent known), shall be reflected in any Public Offering Document qualifying the distribution of covered bonds to be issued to the public under the program contemporaneous with or following its registration.
- 5.3.3 A registered issuer must provide CMHC with notice of any material change in information which is: (i) contained in the *pro forma* Public Offering Document filed with CMHC in accordance with Section 3.1.1(b) of this Guide and (ii) relates to the registered issuer, the guarantor entity, each of the Counterparties, the eligibility, qualifications, role and relationships of the program participants, the governance and oversight of the guarantor entity, minimum and maximum Asset Percentages, mortgage eligibility criteria, underwriting and servicing policies relevant to the program, program level documents, events of default and remedy periods therefor, credit enhancements, approval process(es) for changes in transaction documents, Ratings Triggers and requirements for Rating Agency confirmation (if or to the extent known), prior to the incorporation of such change in any Public Offering Document.
- 5.3.4 Each Public Offering Document (including all amendments and supplements thereto) must be posted to the registered issuer's Program Website forthwith upon the earliest of (i) the filing of such document with any other regulator if such filing is publicly accessible, (ii) such document being provided to any Investor or (iii) such document being made available to Investors through any source other than the issuer's Program Website.

5.4 Private Placements

- 5.4.1 If a registered issuer issues covered bonds on a private placement basis, the guidance found elsewhere in this Chapter 5 shall not apply to such covered bonds (except as otherwise specified in Section 5.1, Section 5.5 and Section 5.6 of this Guide).
- 5.4.2 For the purposes of this Section 5.4, covered bonds shall be considered to have been issued on a private placement basis only if the bonds are issued on such basis (or an analogous basis) in each jurisdiction in which the bonds are offered or sold. If any jurisdiction requires the offering or issuance of the bonds to be accompanied by a prospectus, registration statement or similar disclosure document required by applicable securities legislation to qualify the distribution of covered bonds to the public and excluding, for greater certainty, an offering memorandum or similar disclosure document (a "**Public Offering Document**"), the bonds shall be considered to have not been issued on a private placement basis notwithstanding that other jurisdictions (including Canada) do not require any such document.
- 5.4.3 In relation to a privately placed series or tranche of covered bonds, a registered issuer will be required, on or before the later of (i) 30 days following the issuance of such series or tranche, (ii) the date on which such covered bonds subsequently become "freely-tradable" (in the sense that there are no restrictions on the scope of Investors that may trade in the bonds) and (iii) the first distribution to the public of a series or tranche of

covered bonds under the registered covered bond program contemporaneous with or following its registration, to make available on its Program Website all of the information required by this Chapter 5 to be included in a Public Offering Document in relation to a series or tranche of covered bonds distributed to the public.

- 5.4.4 CMHC recognizes that different jurisdictions have different securities law regimes and, as a result, covered bonds may become freely-tradable in a specific jurisdiction notwithstanding that the covered bonds are not freely-tradable in other jurisdictions. A series or tranche of covered bonds will not be regarded as freely-tradable so long as:
- (a) the covered bonds are not freely tradeable in those jurisdictions in which
 - (i) 50% or more of the principal amount of the series or tranche of covered bonds was initially sold and
 - (ii) 50% or more of the Investors to whom the series or tranche of covered bonds was initially sold reside; and
 - (b) CMHC does not otherwise determine that the covered bonds should be regarded as freely-tradable.

To facilitate CMHC's determination as to whether any series or tranche of privately placed bonds is freely-tradable, each registered issuer shall include in the notification contemplated by Section 8.1 of this Guide: (i) each jurisdiction in which the covered bonds were sold and the percentage sold in such jurisdiction and (ii) the date, if any, on which the bonds will become freely tradable in that jurisdiction.

5.5 Monthly Reports and Ongoing Disclosure

- 5.5.1 On the first issuance of covered bonds under a covered bond program contemporaneous with or following its registration and within 15 Business Days after the end of each month following the later of (i) the registration of a covered bond program and (ii) the first distribution to the public of a series or tranche of covered bonds under the registered covered bond program, a registered issuer shall be required to prepare (and, in the case of each monthly report other than the monthly report prepared on the first issuance of covered bonds, make available on its Program Website) a monthly report that includes the disclosure items set out in Annex H (each a "**Monthly Report**"). The Monthly Report prepared on the first issuance of covered bonds under a covered bond program contemporaneous with or following its registration may be prepared on a *pro forma* basis (assuming an offering size). For clarity, each Monthly Report must include information relating to privately placed series or tranches of covered bonds.
- 5.5.2 To the extent that there is any material change in: (i) a registered covered bond program or series or tranche of covered bonds issued and outstanding thereunder or (ii) previously disclosed information concerning a registered covered bond program or series or tranche of covered bonds issued and outstanding thereunder, the registered issuer shall, in each case, forthwith post disclosure of such material change to its Program Website.

5.6 Disclaimers

Each Public Offering Document or, in the case of a private placement, offering memorandum or similar document prepared in connection with the issuance of a series or tranche of covered bonds under a registered covered bond program following its registration shall include clearly, on the cover page, the following disclosure (with any necessary, non-substantive modifications): "THESE COVERED BONDS HAVE NOT

BEEN APPROVED OR DISAPPROVED BY CMHC NOR HAS CMHC PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE DOCUMENT. THESE COVERED BONDS ARE NOT INSURED OR GUARANTEED BY CMHC OR THE GOVERNMENT OF CANADA OR ANY OTHER AGENCY THEREOF.” The same disclosure shall also be included on each Monthly Report and any similar document made available to Investors following the registration of the program.

5.7 On Issuer Event of Default

On and following an event of default on the part of the registered issuer within the meaning prescribed by the terms of any series or tranche of covered bonds issued and outstanding under the registered covered bond program (which must comply with Section 6.2.1 of this Guide), all references to the obligations of the registered issuer in Section 5.1.1(iii), Section 5.2 and Section 5.5 of this Guide shall be construed as references to obligations of the guarantor entity (it being acknowledged and agreed, for greater certainty, that the guarantor entity’s obligation to establish a Program Website will only arise upon the event of default).

CHAPTER 6 ISSUER DEFAULT & INSOLVENCY

Nothing in any law of Canada or a province relating to bankruptcy or insolvency, or any order of a court made in relation to a reorganization, arrangement or receivership involving bankruptcy or insolvency, prevents or prohibits the following actions from being taken in accordance with the provisions of contracts relating to covered bonds that are issued under a registered program:

- (a) the making of any payments, including a payment to a registered issuer;*
- (b) the netting or setting off or compensation of obligations;*
- (c) any dealing with covered bond collateral, including
 - (i) the sale or foreclosure or, in Quebec, the surrender of covered bond collateral, and*
 - (ii) the setting off or compensation of covered bond collateral or the application of the proceeds or value of covered bond collateral; and**
- (d) the termination of those contracts.*

NHA Section 21.63

Despite anything in the law of Canada or a province relating to a bankruptcy or insolvency, or any order of a court made in relation to a reorganization, arrangement or receivership involving bankruptcy or insolvency, the transfer of loans or other assets to a guarantor entity – to be held as covered bond collateral – by a registered issuer, any of its affiliates or any prescribed entity

- (a) is effective against every person;*
- (b) is not voidable or, in Quebec, annulable;*
- (c) is not subject to any other remedies available to creditors of the registered issuer; and*
- (d) does not constitute a fraudulent conveyance, unjust preference or other reviewable transaction.*

NHA Section 21.64

Sections 21.63 and 21.64 do not apply to contracts relating to covered bonds that are issued under a registered program, nor to the transfer of loans or other assets to a guarantor entity to be held as covered bond collateral for those covered bonds, if those covered bonds are issued by a registered issuer during the period in which its right to issue covered bonds has been suspended under section 21.62

NHA Section 21.65

6.1 Ranking of Covered Bondholders

- 6.1.1 Under a registered covered bond program, the terms of any series or tranche of covered bonds issued and outstanding thereunder shall expressly provide that the bondholders (or the Bond Trustee on their behalf) will retain a claim against the registered issuer for

any deficiency in the repayment of all principal, interest and other amounts owing thereunder. To the extent the governing legislation of a registered issuer does not otherwise provide, the covered bond terms shall expressly state that the bondholders shall rank *pari passu* with the ordinary depositors of the registered issuer and at least *pari passu* with the unsecured unsubordinated creditors of the registered issuer (other than creditors with legislated priority).

- 6.1.2 The holders of covered bonds issued under a registered covered bond program (or the Bond Trustee on behalf of such holders) shall:
- (a) as against the guarantor entity, be afforded recourse to all of the assets of the guarantor entity; and
 - (b) be granted a security interest over the covered bond collateral evidenced by appropriate security registrations in each applicable registry office.

6.2 Impact of Issuer Default and Guarantor Entity Default

- 6.2.1 The terms of any series or tranche of covered bonds issued and outstanding under a registered covered bond program and the transaction documents of a registered covered bond program must characterize at least each of the following events or circumstances as an event of default on the part of the registered issuer or the guarantor entity, as the case may be:
- (a) any impending or actual insolvency on the part of the registered issuer (or guarantor entity, as the case may be), as evidenced by, but not limited to:
 - (i) the commencement of a dissolution proceeding or a case in bankruptcy involving the registered issuer or guarantor entity, as the case may be (and where such proceeding is the result of an involuntary filing, such proceeding is not dismissed within 60 days after the date of such filing),
 - (ii) the appointment of a trustee or other similar court officer over, or the taking of control or possession by such officer of the registered issuer's business (or the guarantor entity's business, as the case may be), in whole or in part, before the commencement of a dissolution proceeding or a case of bankruptcy,
 - (iii) a general assignment by the registered issuer (or guarantor entity, as the case may be) for the benefit of any of its creditors, and
 - (iv) the general failure of, or the inability to, or the written admission of the inability of, the registered issuer or guarantor entity, as the case may be, to pay its debts as they become due;
 - (b) a failure to pay principal, interest or any other amount under the covered bonds when due (if such failure remains uncured following the remedy period prescribed therefor by the covered bond terms or transaction document (which each must comply with Section 6.3.1 of this Guide));

- (c) a failure to comply with the remedial action contemplated by a Ratings Trigger prescribed by the covered bond terms or a transaction document (in accordance with Section 3.5.4 of this Guide) at a time the guarantor entity is not Independently Controlled and Governed or, in the case of the Ratings Trigger contemplated by Section 3.5.2(a) of this Guide in relation to the account bank (or other financial institution at which an account may be maintained) and the GIC Provider (if any) or the Ratings Trigger contemplated by Section 3.5.2(f) of this Guide, at any time; and
- (d) in the case of the guarantor entity, a failure to meet an Amortization Test on any calculation date.

For greater certainty, this Section 6.2.1 is intended to identify those events or circumstances, at a minimum, which are required to be characterized in the transaction documents of a registered covered bond program as an event of default on the part of the registered issuer or the guarantor entity, as the case may be, and give rise to a right of acceleration of the repayment of principal, interest or any other amount due under the covered bonds on the part of the bondholders (or the Bond Trustee on their behalf) as against the registered issuer or the guarantor entity, as the case may be. Nothing herein shall be construed to otherwise prescribe the rights of the holders of covered bonds (or the Bond Trustee on their behalf) upon an event of default on the part of the registered issuer or the guarantor entity, as the case may be. The rights of the holders of covered bonds (or the Bond Trustee on their behalf) upon an event of default on the part of the registered issuer and the guarantor entity must be disclosed to Investors in any Public Offering Document prepared in relation to the issuance of covered bonds under a registered covered bond program.

- 6.2.2 The terms of any series or tranche of covered bonds issued and outstanding under a registered covered bond program must preclude the bondholders (or the Bond Trustee on their behalf) from accelerating repayment of principal, interest or any other amount due under the covered bonds, as against the guarantor entity, until such time as an event of default has occurred on the part of the guarantor entity (within the meaning prescribed by the transaction documents of the registered covered bond program (which must comply with Section 6.2.1 of this Guide)).
- 6.2.3 The transaction documents of a registered covered bond program must require a guarantor entity to become Independently Controlled And Governed (and explicitly set forth the mechanism to achieve such independent control and mechanism) upon an event of default on the part of the registered issuer (within the meaning prescribed by the terms of any series or tranche of covered bonds issued and outstanding under a registered covered bond program (which must comply with Section 6.2.1 of this Guide)). Should the event of default on the part of the registered issuer be subsequently remedied, and the guarantor entity not required (or no longer required) to make payments of principal, interest and other amounts owed to holders of covered bonds pursuant to its guarantee, the control and governance of the guarantor entity may be once again assumed by the registered issuer or any of its Affiliates.
- 6.2.4 A guarantor entity will be considered to be **“Independently Controlled and Governed”** if:
 - (a) in the case of guarantor entities structured as limited partnerships, it is demonstrated (whether by attestation of an executive officer of the registered issuer or otherwise):

- (i) the general partner (having the power to carry on the business of the partnership) is not (and cannot be) an Affiliate of the registered issuer and less than ten percent of its voting securities are (or can be) owned, directly or indirectly, by the registered issuer or any of its Affiliates,
 - (ii) if an administrative agent or other analogous entity has been engaged by the general partner to fulfil the general partner's responsibility or role to carry on, oversee, manage or otherwise administer the business, activities and assets of the guarantor entity, the agent or entity is not (and cannot be) an Affiliate of the registered issuer and less than ten percent of its voting securities are (or can be) owned, directly or indirectly, by the registered issuer or any of its Affiliates,
 - (iii) all members (but one) of the board of directors or other governing body of each such general partner, administrative agent or other entity are not (and cannot be) directors, officers, employees or other representatives of the registered issuer or any of its Affiliates, do not (and cannot) hold greater than ten percent of the voting or equity securities of the registered issuer or any of its Affiliates and are (and must be) otherwise free from any material relationship with the registered issuer or any of its Affiliates (hereinafter referred to as "**Independent Members**"), and
 - (iv) the board of directors or other governing body of each such general partner, administrative agent or other entity is (and must be) composed of at least three members, and the non-Independent Member is not (and shall not be) entitled to vote on any resolution or question to be determined or resolved by the board (or other governing body) and shall attend meetings of the board (or other governing body) at the discretion of the remaining members thereof, provided that such board of directors or other governing body may be composed of only two Independent Members with "observer status" granted to one director, officer, employee or other representative of the registered issuer or any of its Affiliates;
- (b) in the case of guarantor entities structured as trusts:
- (i) the trustee(s) is not (and cannot be) an Affiliate of the registered issuer and less than ten percent of its voting securities are (or can be) owned, directly or indirectly, by the registered issuer or any of its Affiliates,
 - (ii) an administrative agent or other analogous entity responsible for carrying on, overseeing, managing or otherwise administering the business, activities and assets of the guarantor entity is not (and cannot be) an Affiliate of the registered issuer and less than ten percent of its voting securities are (and can be) owned, directly or indirectly, by the registered issuer or any of its Affiliates,

- (iii) all members (but one) of the board of directors or other governing body of each such trustee, administrative agent or other entity are (and must be) Independent Members, and
 - (iv) the board of directors or other governing body of each such trustee, administrative agent or other entity is (and must be) composed of at least three members, and the non-Independent Member is not (and shall not be) entitled to vote on any resolution or question to be determined or resolved by the board (or other governing body) and shall attend meetings of the board (or other governing body) at the discretion of the remaining members thereof, such board of directors or other governing body may be composed of only two Independent Members with “observer status” granted to one director, officer, employee or other representative of the registered issuer or any of its Affiliates;
- (c) in the case of Alternative Guarantor Forms, such criteria for independent control and governance as may be established by CMHC from time to time are met.

6.2.5 Following an event of default on the part of the registered issuer (within the meaning prescribed by the terms of any series or tranche of covered bonds issued and outstanding under a registered covered program (which must comply with Section 6.2.1 of this Guide)), the guarantor entity shall be required to perform an amortization test monthly based on the methodology prescribed by Annex I (the “**Amortization Test**”) to confirm that the value of the covered bond collateral held by it is at least equal to the Canadian dollar equivalent (using foreign exchange rates reflected in related Covered Bond Collateral Hedges or, if none, end of day spot foreign exchange rates) of the outstanding principal amount of the outstanding covered bonds guaranteed by it.

6.2.6 The results of each Amortization Test required to be performed in relation to a registered covered bond program pursuant to Section 6.2.5 of this Guide must be disclosed in the program’s Monthly Report for the month in which the test is performed.

6.3 Program Requirements Addressing Default Risk

6.3.1 The terms of covered bonds issued and outstanding under a registered covered bond program and the transaction documents of a registered covered bond program may contemplate a remedy period of no greater than ten Business Days in relation to a failure to pay principal under the covered bonds when due and a remedy period of no greater than 30 days in relation to a failure to pay interest or any other amount under the covered bonds when due.

6.3.2 The transaction documents of a registered covered bond program must require the replacement of the program’s account bank (or other financial institution at which an account may be maintained) and GIC Provider no later than five Business Days following the occurrence of a Ratings Trigger requiring the replacement of the account bank (or financial institution) and GIC Provider and, if the account bank (or other financial institution at which an account may be maintained) and/or the GIC Provider are the registered issuer or an Affiliate of the registered issuer, upon an event of default on the part of the registered issuer (within the meaning prescribed by the terms of any series or tranche of covered bonds issued and outstanding under the registered covered bond program (which must comply with Section 6.2.1 of this Guide)). To the extent it is

required (but not practicable within such five Business Day period) to re-direct to the program's replacement account bank (or other financial institution at which an account may be maintained) borrowers' or issuers' payments of principal, interest and other amounts under Eligible Loans or Substitute Assets forming part of the program's covered bond collateral, then the transaction documents shall afford the registered issuer up to 30 days following the occurrence of the Ratings Trigger to so re-direct all such payments and, during such period, require the registered issuer to transfer or otherwise deposit all such payments received to the program's replacement account bank (or other financial institution at which an account may be maintained) within five Business Days of their receipt.

6.3.3 The Ratings Trigger for the abridgement of the permitted cash commingling period of a registered covered bond program must not permit the guarantor entity's cash to be commingled with that of the registered issuer, servicer or cash manager for a period of greater than five Business Days.

6.3.4 The transaction documents of a registered covered bond program may permit a registered issuer and/or guarantor entity, from time to time, to:

- (a) apply cash (in an amount up to Voluntary Overcollateralization) to the repayment of any loan advanced by the registered issuer;
- (b) distribute cash (in an amount up to Voluntary Overcollateralization) to the equity holders or beneficiaries of the guarantor entity;
- (c) withdraw, remove or transfer from the guarantor entity, in kind, Eligible Loans and Substitute Assets having a value (determined in accordance with Section 4.6 of this Guide in the case of Eligible Loans or, in the case of Substitute Assets, calculated at the face value of the Substitute Assets) up to Voluntary Overcollateralization;
- (d) substitute assets of the guarantor entity with Eligible Loans and/or Substitute Assets complying with the requirements of this Guide and Part I.1 of the NHA; or
- (e) purchase Eligible Loans or Substitute Assets from the guarantor entity at a price or for consideration no less than their fair market value (or, if purchasing pursuant to a pre-emptive right, such lesser price or consideration as the guarantor entity may be permitted to sell such Eligible Loans or Substitute Assets in accordance with the transaction documents of the registered covered bond program),

if and to the extent that: (i) all coverage tests prescribed by the registered covered bond program (including the Asset Coverage Test and the Amortization Test, as applicable) will be met after giving effect to such application, distribution, withdrawal, removal, transfer, substitution or purchase, and (ii) such right of the registered issuer and/or guarantor entity is disclosed to Investors (including, where relevant, the methodology for selecting Eligible Loans and/or Substitute Assets to be withdrawn, removed, transferred, substituted or purchased, and the price or consideration to be ascribed thereto). Eligible Loans so withdrawn, removed, transferred, substituted or purchased from the guarantor entity by the registered issuer may not be selected on a basis that would (or would reasonably be expected to) adversely affect the interests of the holders of covered bonds issued and outstanding under the registered covered bond program.

For purposes hereof:

“Voluntary Overcollateralization” means, in relation to a covered bond program, that covered bond collateral (other than Trigger Collateral) having a value in excess of the value required to satisfy all coverage tests prescribed by the registered covered bond program (including the Asset Coverage Test and the Amortization Test, as applicable).

6.4 Liquidity

6.4.1 If, following an event of default on the part of the registered issuer (within the meaning prescribed by the terms of any series or tranche of covered bonds issued and outstanding under a registered covered bond program (which must comply with Section 6.2.1 of this Guide)), the guarantor entity’s cash position is insufficient to meet its obligations to pay principal, interest or any other amount due under the covered bonds guaranteed by it, the guarantor entity may:

- (a) sell Eligible Loans (individually or as a portfolio);
- (b) borrow and grant a security interest over the covered bond collateral to and in favour of the lender ranking *pari passu* with the holders of the covered bonds;
- (c) issue additional securities (which may be secured by the covered bond collateral on a *pari passu* basis with the covered bonds); and
- (d) enter into covered bond repos.

CHAPTER 7 COVER POOL MONITORS

7.1 Requirement to Engage

- 7.1.1 Every registered issuer is required to engage a qualified cover pool monitor (each a “**Cover Pool Monitor**”) in respect of each of its registered cover bond programs to perform the responsibilities set forth in Section 7.3 of this Guide in relation to the program.
- 7.1.2 Where a registered issuer has more than one registered covered bond program, it may engage a different Cover Pool Monitor in respect of each program or a single Cover Pool Monitor in respect of all of its programs.

7.2 Qualifications

- 7.2.1 In addition to the requirements set forth in Section 3.4.1 of this Guide, the Cover Pool Monitor of a registered covered bond program must be:
- (a) a firm or company engaged in the practice of accounting that is qualified to be an auditor of the registered issuer under both the *Bank Act* (Canada) (or other governing legislation of the registered issuer) and Canadian auditing standards; or
 - (b) any other class of firms or companies approved by CMHC that would satisfy the auditor independence rules applicable in the province of the registered issuer (if those standards applied to the class).
- 7.2.2 Notwithstanding Section 7.2.1 of this Guide, an otherwise qualified firm or company shall not be disqualified from acting as the Cover Pool Monitor of a registered covered bond program simply by reason of serving or having served as the auditor of the registered issuer.

7.3 Responsibilities

- 7.3.1 A Cover Pool Monitor in respect of a registered covered bond program shall be required, on the first issuance of covered bonds under the program contemporaneous with or following its registration and no later than annually thereafter, to monitor and undertake specified auditing procedures prepared in accordance with Section 9100 of the Other Canadian Standards issued by the Canadian Institute of Chartered Accountants related to:
- (a) to the extent and in the manner contemplated by Annex J, the accuracy of records maintained in relation to the covered bond collateral (including those records deposited with the Custodian);
 - (b) with the frequency contemplated by Annex J, the arithmetical accuracy of tests required to be performed by Sections 4.3.6, 4.5.1 and 6.2.5 of this Guide; and
 - (c) with the frequency contemplated by Annex J, the arithmetical accuracy of calculations of minimum cash balances (if any) required upon a Ratings Trigger contemplated by Section 3.5.2(e) of this Guide and the Reserve

Fund balance (if any) required upon a Ratings Trigger by Section 3.5.2(d) of this Guide.

- 7.3.2 A Cover Pool Monitor in respect of a registered covered bond program shall prepare and deliver to the registered issuer, CMHC and the Bond Trustee no later than five Business Days prior to the first issuance of covered bonds under the program contemporaneous with or following its registration and no later than annually from the date of the first issuance of covered bonds contemporaneous with or following the registration of the program, a report:
- (a) detailing the scope of the Cover Pool Monitor's work and prescribed procedures undertaken in performing its responsibilities under Section 7.3.1 of this Guide;
 - (b) confirming that the sampling methodology used to assess the accuracy of covered bond collateral records (including a description of the pool sample and population used) accords with the Industry Standard Sampling Size (as set out in Annex J); and
 - (c) detailing the findings of the Cover Pool Monitor as a result of performing such procedures.

The first issuance of covered bonds under a covered bond program contemporaneous with or following its registration shall not proceed until CMHC has approved and accepted the report of the Cover Pool Monitor contemplated by this Section 7.3.2.

Each annual report contemplated by this Section 7.3.2 must be dated (or current to a date not later than) the anniversary of the first issuance of covered bonds under the program, but may be issued or delivered to the registered issuer, CMHC and the Bond Trustee at any time within 90 days of its date or currency.

- 7.3.3 A Cover Pool Monitor in respect of a registered covered bond program shall advise the registered issuer, CMHC and the Bond Trustee as soon as practicable after it has become aware or reasonably believes (as a consequence of, or in the course of, the performance of its obligations set forth in Section 7.3.1 of this Guide) that:
- (a) the registered issuer, the guarantor entity and/or the registered covered bond program are non-compliant with the requirements of Section 1.4.6, Section 3.6.8(a) and (b), Section 3.6.9(i), and Section 3.6.17 of this Guide;
 - (b) the registered issuer has failed to provide (or cause to be provided) to the Cover Pool Monitor all books, records, accounts, information and explanations to which it is entitled pursuant to Section 7.4 of this Guide;
 - (c) the registered issuer has otherwise failed to comply, with its obligations under this Chapter 7; or
 - (d) there exists a discrepancy or inconsistency in the books, records, accounts, information and/or explanations provided by the registered issuer to the Cover Pool Monitor.

- 7.3.4 The terms of a Cover Pool Monitor's engagement shall permit CMHC, upon receiving advice from the Cover Pool Monitor pursuant to Section 7.3.3 of this Guide, to request (and require the Cover Pool Monitor to provide) such additional information and explanation concerning the matters reported therein as may be reasonably necessary for CMHC to verify that the registered issuer, guarantor entity and/or registered covered bond program are in compliance with any requirement of Section 1.4.6, Section 3.6.8(a) and (b), Section 3.6.9(i), and Section 3.6.17 of this Guide.
- 7.3.5 The terms of a Cover Pool Monitor's engagement shall require the Cover Pool Monitor to report to the registered issuer, CMHC and the Bond Trustee on such matters and at such times and intervals, as CMHC may reasonably request, if necessary for CMHC to verify that the registered issuer, guarantor entity and/or registered covered bond program are in compliance with any requirement of Section 1.4.6, Section 3.6.8(a) and (b), Section 3.6.9(i), and Section 3.6.17 of this Guide.
- 7.3.6 Other than as required to be disclosed in the Registry (in accordance with Section 1.4 of this Guide) or to Investors (in accordance with Chapter 5 or Section 9.5.3 of this Guide), all reports, advice, information and explanations provided to CMHC by the Cover Pool Monitor in accordance with this Section 7.3 shall remain confidential.

7.4 Access to Information

A registered issuer shall, immediately upon the reasonable request of a Cover Pool Monitor, for purposes of performing its responsibilities in relation to a registered covered bond program of the registered issuer:

- (a) make available to the Cover Pool Monitor, and afford it reasonable access to, any books, records or accounts of the registered issuer that relate to the program;
- (b) require any officer or employee of the registered issuer or any of its Affiliates to provide to the Cover Pool Monitor such information, explanations and representations as the Cover Pool Monitor reasonably considers necessary in the performance of its responsibilities; and
- (c) cause the guarantor entity, any servicer of the Eligible Loans forming part of the covered bond collateral, any Covered Bond Collateral Hedge Counterparty, the cash manager, the account bank (or other financial institution at which an account may be maintained), the GIC Provider (if any, the administrative agent (if any) and the Custodian to provide to the Cover Pool Monitor such information as may be in their possession and the Cover Pool Monitor reasonably considers necessary in the performance of its responsibilities.

7.5 Cover Pool Monitor(s)' Fees

In relation to each of its registered covered bond programs, a registered issuer, or the guarantor entity or Bond Trustee of the program shall be responsible for paying any remuneration, reimbursement of expenses or other sums due to the Cover Pool Monitor in connection with the performance of its responsibilities in relation to the program.

7.6 On Insolvency

On and following the insolvency of a registered issuer:

- (a) the Cover Pool Monitor(s) engaged by the registered issuer in respect of each of its registered covered bond programs shall continue to act as Cover Pool Monitor(s) for the guarantor entity(s);
- (b) any subsequent engagement of a Cover Pool Monitor shall be made by the guarantor entity (and related fees shall be paid by the guarantor entity or the Bond Trustee of the registered covered bond program); and
- (c) all references in this Chapter 7 to the registered issuer shall be construed as references to the guarantor entity.

CHAPTER 8 REPORTING AND NOTIFICATIONS

(1) Subject to any other provision of this Part or Part I, any information that is collected by the Corporation under this Part is confidential and must be treated accordingly.

(2) Information that is collected by the Corporation under this Part must be used by the Corporation only for the purpose for which it is collected.

NHA Section 21.61

8.1 Notification of Covered Bond Issuances

A registered issuer shall provide notice to CMHC forthwith following any issuance of a series or tranche of covered bonds under (one of) its registered covered bond program(s). Such notice shall be accompanied by the Public Offering Document prepared and used in relation to the issuance or, in the case of a private placement of a series or tranche of covered bonds, shall include all information required by Section 1.4.5 of this Guide to be included in the Registry concerning the series or tranche of covered bonds issued.

8.2 Annual Compliance Certificate

In relation to each of its registered covered bond programs, a registered issuer shall (within 90 days of either (i) each anniversary of the first issuance of covered bonds under the program following its registration or (ii) the registered issuer's fiscal year end) deliver to CMHC and post on its Program Website a certificate in the form annexed as Annex K executed by an executive officer of the registered issuer.

8.3 Notification of Change to Registered Covered Bond Program or Terms of Covered Bonds

8.3.1 A registered issuer shall provide notice to CMHC of a material change made to the terms of its registered covered bond program(s) or the terms of a series or tranche of covered bonds issued thereunder contemporaneously with the earlier of (i) notice of such material change to a Rating Agency, (ii) notice of such material change being provided to or otherwise made available to Investors and (iii) five Business Days following the effective date of such material change. Any such notice shall include details of the material change.

8.3.2 For purposes of this Section 8.3 (but not for purposes of other provisions of this Guide such as the provisions requiring disclosure to Investors in Chapter 5 and Section 9.5.3 of this Guide and elsewhere), CMHC will regard a change to the terms of a registered covered bond program or the contractual terms of a series or tranche of covered bonds issued thereunder to be material (and therefore subject to the requirements of Section 8.3.1 of this Guide) if the change is material within the meaning of Section 5.3.1 of this Guide or may reasonably be considered or expected to negatively impact the registered issuer's, the guarantor entity's or the registered covered bond program's immediate (or future) compliance with the requirements of this Guide and Part I.1 of the NHA or ability to otherwise fulfill the objective underlying the covered bonds legal framework established by Part I.1 of the NHA as set out in Section 1.1.2 of this Guide.

8.4 Approval for Changes to Transaction Documents of a Registered Covered Bond Program

Each transaction document of a registered covered bond program must prescribe an approval process for changes to its terms. Such approval process must be disclosed to Investors, be at least congruent with industry standard practice for covered bonds in Canada and be in compliance with the provisions of this Guide.

8.5 Notification of Breach

8.5.1 A registered issuer must provide immediate notice to CMHC of:

- (a) a failed Asset Coverage Test and/or Amortization Test;
- (b) upon becoming aware of a downgrade or withdrawal of ratings or breach of a financial test constituting a Ratings Trigger;
- (c) a failure to perform any remedial action required upon a Ratings Trigger;
- (d) a breach or default of or under the terms of any series or tranche of covered bonds issued and outstanding under a registered covered bond program or the provisions of any transaction document of a registered covered bond program by the registered issuer or an Affiliate of the registered issuer (and by any other Counterparty upon becoming aware of any such breach or default by them); and
- (e) a breach or default of or under any requirement of this Guide or Part I.1 of the NHA,

specifying in reasonable detail the particulars of such failure, insufficiency, inadequacy, breach or default and assessing its materiality with reference to the concept of materiality in Canadian securities laws and having regard to the objective underlying the covered bonds legal framework of Part I.1 of the NHA set out in Section 1.1.2 of this Guide.

8.5.2 Concurrently with or as soon as practicable following delivery of a notice contemplated by Section 8.5.1 of this Guide, the registered issuer shall provide notice to CMHC specifying in reasonable detail all actions that the registered issuer proposes to take or cause to be taken, and the timing of such actions, in order to remedy the notified failure, insufficiency, inadequacy, breach or default.

8.6 Method of Notification

8.6.1 Unless otherwise stated, the registered issuer must send all relevant notices, forms and information to CMHC's address (700 Montreal Road, Ottawa, Ontario K1A 0P7) marked for the attention of "Canadian Registered Covered Bond Programs" by any of the following methods:

- (a) courier; or
- (b) leaving it at CMHC's address and obtaining a time-stamped receipt; or

(c) e-mail (with return acknowledgement from CMHC) to ccba@cmhc-schl.gc.ca or ccba@cmhc.ca.

8.6.2 Other than as required to be disclosed in the Registry (in accordance with Section 1.4 of this Guide) or to Investors (in accordance with Chapter 5 or Section 9.5.3 of this Guide), all notices, directions and other communications by and between the registered issuer and CMHC contemplated by, or otherwise arising in connection with, this Chapter shall remain confidential.

CHAPTER 9 ENFORCEMENT

(1) The Corporation may suspend the right of a registered issuer to issue further covered bonds under a registered program.

(2) In the case where the Corporation decides to suspend that right, it must provide the registered issuer with a written notice of and the reasons for the intended suspension, no later than 30 days before the day on which the suspension is to take effect.

(3) The Corporation must provide a copy of the notice and reasons to,

(a) in the case of a federal financial institution as defined in section 2 of the Bank Act, the Superintendent of Financial Institutions appointed under subsection 5(1) of the Office of the Superintendent of Financial Institutions Act; and

(b) in the case of a cooperative credit society incorporated and regulated by or under an Act of the legislature of a province, the body that regulates that society.

(4) The Corporation may revoke a suspension and, in that case, must provide the registered issuer with written notice of the revocation of the suspension.

NHA Section 21.62

9.1 CMHC's Suspension Powers

CMHC's exercise of its suspension powers under Section 21.62 of Part I.1 of the NHA is without prejudice to the use of its other powers under the NHA or other applicable legislation.

9.2 Remedy

9.2.1 Upon receipt of a notification contemplated by Section 8.5.1 of this Guide, CMHC shall consider the registered issuer's assessment of the materiality of the failure, insufficiency, inadequacy, breach or default identified therein. CMHC shall have the discretionary power to characterize a notified failure, insufficiency, inadequacy, breach or default as material (in accordance with the principles of materiality set forth in Section 8.5.1 of this Guide) notwithstanding the registered issuer's assessment (of non-materiality) whereupon CMHC shall give notice to the registered issuer of its conclusion.

9.2.2 As soon as practicable following receipt of a notice from CMHC contemplated by Section 9.2.1 of this Guide, the registered issuer shall provide notice to CMHC specifying in reasonable detail all actions that the registered issuer proposes to take or cause to be taken, and the timing of such actions, in order to remedy the failure, insufficiency, inadequacy, breach or default characterized as material therein.

9.2.3 If a registered issuer fails to notify CMHC (but CMHC otherwise becomes aware) of a failure, insufficiency, inadequacy, breach or default under, or in relation to, a registered covered bond program of the registered issuer, CMHC shall have the discretionary power to:

- (a) require the registered issuer to provide CMHC with particulars of such failure, insufficiency, inadequacy, breach or default in reasonable detail;

- (b) characterize such failure, insufficiency, inadequacy, breach or default as material (in accordance with the principles of materiality set forth in Section 8.5.1 of this Guide); and
- (c) require the registered issuer to provide CMHC with notice specifying in reasonable detail all actions that the registered issuer proposes to take or cause to be taken, and the timing of such actions, in order to remedy such failure, insufficiency, inadequacy, breach or default.

9.2.4 If a registered issuer makes a change to the terms of a registered covered bond program or to the terms of a series or tranche of covered bonds issued thereunder (whether or not in compliance with Section 8.3 and Section 8.4 of this Guide) and the change does not comply with the requirements of this Guide and Part I.1 of the NHA or is otherwise not consistent with the objectives underlying the covered bonds legal framework established by Part I.1 of the NHA as set out in Section 1.1.2 of this Guide, then CMHC shall have the discretionary power to require the registered issuer to remedy the non-compliance or inconsistency by further amending the terms of the program or the series or tranche of covered bonds.

9.2.5 The registered issuer shall provide immediate notice to CMHC upon the completion of all remedial actions taken in relation to each failure, insufficiency, inadequacy, breach, default or change contemplated by Section 8.5.1, Section 9.2.3 or Section 9.2.4 of this Guide, accompanied by appropriate evidence of the remedy.

9.3 Suspension

9.3.1 CMHC shall have the power to suspend the right of a registered issuer to issue further covered bonds under any of its registered covered bond programs (with notice thereof given to the registered issuer and the registered issuer's regulator or supervisory authority in accordance with Section 21.62(2) and Section 21.62(3) of Part I.1 of the NHA) if:

- (a) the registered issuer fails to remedy (or cause to be remedied) any failure, insufficiency, inadequacy, breach or default which is assessed to be material by the registered issuer (pursuant to Section 8.5.1 of this Guide) or by CMHC (pursuant to Section 9.2.1 or Section 9.2.3 of this Guide) or fails to make (or cause to be made) the further amendments contemplated by Section 9.2.4 of this Guide within 30 days (or, in the case of a failure to pay principal, interest or any other amount due under a series or tranche of covered bonds issued and outstanding under a registered covered bond program, such lesser remedy period prescribed by the covered bond terms (which must comply with Section 6.3.1 of this Guide)) of the registered issuer's notice thereof or, in the case of a failure, insufficiency, inadequacy, breach or default assessed by CMHC to be material pursuant to Section 9.2.1 or Section 9.2.3 of this Guide or a change contemplated by Section 9.2.4 of this Guide, CMHC's notice thereof; or
- (b) the registered issuer fails to remedy (or cause to be remedied) any failure, insufficiency, inadequacy, breach or default which is assessed by both the registered issuer (pursuant to Section 8.5.1 of this Guide) and CMHC (pursuant to Section 9.2.1 or Section 9.2.3 of this Guide) not to be

material within the period prescribed for remedy, if any, by CMHC by notice to the registered issuer).

- 9.3.2 Once the failure, insufficiency, inadequacy, breach, default or change underlying a registered issuer's suspension under Section 21.62 of Part I.1 of the NHA and Section 9.3.1 of this Guide has been remedied and CMHC is otherwise satisfied of the registered issuer's and each of its registered covered bond programs' (and their respective guarantor entities') compliance (and ability to comply) with the requirements of this Guide and Part I.1 of the NHA and their ability to otherwise fulfill the objective underlying the covered bonds legal framework established by Part I.1 of the NHA as set out in Section 1.1.2 of this Guide, CMHC may revoke a registered issuer's suspension (with notice thereof given to the registered issuer in accordance with Section 21.62(4) of Part I.1 of the NHA).

9.4 Disclosure of Suspension

- 9.4.1 If and for so long as a registered issuer has been suspended under Section 21.62 of Part I.1 of the NHA and Section 9.3.1 of this Guide, (i) the registered issuer shall be noted in suspension, and the name of the registered issuer (together with the reasons for the suspension) shall be noted on a list of suspended registered issuers included in the Registry and (ii) the registered issuer will be required to note its suspension clearly on its Program Website.
- 9.4.2 Notwithstanding a suspension under Section 21.62 of Part I.1 of the NHA and Section 9.3.1 of this Guide, a registered issuer shall be required to comply with the requirements of this Guide and Part I.1 of the NHA for so long as any covered bonds issued under any of its registered covered bond programs remain outstanding.
- 9.4.3 Other than as contemplated by Section 21.62 of Part I.1 of the NHA and Section 9.4.1 of this Guide or required to be disclosed in the Registry (in accordance with Section 1.4 of this Guide) or to Investors (in accordance with Chapter 5 or Section 9.5.3 of this Guide), all notices, directions and other communications by and between the registered issuer and CMHC contemplated by, or otherwise arising in connection with, this Chapter shall remain confidential.

9.5 Additional Disclosures to CMHC

- 9.5.1 Notwithstanding any other provision of this Guide, CMHC shall have the discretionary power, at any time and for so long as CMHC considers necessary, to require a registered issuer to provide prior notice of an event or circumstance contemplated by Section 3.4.6, Section 3.4.7, Section 4.5.8, Section 8.1 and Section 8.3 of this Guide (where the event or circumstance is capable of prior notification).
- 9.5.2 If required by CMHC to verify that a registered issuer, guarantor entity and/or registered covered bond program are in compliance with any requirement of this Guide and Part I.1 of the NHA, CMHC shall have the discretion, upon reasonable request, to require a registered issuer or guarantor entity to disclose to CMHC information (in such format as CMHC may require) concerning the registered issuer, the guarantor entity, the registered covered bond program and/or any series or tranche of covered bonds issued thereunder.
- 9.5.3 If CMHC is of the opinion that any information disclosed to it in accordance with this Section 9.5 is material (with reference to the concept of "materiality" in Canadian

securities laws and having regard to the objective underlying the covered bonds legal framework established by Part I.1 of the NHA as set out in Section 1.1.2 of this Guide), CMHC shall have the ability to require disclosure of such information to Investors (following reasonable consultation with the registered issuer).

CHAPTER 10 FEES

(1) The Corporation may establish fees for registration applications under subsection 21.52(1) and subsection 21.54(1) as well as other fees to be paid by registered issuers.

(2) The fees must be established, in accordance with any regulations, to be commensurate with the costs incurred by the Corporation in exercising its powers and performing its duties and functions under this Part.

NHA Section 21.59

10.1 Fees

10.1.1 The fees payable by an issuer upon its application for registration as a registered issuer, upon its application for registration of a covered bond program, annually and otherwise shall be set forth in the Schedule of Fees appended to this Guide as Annex L and updated, from time to time, by CMHC.

10.1.2 In considering any update or modification to the Schedule of Fees, CMHC shall have due regard to both its internal and external costs in considering and processing applications for registration, maintaining the Registry, performing its obligations under this Guide and Part I.1 of the NHA, and otherwise administering the Canadian registered covered bonds regime contemplated by Part I.1 of the NHA, with a view to reasonably apportioning fees sufficient to defray those costs.

10.2 Timing of Payment

10.2.1 Fees payable upon registration of an issuer or current bond program, together with all applicable taxes, must accompany the application for registration.

10.2.2 Other fees must be paid within 30 days of the date of their invoice.

10.3 Method of Payment

All fees payable under this Guide must be paid by electronic transfer of funds.

INDEX OF TERMS

<u>Term</u>	<u>Section</u>
“Affected Party”	Section 4.2.1
“Affiliates”	Section 1.5.2
“Alternative Guarantor Form”	Section 3.3.1(c)
“Amortization Test”	Section 6.2.5
“Asset Coverage Test”	Section 4.3.6
“Asset Percentage”	Section 4.3.1
“Bond Trustee”	Section 3.4.2
“Business Day”	Section 1.5.3
“CMHC”	Section 1.2.1
“Contingent Covered Bond Collateral Hedge”	Section 3.5.2
“Counterparties”	Section 1.4.4
“Cover Pool Monitor”	Section 7.1.1
“Covered Bond Collateral Hedge”	Section 4.5.3
“Custodian”	Section 3.6.3
“Eligible Loan Details”	Section 3.6.8
“Eligible Loans”	Section 4.2
“GIC Provider”	Section 1.4.4(l)
“Historical Bonds”	Section 2.4.7
“Independent Members”	Section 6.2.4(a)(iii)
“Independent Legal Counsel”	Section 4.2.1
“Independently Controlled and Governed”	Section 6.2.4
“Investors”	Section 5.1.1
“Market Value”	Section 4.6.2
“Monthly Report”	Section 5.5.1
“NHA”	Section 1.1.1
“Original Market Value”	Section 4.6.2
“Program Website”	Section 5.2
“Public Offering Document”	Section 5.4.2
“Rating Agencies”	Section 3.4.1
“Rating Agency”	Section 3.4.1
“Ratings Trigger”	Section 3.5.2
“Registered Title Event”	Section 3.6.1(b)
“Registry”	Section 1.4.1

<u>Term</u>	<u>Section</u>
“Related Retained Loans”	Section 4.2.1
“Release of Security”	Section 4.2.1
“Retained Loans”	Section 4.2.1
“Security Sharing Agreement”	Section 4.2.1
“Substitute Asset Details”	Section 3.6.8
“Substitute Assets”	Section 4.1.1(c)
“Trigger Collateral”	Section 4.5.4
“Valuation Calculation”	Section 4.5.1
“Voluntary Overcollateralization”	Section 6.3.4

ANNEX A
APPLICATION FOR REGISTRATION AS A COVERED BOND ISSUER

Before completing this form, you are encouraged to read Part I.1 of the National Housing Act (Canada) (the “NHA”) and the Canadian Registered Covered Bond Programs Guide (the “Guide”).

Terms used in this form and not otherwise defined shall have the meaning ascribed thereto in Part I.1 of the NHA or the Guide.

Applicant Details

Name of Applicant			Address of Applicant					
Name and Telephone Number of Individual to Whom Inquiries Should be Directed			E-mail Address of Individual to Whom Inquiries concerning this Application Should be Directed					
Telephone Number					-			

The Applicant hereby seeks registration as a registered covered bond issuer and transmits the following required materials:

- Conditional undertaking not to issue covered bonds except under a registered covered bond program following the initial registration of a covered bond program (Annex B of Guide).
- Conditional undertaking to comply (and cause compliance) with the requirements of the Guide and Part I.1 of the NHA and, in all material respects, with all applicable securities laws, regulations, rules and policies (Annex B of Guide).
- Certified copy of non-statutory constating documents of the Applicant.
- Certified copy of resolution of board of directors authorizing issuance of covered bonds and creation and administration of one or more covered bond programs established in accordance with the Guide and Part I.1 of NHA.
- Certified copy of certification of incumbency identifying the Applicant’s signing officers.
- Certificate of status, compliance or good standing and other evidence of registration of each of the Applicant (and any of its Affiliates which are intended to serve as Counterparties of any covered bond program for which the Applicant may seek registration) to carry on its business (including its mortgage lending business, if applicable) in each jurisdiction of Canada requiring such registration.
- Fees prescribed by Chapter 10 of the Guide.

Ratings

Name of Rating Agency that has rated short-term or long-term indebtedness of Applicant	Current Short-Term Ratings Assigned	Current Long-Term Ratings Assigned
1.		
2.		
3.		
4.		

Certifications

The undersigned, in his or her capacity as [insert title of executive officer] of the Applicant, and not in his or her personal capacity, hereby certifies:

- I. The Applicant is: (*check one*)
- a bank listed in Schedule I or Schedule II to the *Bank Act* (Canada);
 - a body corporate to which the *Trust and Loan Companies Act* (Canada) applies;
 - an association to which the *Cooperative Credit Associations Act* (Canada) applies or a central cooperative credit society for which an order has been made under subsection 473(1) of that Act;
 - an insurance company or a fraternal benefit society incorporated or formed under the *Insurance Companies Act* (Canada); or
 - a cooperative credit society that is incorporated and regulated by or under an Act of the legislature of a province.
- II. Each of the Applicant and its Affiliates which are intended to serve as Counterparties of any covered bond program for which the Applicant may seek registration:
- (a) in the case of the Applicant only, has the necessary authority to issue covered bonds and otherwise create and administer a covered bond program established in accordance with the Guide and Part I.1 of the NHA;
 - (b) is in good standing with its prudential regulator or other supervisory authority having jurisdiction over it, with no current, pending or threatened regulatory intervention or restrictions imposed which have (or, if adversely resolved, could reasonably be expected to have) a material adverse effect upon (i) in the case of the Applicant, its mortgage lending business or covered bond program(s) (ii) in the case of the Affiliate, that aspect of its business (including its mortgage lending business, if applicable) relevant to its proposed contractual relationship with, or services proposed to be provided to, the guarantor entity;
 - (c) is in material compliance with its disclosed underwriting, servicing and risk

management policies relevant to covered bonds and covered bond programs;

(d) is in material compliance with all laws, regulations and rules applicable to covered bonds and covered bond programs; and

(e) in the case of the Applicant and those of its Affiliates originating Eligible Loans to serve as covered bond collateral of the covered bond program only, is subject to and governed by (i) the requirements of the Office of the Superintendent of Financial Institutions applicable or otherwise relevant to covered bonds and the origination and servicing of residential mortgages or (ii) substantially equivalent requirements of another regulator in Canada.

III. To the best of his or her knowledge, the information contained herein or otherwise accompanying this Application is accurate and complete in all material respects.

Agreements

By submitting this Application, the Applicant agrees or otherwise consents to:

(a) immediately inform CMHC of any significant change to the information provided in this Application (at any time prior to its acceptance or rejection);

(b) comply with the requirements of the Guide and Part I.1 of the NHA; and

(c) the inclusion in the Registry of such information contemplated by the Guide to be included therein.

Name of Applicant:	Date:
Signature:	
Title of Signatory:	

This Application together with all ancillary forms and information shall be submitted to CMHC at:

*700 Montreal Road
Ottawa, Ontario
K1A 0P7*

Attention: Canadian Registered Covered Bond Programs

by:

- courier; or*
- leaving it at CMHC's address and obtaining a time-stamped receipt; or*
- e-mail (with return acknowledgement from CMHC) to ccba@cmhc-schl.gc.ca or ccba@cmhc.ca*

Fees must be paid by electronic transfer of funds. Payment information will be provided by CMHC upon receipt of this Application.

**ANNEX B
ISSUER UNDERTAKINGS**

To: Canada Mortgage and Housing Corporation (“CMHC”)

Re: Application for Registration as a Registered Issuer

- I In connection with its application to be registered as a registered issuer and conditional upon its registration, the undersigned (by its [insert title of executive officer] acting in his or her capacity as such and not in his or her personal capacity) hereby undertakes, in accordance with Section 21.53(b) of Part I.1 of the *National Housing Act* (Canada) to not issue any debt obligation commonly known as a covered bond except under a registered covered bond program following its initial registration of a covered bond program.
- II Conditional upon its registration as a registered issuer, the undersigned (by its [insert title of executive officer] acting in his or her capacity as such and not in his or her personal capacity) hereby further undertakes to comply (and cause each of its registered covered bond programs and the guarantor entity of each such program to comply) with all conditions, obligations, restrictions and requirements contained in the Canadian Registered Covered Bond Programs Guide and Part I.1 of the *National Housing Act* (Canada) until such time as the undersigned is no longer registered as a registered issuer and each of its registered covered bond programs have been deregistered.
- III Conditional upon its registration as a registered issuer, the undersigned (by its [insert title of executive officer] acting in his or her capacity as such and not in his or her personal capacity) hereby further undertakes to comply, in all material respects, with all laws, regulations and rules applicable to covered bonds which are promulgated by each jurisdiction and market in which covered bonds issued under any of its registered covered bond programs have been offered by it or have been listed or otherwise posted for trading by it for so long as any such covered bonds remain outstanding.

All terms used in this Undertaking and not otherwise defined shall have the meaning ascribed thereto in the Canadian Registered Covered Bond Programs Guide.

DATED [insert date]

[INSERT NAME OF ISSUER]

Per: _____

Name:

Title:

Guarantor Entity *cont'd*

Name(s) of General Partner(s) or Trustee(s) of Guarantor Entity		Name of Administrative Agent of Guarantor Entity (if any)	
Guarantor Entity's Accountant		Guarantor Entity's Counsel	
Name:		Name:	
Address:		Address:	
Contact Name:		Contact:	
E-mail Address:		E-mail Address:	
Telephone Number:	-	Telephone Number:	-

The undersigned registered covered bond issuer hereby seeks registration of the registered covered bond program identified above (the "program" or "covered bond program") and transmits the following required materials:

- Certified copy of constating documents of the guarantor entity.¹
- Certified copy of certification of incumbency identifying the guarantor entity's signing officers.
- Certificate of status, compliance or good standing and other evidence of registration to carry on business in each jurisdiction of Canada requiring such registration.
- Certified copy of authorizing resolution of the board of directors of the general partner of the guarantor entity (or equivalent document of the trustee(s) or other analogous entity responsible for carrying on, overseeing, managing or otherwise administering the business activities and assets of the guarantor entity) authorizing the guarantee of all outstanding covered bonds issued under the program and the execution, delivery and performance of each transaction document of the program to which it is a party.
- Attestation of an executive officer of the registered issuer as to matters of fact evidencing compliance with Section 6.2.3 of the Guide.
- To the extent a series or tranche of covered bonds is proposed to be issued or marketed concurrently with the registration of the program, a Public Offering Document complying with the requirements of Section 5.3 of the Guide, together with the information to be included in the Registry pursuant to Section 1.4.5 of the Guide in relation thereto (once available).
- To the extent a series or tranche of covered bonds is proposed to be issued or marketed concurrently with the registration of the program, a report as to the results of applying specified auditing procedures prepared in accordance with Section 9100 of the Canada Auditing Standards related to the matters identified in Section 7.3.1 of the Guide.

¹ Where an alternative guarantor form is proposed, the information contemplated by Section 3.3.2 of the Guide must accompany this Application.

- Legal opinion(s) as to, (i) the subsistence, capacity and authority of the guarantor entity, (ii) the due authorization, execution and delivery of each transaction document of the program to which the registered issuer, any of its Affiliates or the guarantor entity is a party, (iii) the enforceability of each transaction document of the program as against each of the registered issuer, any of its Affiliates and the guarantor entity, (iv) compliance with the provisions of Section 6.2.3 of the Guide, (v) the non-consolidation of the guarantor entity, (vi) the true sale of covered bond collateral to the guarantor entity, and (vii) the security interest granted by the guarantor entity over the covered bond collateral in favour of the Bond Trustee.

- - Trust Deed
 - Master Definitions and Constructions Agreement
 - Mortgage Sale Agreement
 - Custodial Agreement
 - Cover Pool Monitor Agreement
 - Servicing Agreement
 - Inter-company Loan Agreement
 - Guarantor LP Agreement or Trust Agreement
 - Agency Agreement
 - Corporate Services Agreement
 - Cash Management Agreement
 - General Security Agreement
 - Guarantor's Bank/Financial Institution Account Agreement
 - Standby Bank/Financial Institution Account Agreement (if applicable)
 - Guaranteed Investment Contract (if applicable)
 - Standby Guaranteed Investment Contract (if applicable)
 - Interest Rate Swap Agreements, including related documents such as ISDA Master and Credit Support Annexes and Interest Rate Swap Confirmations
 - Covered Bond Swap Agreements, including related documents such as ISDA Master and Credit Support Annexes and Covered Bond Swap Confirmations
 - Security Sharing Agreement (if applicable)

- Fees prescribed by Chapter 10 of the Guide.

Counterparties (Use Separate Sheet; Information Required can be Disclosed by Specific Cross Reference to Accompanying Public Offering Document or Pro Forma Public Offering Document)

For each Counterparty **identified** below, provide the following information:

- Name
- Address
- Contact Name, E-mail Address and Telephone Number
- Qualifications
- Description of services to be provided and/or contractual relationship with the guarantor entity
- Name of each Rating Agency, if any, that has rated the short-term or long-term indebtedness of the Counterparty, and the ratings assigned
- Name of prudential regulator or supervising authority having jurisdiction over Counterparty, if any
- Description of relationship to registered covered bond issuer, if any
- Description of contractual provisions governing replacement or termination of Counterparty

Counterparties:

- (a) Cover Pool Monitor;
- (b) Custodian;
- (c) Bond Trustee;
- (d) Paying Agents;
- (e) Servicer of Eligible Loans forming part of a covered bond collateral;
- (f) Cash Manager;
- (g) Account Bank/Financial Institution;
- (h) Standby Account Bank/Financial Institution, if any;
- (i) GIC Provider, if any;
- (j) Standby GIC Provider, if any;
- (k) Covered Bond Collateral Hedge Counterparty; and
- (l) Portfolio Manager, if any.

Program Details *(To be Provided in the Form of a Pro Forma Public Offering Document)*

A description of the program, including:	
(a)	program structure;
(b)	information concerning the registered issuer, the guarantor entity, each of the Counterparties, their eligibility and qualifications (as applicable), their role in the program and their relationships;
(c)	governance and oversight of the guarantor entity (both before and after an issuer event of default or a guarantor entity event of default);
(d)	minimum Asset Percentage;
(e)	maximum Asset Percentage;
(f)	mortgage loan eligibility criteria;
(g)	summary of underwriting and servicing procedures and policies applicable to the program;
(h)	all coverage, cash flow and other tests (and the consequences of failure);
(i)	all credit enhancements;
(j)	summary of principal transaction documents including, without limitation, a description of representations and warranties concerning the covered bond collateral, cash flows and priority of payments;
(k)	all Ratings Triggers and other Rating Agency requirements (if or to the extent known);
(l)	indexation methodology ² ;
(m)	risk factors; and
(n)	other items required to be discussed in a Public Offering Document pursuant to Section 5.3.1 of the Guide (other than items pertaining exclusively to series or tranches of covered bonds yet to be issued under the program).

Asset Percentages

Asset Percentage	%
Minimum	
Maximum	

² From and after date contemplated by Section 4.6.3 of the Guide.

Ratings (to the extent a series or tranche of covered bonds is proposed to be issued or marketed concurrently with the registration of the program) (once available)

Name of Rating Agency engaged to rate series or tranche of covered bonds	Provisional Ratings Assigned
1.	
2.	
3.	
4.	

Certifications

The undersigned, in his or her capacity as [insert title of executive officer] of the registered covered bond issuer, and not in his or her personal capacity, hereby certifies that, to the best of his or her knowledge, the information contained herein or otherwise accompanying this Application is accurate and complete in all material respects.

Agreements

By submitting this Application, the registered covered bond issuer agrees to:

- (a) immediately inform CMHC of any significant change to the information provided in this Application (at any time prior to its acceptance or rejection); and
- (b) comply (and cause the program and guarantor entity to comply or receive assurances to such effect) with the requirements of the Guide and Part I.1 of the NHA.

Name of Registered Covered Bond Issuer:	Date:

Signature:

Title of Signatory:

This Application together with all ancillary forms and information shall be submitted to CMHC at:

*700 Montreal Road
Ottawa, Ontario
K1A 0P7*

Attention: Canadian Registered Covered Bond Programs

by:

- courier; or*
- leaving it at CMHC's address and obtaining a time-stamped receipt; or*
- e-mail (with return acknowledgement from CMHC) to ccba@cmhc-schl.gc.ca or ccba@cmhc.ca*

Fees must be paid by electronic transfer of funds. Payment information will be provided by CMHC upon receipt of this Application.

ANNEX D
ASSET COVERAGE TEST METHODOLOGY

Asset Coverage Test = Asset Value - Liability Value

“Asset Value” = A + B + C + D + E - F

where:

A *lower of:*

- (1) LTV Adjusted Loan Balance net of Adjustments; and
- (2) Asset Percentage Adjusted Loan Balance net of Adjustments

B Principal receipts up to calculation date not otherwise applied

C Cash capital contributions made by partners of guarantor entity (as recorded in capital account ledger for each partner of guarantor entity) or proceeds advanced under inter-company or subordinated loan agreement or proceeds from any sale of Eligible Loans contemplated by Section 4.1.4 of this Guide or other cash exclusive of revenue receipts up to calculation date (in each case, not otherwise applied and permitted by Section 4.1.2 of this Guide to be held by the guarantor entity)

D Outstanding principal amount of any Substitute Assets

E Reserve Fund balance, if applicable

F Product of:

- (1) weighted average remaining maturity of all outstanding covered bonds (in years and, where less than a year, deemed to be a year);
- (2) principal amount outstanding of all covered bonds; and
- (3) Negative Carry Factor

“LTV Adjusted Loan Balance” = *lower of:*

- (1) Sum of outstanding loan balance of each Performing Eligible Loan; and
- (2) Sum of 80% x Market Value of each residential property securing a Performing Eligible Loan

“Asset Percentage Adjusted Loan Balance” = Asset Percentage x *lower of:*

- (1) Outstanding loan balance of Performing Eligible Loans; and
- (2) Market Value of residential properties securing Performing Eligible Loans

“Market Value” = Determined in accordance with Section 4.6 of this Guide

“Performing Eligible Loans” = Eligible Loans less than three months in arrears

“Adjustments” = *sum of:*

- (1) LTV Adjusted Loan Balance or Asset Percentage Adjusted Loan Balance (as the case may be) of any Performing Eligible Loan in breach of loan representations and warranties made in the mortgage sale agreement or otherwise subject to the seller’s repurchase obligation (but yet to be repurchased); and
- (2) financial losses (yet to be recompensed) resulting from any breach by the seller of any other material warranty in the mortgage sale agreement or from any breach by a servicer of a material term of the servicing agreement

“Asset Percentage” = Prescribed by covered bond program

“Negative Carry Factor” =

- (1) if the weighted average margin of the interest rate payable on the outstanding covered bonds relative to the interest rate receivable on the covered bond collateral is $\leq 0.1\%$ per annum, then 0.5%; and
- (2) if the weighted average margin of the interest rate payable on the outstanding covered bonds relative to the interest rate receivable on the covered bond collateral is $> 0.1\%$ per annum, then the sum of (x) 0.5% and (y) the weighted average margin of the interest rate payable on the outstanding covered bonds less 0.1%,

unless the interest rate risk represented by the weighted average margin of the interest rate payable on the outstanding covered bonds relative to the interest rate receivable on the covered bond collateral is addressed or mitigated by a Covered Bond Collateral Hedge (other than a Contingent Covered Bond Collateral Hedge prior to its effective date) whereupon the Negative Carry Factor shall be nil

“Liability Value” = Nominal amount of covered bond liabilities in Canadian dollars (with currency translations undertaken using or at foreign exchange rates reflected in related Covered Bond Collateral Hedges)

ANNEX E VALUATION CALCULATION

$$\text{Valuation Calculation} = \text{Asset Value} - \text{Liability Value}$$

$$\text{“Asset Value”} = A + B + C + D + E + F$$

where:

- A LTV Adjusted Loan Present Value net of Adjustments
- B Principal receipts up to calculation date not otherwise applied
- C Cash capital contributions made by partners of guarantor entity (as recorded in capital account ledger for each partner of guarantor entity) or proceeds advanced under inter-company or subordinated loan agreement or proceeds from any sale of Eligible Loans contemplated by Section 4.1.4 of this Guide or other cash exclusive of revenue receipts up to calculation date (in each case, not otherwise applied and permitted by Section 4.1.2 of this Guide to be held by the guarantor entity)
- D Trading Value of any Substitute Assets
- E Reserve Fund balance, if applicable
- F Trading Value of assets pledged or otherwise transferred to the guarantor entity as collateral for the obligations of the Counterparty under or pursuant to a Covered Bond Collateral Hedge

“LTV Adjusted Loan Present Value” = *lower of:*

- (1) Sum of Present Value of outstanding loan balance of each Performing Eligible Loan; and
- (2) Sum of 80% x Market Value of each residential property securing a Performing Eligible Loan

“Present Value” = Value of outstanding loan balance of Performing Eligible Loans, calculated by discounting the expected future cash flow (on a loan level basis) using current market interest rates for mortgage loans with credit risks similar to those of the Performing Eligible Loans (using the same discounting methodology as that used as part of the fair value disclosure in the registered issuer’s audited financial statements), or using publicly posted mortgage rates

“Market Value” = Determined in accordance with Section 4.6 of this Guide

“Performing Eligible Loans” = Eligible Loans less than three months in arrears

“Adjustments” = *sum of:*

- (1) LTV Adjusted Loan Present Value of any Performing Eligible Loan in breach of loan representations and warranties made in the mortgage sale agreement or otherwise subject to the seller’s repurchase obligation (but yet to be repurchased); and
- (2) financial losses (yet to be recompensed) resulting from any breach by the seller of any other material warranty in the mortgage sale agreement or from any breach by a servicer of a material term of the servicing agreement

“Liability Value” = Trading Value of covered bond liabilities

“Trading Value” = Value determined with reference to that methodology hereinafter set forth which can reasonably be considered the most accurate indicator of institutional market value in the circumstances (with the determination of value, methodology selected and reasons therefor duly documented):

- (1) the last selling price;
- (2) the average of the high and low selling price on the calculation date;
- (3) the average selling price over a prescribed period of days (not exceeding 30) preceding the calculation date;
- (4) the close of day bid price on the calculation date (in the case of an asset);
- (5) the close of day ask price on the calculation date (in the case of a liability);
- (6) such other value as may be indicated by at least two actionable quotes obtained from appropriate market participants instructed to have regard for the nature of the asset or liability, its liquidity and the current interest rate environment

plus accrued return where applicable (with currency translations undertaken using or at the average close of day foreign exchange rates posted on the Bank of Canada website for the month in relation to which the calculation is made)

ANNEX F
MATERIAL TRANSACTION DOCUMENTS TO BE DISCLOSED

The following transaction documents or equivalent or similar documents must be posted to the Program Website of a registered covered bond program (together with any amendment or supplement thereto):

- (a) Underwriting Agreement (or form thereof);
- (b) Trust Deed;
- (c) Master Definitions and Constructions Agreement;
- (d) Mortgage Sale Agreement;
- (e) Custodial Agreement;
- (f) Cover Pool Monitor Agreement;
- (g) Servicing Agreement;
- (h) Agency Agreement;
- (i) Inter-company Loan Agreement;
- (j) Guarantor LP Agreement or Trust Agreement;
- (k) Corporate Services Agreement;
- (l) Cash Management Agreement;
- (m) General Security Agreement;
- (n) Guarantor's Bank/Financial Institution Account Agreement;
- (o) Standby Bank/Financial Institution Account Agreement (if applicable);
- (p) Guaranteed Investment Contract (if applicable);
- (q) Standby Guaranteed Investment Contract (if applicable);
- (r) Interest Rate Swap Agreements, including related documents such as ISDA Master and Credit Support Annexes and Interest Rate Swap Confirmations; and
- (s) Covered Bond Swap Agreements, including related documents such as ISDA Master and Credit Support Annexes and Covered Bond Swap Confirmations.
- (t) Security Sharing Agreement (if applicable)

ANNEX G OFFERING DISCLOSURE REQUIREMENTS¹

I Information relating to issuer and guarantor entity

A. Description of the issuer

1. Corporate structure / intercorporate relationships / operating segments / business of the company
2. Presentation of financial information
3. Use of proceeds
4. Consolidated ratios of earnings to fixed charges
5. Consolidated capitalization and indebtedness
6. Summary of underwriting and risk management policies pertaining to the covered bond collateral and covered bond program
7. Credit ratings (if relevant to one or more Ratings Triggers)
8. Minimum and maximum Asset Percentage
9. Indexation methodology²

B. Description of the guarantor entity

1. Structure / inter-affiliate relationships / business of the entity

II Risk Factors

A. Risk factors relating to the issuer

B. Risk factors relating to the guarantor entity

C. Risk factors relating to the covered bond collateral

D. Factors which may affect the realizable value of the covered bond collateral or the ability of the guarantor entity to meet its obligations under the guarantee of covered bonds outstanding

E. Factors which are material for the purposes of assessing the risks relating to the covered bonds

¹ Information or items to be disclosed in a Public Offering Document may be incorporated by reference therein, however, all such information or items must be accessible on the Program Website (whether posted directly therein or accessed by following a link to another website (e.g. a securities regulator's website) (but any such link must bring the reader to the relevant webpage or document in the relevant website without the requirement for any additional navigating or searching)).

² When required by Section 4.6 of this Guide.

- F. Factors which are material for the purposes of assessing the risks relating to the legal and regulatory regimes of the issuer and guarantor entity
- G. Other factors which are material for the purposes of assessing the risks involved in an investment in covered bonds

III Covered Bonds and Covered Bond Collateral

- A. General description of the covered bonds and the covered bond collateral
- B. Terms and conditions, including, among other things:
 - 1. Form and denomination
 - 2. Title and transfer
 - 3. Status of the covered bonds
 - 4. Guarantee
 - 5. Interest on registered covered bonds (including kinds of interest rates, calculation of interest rates, maximum and minimum rates, relevant reset, determination, calculation and payment dates, covered bond rates)
 - 6. Redemption and purchase (including redemption at maturity, early redemptions, partial redemptions, call and put options),
 - 7. Events of default (including issuer events of default and guarantor events of default)
 - 8. Withholding
 - 9. Payments
 - 10. Prescription
 - 11. Details regarding agents (including paying agents, the registrar, transfer agents, calculation agents and exchange agents)
 - 12. Replacement of covered bonds
 - 13. Meetings of holders of covered bonds
 - 14. Notices
 - 15. Further issues
 - 16. Currency indemnity
 - 17. Waivers and remedies
 - 18. Branch of account for the deposits evidenced by the covered bond
 - 19. Substitution

- 20. Indemnification of bond trustees
- 21. Law and jurisdiction
- C. Ownership and book-entry issuance
- D. Cash flows (including allocation and distribution of amounts, pre-acceleration, termination and priority of payments and summary of fees and expenses paid from the collections on and proceeds of the covered bond collateral)
- E. Balance of each loan outstanding between the issuer and the Guarantor entity (identifying specifically the balance of any loan representing Voluntary Overcollateralization) and its priority of repayment

IV Material Issues / Deficiencies

- A. Material negative findings of, and material issues raised by, externally prepared reports and opinions authorized or contracted for by the issuer, any of its Affiliates or the guarantor entity relating to the covered bond collateral, the covered bonds or the covered bond program
- B. Exceptions identified in Cover Pool Monitor's reports (as determined by the registered issuer to be material)
- C. Any expected deficiencies in cash flows to meet future obligations
- D. Material breaches of representations or covenants

V Ratings and Ratings Triggers

- A. Rating Agencies and ratings assigned
- B. Requirements for Rating Agency confirmations
- C. All Ratings Triggers for the collateralization of a swap or replacement of a Covered Bond Collateral Hedge Counterparty
- D. All Ratings Triggers for the replacement of other Counterparties
- E. Ratings Trigger for the abridgement of cash commingling period
- F. Ratings Triggers for the establishment of the Reserve Fund or other accumulation of cash to comply with any test
- G. All other Ratings Triggers (e.g. acceleration of demand loan, coming into effect of Contingent Covered Bond Collateral Hedges, pre-maturity test, Amortization Test)

VI Other

- A. Details regarding Eligible Loan origination and lending criteria
- B. Details regarding the servicer (including servicing activities, portfolio, procedures, payments and replacement of servicer)

- C. Details regarding other Counterparties (including qualifications, role, procedures and replacement mechanism)
- D. Summary of principal documents governing the relationships between and among the issuer, the guarantor entity and a purchaser of covered bonds (or the bond trustee on behalf of covered bondholders)
- E. Summary of representations and warranties provided by the issuer or guarantor entity
- F. Summary of rights of registered issuer and/or guarantor entity to apply or distribute cash or withdraw, remove or transfer Eligible Loans and/or Substitute Assets in an amount up to Voluntary Overcollateralization (including, where relevant, the methodology for selecting Eligible Loans and/or Substitute Assets to be withdrawn, removed or substituted and the price or consideration to be ascribed thereto)
- G. Summary of any pre-emptive rights afforded the registered issuer in relation to any sale, transfer or disposition of Eligible Loans beneficially owned (or owned) by the guarantor entity
- H. Tax consequences for Investors
- I. Benefit plan Investor considerations
- J. Plan of distribution
- K. Limitations on enforcement of international laws (if applicable)
- L. Legality of covered bonds
- M. Experts
- N. Expenses of issuance and distribution

VII Static Data and Statistics relating to Eligible Loans in Covered Bond Collateral

- A. Overall statistics (number of Eligible Loans / percentage / principal balance / percentage):
 - 1. rate type distribution
 - 2. occupancy type distribution
 - 3. mortgage rate distribution
 - 4. remaining term distribution
 - 5. remaining principal balance distribution
 - 6. property type distribution
 - 7. number of Eligible Loans in covered bond collateral
 - 8. average mortgage size

9. number of properties
 10. number of primary borrowers
- B. Types of mortgage assets, product description and total amount of each type (e.g. amortizing mortgages, HELOCs)
 - C. Current balance of outstanding Eligible Loans in covered bond collateral
 - D. Weighted average of authorized LTV of Eligible Loans in covered bond collateral (including undrawn balances or authorized amounts of Eligible Loans)
 - E. Weighted average of original LTV³ of Eligible Loans in covered bond collateral
 - F. Weighted average seasoning of Eligible Loans in covered bond collateral
 - G. Weighted average coupon of Eligible Loans in covered bond collateral
 - H. Weighted average term of Eligible Loans in covered bond collateral
 - I. Weighted average remaining term of Eligible Loans in covered bond collateral
 - J. Multi-dimensional distribution of outstanding loan balance of Eligible Loans by region, LTV⁴ and arrears, with minimum breakdown as follows:

Geography	LTV	Arrears
British Columbia	<20	Current-<30
Prairies	20.01 – 30.00	30-<60
Ontario	30.01 – 40.00	60-<90
Quebec	40.01 – 50.00	90+
Atlantic	50.01 – 55.00	
Other	55.01 – 60.00	
	60.01 – 65.00	
	65.01 – 70.00	
	70.01 – 75.00	
	75.01 – 80.00	
	>80.00	

³ Determined on the basis of the most recent assessment or appraisal of value (whether upon origination or renewal of the Eligible Loan or subsequent thereto).

⁴ Indexed at the time (and in the manner and with the frequency) required by Section 4.6 of this Guide (with indexation methodology disclosed).

- K. Multi-dimensional distribution of outstanding loan balance of Eligible Loans by LTV⁴ and credit score, with minimum breakdowns as follows:

LTV	Credit Scores
<20	N/A
20.01 – 30.00	<599
30.01 – 40.00	600 – 650
40.01 – 50.00	651 – 700
50.01 – 55.00	701 – 750
55.01 – 60.00	751 – 800
60.01 – 65.00	>800
65.01 – 70.00	
70.01 – 75.00	
75.01 – 80.00	
>80.00	

- L. Weighted average maturity of Eligible Loans in covered bond collateral relative to weighted average maturity of outstanding covered bonds (without regard for any Covered Bond Collateral Hedge)

VIII Other Static Data and Statistics relating to Covered Bond Collateral

- A. Substitute Assets (types, amount, ratings, regulatory cap)
- B. Asset Percentage (with comparison to maximum Asset Percentage established and disclosed for program)
- C. All tests performed by or at the request of the registered issuer or guarantor entity (whether required by this Guide, one or more Rating Agencies or by the terms of the program's transaction documents), including their methodology and the results of each test
- D. Valuation Calculation (identifying its methodology and results as well as the effective weighted average rate used for discounting of Performing Eligible Loans)
- E. Other credit enhancements (e.g. Reserve Fund)
- F. Total outstanding covered bonds relative to the Office of the Superintendent of Financial Institutions' or other supervisory issuance limit

ANNEX H MONTHLY REPORTING REQUIREMENTS

I Program Information

- A. Key parties to the program, including issuer, Bond Trustee, guarantor entity, Covered Bond Collateral Hedge Counterparty
- B. Credit ratings of the issuer (if relevant to one or more Ratings Triggers)
- C. Counterparties, administrative agents (include credit ratings, applicable Ratings Triggers, summary of consequences of Ratings Triggers)
- D. Whether or not there is an “issuer event of default” or a “guarantor entity event of default”
- E. Inter-company loan balance, demand loan balance, and trigger events to call the demand loan
- F. Initial principal amount (for each series)
- G. CAD equivalent (at time of issue) of initial principal amount (for each series)
- H. Maturity date (for each series), including final legal maturity and expected legal maturity for soft bullet covered bonds
- I. Coupon rate (for each series)
- J. Rate type (for each series)
- K. Exchange rate (for each series)
- L. Current rating assigned (for each series)

II Tests, Credit Enhancements and Triggers

- A. Asset Percentage (with comparison to maximum Asset Percentage established and disclosed for program)
- B. Asset Coverage Test and result
- C. Valuation Calculation and results (including the effective weighted average rate used for discounting of Performing Eligible Loans)
- D. Prematurity test and results (if applicable) and Ratings Trigger
- E. Following an “issuer event of default”, cash balance of covered bond collateral relative to sum of (x) Canadian dollar equivalent of all principal payments due under all series or tranches of hard bullet covered bonds maturing in 12 month period immediately following and (y) all prior ranking payment obligations in same period
- F. Amortization test and results (if applicable) and Ratings Trigger

- G. Other credit enhancements (e.g. Reserve Fund)
- H. Occurrence and performance of the remedial action required by any Ratings Trigger (including description of remedial action taken)
- I. Total outstanding covered bonds relative to OSFI or other supervisory issuance limit

III Static Summary Statistics relating to Eligible Loans in Covered Bond Collateral

- A. Previous month ending balance
- B. Current month ending balance
- C. Number of Eligible Loans in covered bond collateral
- D. Average mortgage size
- E. Number of properties
- F. Number of primary borrowers
- G. Types of mortgage assets, product description and total amount of each type (e.g. amortizing mortgages, HELOCs)

IV Other Static Statistics relating to Covered Bond Collateral

- A. Weighted average of authorized LTV of Eligible Loans in covered bond collateral (including undrawn balances or authorized amounts of Eligible Loans)
- B. Weighted average of original LTV¹ of Eligible Loans in covered bond collateral
- C. Weighted average seasoning of Eligible Loans in covered bond collateral
- D. Occupancy type (not owner occupied / owner occupied) distribution
- E. Rate type (fixed / variable) distribution
- F. Mortgage rate distribution
- G. Weighted average coupon of Eligible Loans in covered bond collateral
- H. Weighted average term of Eligible Loans in covered bond collateral
- I. Weighted average remaining term of Eligible Loans in covered bond collateral
- J. Remaining term distribution

¹ Determined on the basis of the most recent assessment or appraisal of value (whether upon origination or renewal of the Eligible Loans or subsequent thereto).

- K. Weighted average maturity of the Eligible Loans in covered bond collateral relative to weighted average maturity of outstanding covered bonds (without regard for any Covered Bond Collateral Hedge)
- L. Remaining principal balance distribution
- M. Property type distribution (single, duplex or more units, detached etc.)
- N. Multi-dimensional distribution of outstanding loan balance of Eligible Loans by region, LTV² and arrears with minimum breakdown as follows:

Geography	LTV	Arrears
British Columbia	<20	Current-<30
Prairies	20.01 – 30.00	30-<60
Ontario	30.01 – 40.00	60-<90
Quebec	40.01 – 50.00	90+
Atlantic	50.01 – 55.00	
Other	55.01 – 60.00	
	60.01 – 65.00	
	65.01 – 70.00	
	70.01 – 75.00	
	75.01 – 80.00	
	>80.00	

- O. Multi-dimensional distribution of outstanding loan balance of Eligible Loans by LTV² and credit score, with minimum breakdowns as follows:

LTV	Credit Scores
<20	N/A
20.01 – 30.00	<599
30.01 – 40.00	600 – 650
40.01 – 50.00	651 – 700
50.01 – 55.00	701 – 750
55.01 – 60.00	751 – 800
60.01 – 65.00	>800
65.01 – 70.00	
70.01 – 75.00	
75.01 – 80.00	
>80.00	

² Indexed at the time (and in the manner and with the frequency) required by Section 4.6 of this Guide (with indexation methodology disclosed).

P. Substitute Assets (types, amount, ratings, regulatory cap)

V Material Issues / Deficiencies

- A. Material negative findings of, and material issues raised by, externally prepared reports and opinions authorized or contracted for by the issuer, any of its Affiliates or the guarantor entity relating to the covered bond collateral, the covered bonds or the covered bond program
- B. Exceptions identified in Cover Pool Monitor's reports (and determined by the registered issuer to be material)
- C. Any expected deficiencies in cash flows to meet future obligations
- D. Material breaches of representations or covenants

**ANNEX I
AMORTIZATION TEST METHODOLOGY**

Amortization Test = Asset Value - Liability Value

“Asset Value” = A + B + C - D

where:

A *lower of:*

- (1) True Loan Balance; and
- (2) Sum of 80% x Market Value of each residential property securing a Performing Eligible Loan

B Sum of the amount of any cash standing to the credit of the guarantor entity (exclusive of any revenue receipts up to the calculation date not otherwise applied)

C Outstanding principal amount of any Substitute Assets

D Product of:

- (1) weighted average remaining maturity of all outstanding covered bonds (in years and, where less than a year, deemed to be a year);
- (2) principal amount outstanding of all covered bonds; and
- (3) Negative Carry Factor

“True Loan Balance” = *sum of:*

- (1) Sum of outstanding loan balance of each Performing Eligible Loan; and
- (2) All interest and other amounts accrued, but remaining unpaid, under each Performing Eligible Loan

“Market Value” = Determined in accordance with Section 4.6 of this Guide

“Performing Eligible Loans” = Eligible Loans less than three months in arrears

“Negative Carry Factor” =

- (1) if the weighted average margin of the interest rate payable on the outstanding covered bonds relative to the interest rate receivable on the covered bond collateral is $\leq 0.1\%$ per annum, then 0.5%; and
- (2) if the weighted average margin of the interest rate payable on the outstanding covered bonds relative to the interest rate receivable on the covered bond collateral is $> 0.1\%$ per annum, then the sum of (x) 0.5% and (y) the weighted average margin of the interest rate payable on the outstanding covered bonds less 0.1%,

unless the interest rate risk represented by the weighted average margin of the interest rate payable on the outstanding covered bonds relative to the interest rate receivable on the covered bond collateral is addressed or mitigated by a Covered Bond Collateral Hedge (other than a Contingent Covered Bond Collateral Hedge prior to its effective date) whereupon the Negative Carry Factor shall be nil

“Liability Value” = Nominal amount of covered bond liabilities in Canadian dollars (with currency translations undertaken using or at foreign exchange rates reflected in related Covered Bond Collateral Hedges or, to the extent the foreign exchange risk of a non-CAD denominated covered bond liability is not or no longer the subject of (or otherwise addressed or mitigated by) a Covered Bond Collateral Hedge (by reason of termination or otherwise) end of day spot foreign exchange rates)

ANNEX J
COVER POOL MONITOR'S RESPONSIBILITIES

I Confirming Accuracy of Records Maintained in relation to Covered Bond Collateral

- A. The Cover Pool Monitor shall select one Monthly Report from the Monthly Reports prepared since the date of its last report (or, in the case of the report to be delivered no later than five Business Days prior to the first issuance of covered bonds under a covered bond program contemporaneous with or following its registration, the Monthly Report prepared in relation to such issuance which may be prepared on a *pro forma* basis in accordance with Section 5.5.1 of this Guide) and agree the mortgage information disclosed in the Monthly Report with the system records and extraction files used by the registered issuer to prepare the Monthly Report. Non-mortgage information disclosed in the Monthly Report shall be verified by inspection of the registered issuer's accounting records or other appropriate data provided by the registered issuer.
- B. From the system records and extraction files used by the registered issuer to prepare the Monthly Report, the Cover Pool Monitor shall select a sample of mortgage loans and a sample of Substitute Assets (together the "**Sample**"). The Sample's size must be sufficient to provide a 95% confidence level, with a tolerable deviation rate of 5% (an "**Industry Standard Sampling Size**").
- C. The Cover Pool Monitor shall perform specified procedures in relation to the Sample by inspection of the data elements hereinafter identified (at a minimum) in system records, extraction files and original asset documents, including lender and servicer mortgage loan files ("**Underlying Source Mortgage Documents**").

Eligible Loans		
Procedure Reference	Category	Specific Procedures
1.	Name	Agree the borrower(s)' first name (or initials) and surname with the following: a) Certificate of Title (COT) or Report on Title (ROT), and b) Registered Mortgage document (or, if not on file, either the mortgage loan agreement or the mortgage application form)
2.	Address	Inspect that the property address confirmed to be in Canada and agree on the following (allowing for common abbreviations, but with no exception for spelling): a) Certificate of Title (COT) or Report on Title (ROT), and b) Valuation report, where commissioned
3.	Loan/Account number	Agree the loan/account number with the primary system of record

4.	Term	Agree the latest agreed term of the loan with the latest mortgage offer or account statement (or agree it is a HELOC)
5.	Interest rate	Agree the interest rate (or spread to index), interest rate type, interest rate index and interest rate with the most current loan document or account statement
6.	Amortization	Agree the remaining amortization as reported with the remaining amortization on the mortgage administration system as of cut-off date (or agree it is a HELOC)
7.	Amount advanced	Agree the total amount advanced to the latest offer/loan documents
8.	Mortgage balance	Agree the mortgage balance (and the limit in the case of a HELOC) on the mortgage administration extraction file with the balance on the mortgage loan processing system at the cut-off date
9.	Maturity date	Agree the maturity date of each mortgage on the primary system of record with the latest offer document or account statement, and that it is within a 30 day range (or agree it is a HELOC)
10.	Valuation amount	Agree the valuation amount in the extraction file is less than or equal to the amount from the latest valuation, based on the underwriting policy of the registered issuer or its Affiliate (if it is the regulated lender) that was valid at the valuation date
11.	Valuation date	Agree the valuation date in the extraction file with the date on the latest valuation report and check whether it is within one year of the completion date
12.	Currency of Loan	Inspect that the loan is not specified as denominated in a currency other than Canadian dollars in the mortgage loan documents
13.	Loan characteristics	Agree the loan characteristics (e.g. fixed, variable) with the latest offer or supporting documentation (including the account statement)
14.	Repayment type	Agree the repayment type (amortizing/interest only etc.) with supporting documents (which can include mortgage loan offer document or system record)
15.	Property tenure and type	Agree the property tenure (freehold, condominium or other) with the valuation report, land registry records or report on title
16.	Flag	Inspect that the mortgage loan in the primary system of record (or primary medium where loans are being flagged) has a flag to indicate it is used solely for the purpose of the covered bond pool
17.	Credit Bureau Score	Agree the credit score with the score information reflected on the issuer's records for updated credit scores

18.	Employment & Income Verification	Agree the borrower's employment income in the application form to underlying evidence of income (such as payslips or tax returns) where income verification is carried out. Where evidence of income is unavailable, this will be considered a material negative finding unless, at the time of origination of the loan, the policies and guidelines of the registered issuer or its Affiliate (if it is the regulated lender) did not require the retention of such records and disclosure has been made to investors of their absence in each Public Offering Document or, in the case of a private placement, offering memorandum or similar disclosure document prepared in connection with the issuance of a series or tranche of covered bonds under the registered covered bond program following its registration
19.	Title	Inspect that there is evidence of title or title insurance
20.	Property Insurance	Inspect that there is evidence of property insurance if required under the terms of the mortgage. Where evidence of property insurance is unavailable, this will be considered a material negative finding unless (a) at the time of origination of the loan, the policies and guidelines of the registered issuer or its Affiliate (if it is the regulated lender) did not require the retention of such records and (b) disclosure has been made to investors in each Public Offering Document or, in the case of a private placement, offering memorandum or similar disclosure document prepared in connection with the issuance of a series or tranche of covered bonds under the registered covered bond program following its registration of (i) the absence of evidence of property insurance and (ii) the registered issuer's or its Affiliate's acknowledgement of self-insurance against the risk represented by a borrower's failure to obtain property insurance where incapable of verification
Substitute Assets		
21.	CUSIP	Agree the CUSIP recorded with the primary system of record
22.	Maturity Date	Agree the maturity date recorded with the primary system of record
23.	Face Value	Agree the face value recorded with the primary system of record
24.	Coupon	Agree the coupon recorded with the primary system of record

- D. Using the Sample, the Cover Pool Monitor shall inspect the Underlying Source Mortgage Documents and report any mortgage loans where:
- (a) At the time of transfer to the guarantor entity, one or more payments of principal or interest payable thereunder were in arrears;
 - (b) At the time of transfer to the guarantor entity, one or more payments of principal or interest (or blended payment(s) of principal and interest) had not been made in accordance with the terms of the loan;
 - (c) There is no evidence that the mortgage or hypothecary instrument charging the residential property securing such loan represents a first priority perfected security interest;
 - (d) There is evidence of any loans advanced under the same mortgage or hypothecary instrument have been insured by CMHC, Canada Guaranty Mortgage Insurance Company, the Genworth Financial Mortgage Insurance Company of Canada, the PMI Mortgage Insurance Company Canada, any other private mortgage insurer recognized by CMHC for purposes hereof or otherwise identified in the *Protection of Residential Mortgage or Hypothecary Insurance Act* (Canada), or any successor to any of them.
- E. Using the Sample, agree the data provided to the Custodian with the Underlying Source Mortgage Documents.

II Confirming Arithmetical Accuracy of Tests and Calculations

- A. The Cover Pool Monitor shall annually select at random a Monthly Report prepared in respect of the registered covered bond program in the preceding year (which Monthly Report can be the same Monthly Report selected to confirm the accuracy of records in relation to covered bond collateral).
- B. The Cover Pool Monitor shall recalculate the results of the Asset Coverage Test and/or Amortization Test disclosed in the selected Monthly Report.
- C. The Cover Pool Monitor shall recalculate the Valuation Calculation disclosed in the selected Monthly Report. In addition, the Cover Pool Monitor shall enquire whether, in calculating the Present Value for purposes of the Valuation Calculation disclosed in the selected Monthly Report, expected future cash flows are discounted using the publicly posted mortgage rates or using the current market interest rates for mortgage loans with credit risks similar to those of the Performing Eligible Loans, and report findings/responses. Where current market interest rates for mortgage loans with credit risks similar to those of the Performing Eligible Loans are used to discount expected future cash flows, the Cover Pool Monitor shall enquire whether the same discounting methodology has been used as that used as part of the fair value disclosure in the registered issuer's audited financial statements, and report findings/responses. The Cover Pool Monitor shall agree the Valuation Calculation to the requirements set forth in Annex E and Section 4.6 of this Guide. Additionally, the Cover Pool Monitor shall

enquire as to the determination of the Trading Values of (i) all Substitute Assets, (ii) assets pledged or otherwise transferred to the guarantor entity as collateral for the obligations of the Counterparty under or pursuant to a Covered Bond Collateral Hedge and (iii) the covered bond liabilities, in each case used in the Valuation Calculation disclosed in the selected Monthly Report, and report findings/responses.

- D. The Cover Pool Monitor shall obtain from the registered issuer the ratings, if any, assigned to the registered issuer by each Rating Agency and relevant to the Ratings Trigger contemplated by Section 3.5.2(e) of this Guide. Following the occurrence of a Ratings Trigger contemplated by Section 3.5.2(e) of this Guide, if the registered issuer has issued one or more series of hard bullet covered bonds, obtain a schedule from the registered issuer computing the covered bond collateral required by the Ratings Trigger, and perform recalculation procedures on the schedule. Additionally, the Cover Pool Monitor shall enquire whether the registered issuer's covered bond collateral complies with the Ratings Trigger, and report findings/responses.
- E. The Cover Pool Monitor shall obtain from the registered issuer the ratings, if any, assigned to the registered issuer by each Rating Agency and relevant to the Ratings Trigger contemplated by Section 3.5.2(d) of this Guide. Following the occurrence of Ratings Trigger contemplated by Section 3.5.2(d) of this Guide, obtain a schedule from the registered issuer of the Reserve Fund required by the Ratings Trigger, and perform recalculation procedures on the schedule. Additionally, enquire whether the registered issuer's covered bond collateral complies with the Ratings Trigger, and report findings/responses.
- F. If an arithmetical inaccuracy is found in the disclosed results of any such test or calculation, the Cover Pool Monitor shall be required to recalculate the results of each such test and calculation disclosed in the Monthly Reports prepared in respect of the registered covered bond program (i) for the last month of each quarter of the preceding year (ii) for each month of the next succeeding year until the results of each test are found to be free of arithmetical error for three consecutive months and (iii) thereafter, for the last month of each remaining quarter in the next succeeding year.

III Other Tests Regarding Assets and Liabilities of Registered Covered Bond Program

- A. Using an Industry Standard Sampling Size, select a sample of assets comprising the Eligible Loans and Substitute Assets of the guarantor entity (including cash) and agree that the assets meet the criteria specified in Sections 4.1.1, 4.1.2 and 4.1.3 of this Guide (other than those requirements or qualifications to be met by a loan in order to be considered an Eligible Loan which are set out in Section 4.2.1 of this Guide and the subject of a legal opinion contemplated by Section 4.2.5 of this Guide).
- B. For each offering of a series or tranche of covered bonds under a registered covered bond program, enquire of the guarantor entity as to whether, at the time of issuance, the guarantor entered into one or more contracts the purpose or effect of which was to mitigate its risk of financial loss or exposure from fluctuations in interest rates or currency exchange rates affecting, or which may come to affect, its obligations to make one or more payments and report findings/responses. Additionally, enquire whether the Covered Bond Collateral

Hedge has been documented using ISDA documentation, and report findings/responses.

- C. The Cover Pool Monitor shall select one month falling subsequent to the date of its last report (or, in the case of the report to be delivered no later than five Business Days prior to the first issuance of covered bonds under a covered bond program contemporaneous with or following its registration, a month ending not more than 45 days prior to the date of the report) and obtain a schedule of Market Value calculations with respect to all Eligible Loans as of the last day of that month. Using an Industry Standard Sampling Size, inspect that : (x) on or before July 1, 2014, the calculation of the “Market Value” of the residential property has been determined by either adjusting its Original Market Value, at least quarterly, to account for subsequent price developments, or by reference to the Original Market Value and (y) after July 1, 2014, the calculation of the Market Value of the residential property has been determined by adjusting its Original Market Value, at least quarterly, to account for subsequent price developments.

**ANNEX K
ANNUAL COMPLIANCE CERTIFICATE**

TO: Canada Mortgage and Housing Corporation

RE: [Insert Name of Registered Covered Bonds Program (the “Program”)]

I hereby certify, as [insert title of executive officer] of [insert name of registered issuer] (the "**Issuer**") and not in my personal capacity, for the year ending [insert date of most recent fiscal year end/anniversary of first issuance of covered bonds under registered covered bond program], that:

- (a) the Issuer and the Program have complied with all conditions, obligations, restrictions and requirements contained in the Canadian Registered Covered Bond Programs Guide and Part I.1 of the *National Housing Act* (Canada); and
- (b) the Issuer has complied, in all material respects, with all securities laws, regulations and rules applicable to covered bonds which are promulgated by each jurisdiction and market in which covered bonds issued under the Program have been offered by it or have been listed or otherwise posted for trading by it.

I hereby further certify, as [insert title of executive officer] of the Issuer and not in my personal capacity that, as at the year ended [insert date of most recent fiscal year end/anniversary of first issuance of covered bonds under registered covered bond program], all loans held by [insert name of guarantor entity] as the Program’s covered bond collateral constitute Eligible Loans meeting the criteria of Section 21.6 of Part I.1 of the *National Housing Act* (Canada) and the requirements or qualifications set out in Section 4.2.1 (a) through (j) of the Canadian Registered Covered Bond Programs Guide.

[In the case of a registered covered bond program pursuant to which mortgages or hypothecary instruments originally securing both Eligible Loans and Retained Loans are to be transferred or contributed to the guarantor entity and the registered issuer and each mortgage lender as may be on title have elected to enter into a Security Sharing Agreement with the guarantor entity:]

I hereby further certify as [insert title of executive officer] of the Issuer and not in my personal capacity that:

- (a) each Lender has provided a Release of Security in relation to all Retained Loans and a Security Sharing Agreement has been entered into by the Issuer, each Lender and the guarantor entity; and
- (b) the Issuer and each Lender have complied with the provisions of the Security Sharing Agreement (including those provisions relating to priority of payment and the servicing of Eligible Loans and Retained Loans) for the year ended [insert date of most recent fiscal year and/or anniversary of first issuance of covered bonds under registered covered bond program].

DATED [insert date]

[INSERT NAME OF ISSUER]

Per:

Name: [Insert name]

Title: [Executive Officer]

**ANNEX L
SCHEDULE OF FEES**

2013¹

Fee for application for registration as a covered bond issuer	}	\$700,000
Fee for application for registration of a covered bond program		
Annual fee		

¹ Registration and annual fees charged in subsequent calendar years shall be determined (and included in this Guide) prior to the commencement of the relevant calendar year in accordance with the principles set forth in Section 10.1.2 of this Guide.

**ANNEX M
RELEASE OF SECURITY**

The person or institution indicated below hereby relinquishes in favour of [insert name of guarantor entity] any and all interest or right it has in or to the mortgages (which shall include any collateral mortgages) identified in the Schedule of Mortgages attached transferred to [insert name of guarantor entity] under the [insert name of registered covered bond program].

The person or institution indicated below further undertakes to sign any other document upon presentation so as to give full effect to this relinquishment.

DATED [insert date]

[INSERT NAME OF REGISTERED ISSUER OR
MORTGAGE LENDER]

[insert address and postal code of registered
issuer or mortgage lender]

Per: _____

Name:

Title: