

CANADA MORTGAGE AND HOUSING CORPORATION

# Covered Bonds Business Supplement

**FOURTH QUARTER**  
**December 31<sup>st</sup>, 2023**

The Covered Bonds Business Supplement document is based on publicly available information and provides an overview of covered bond activities undertaken by Canadian financial institutions. For greater details on the requirements and policies of Canadian registered covered bonds, refer to the *Canadian Registered Covered Bond Programs Guide* (<https://www.cmhc-schl.gc.ca/en/finance-and-investing/canadian-registered-covered-bonds/canadian-registered-covered-bond-programs-guide>).

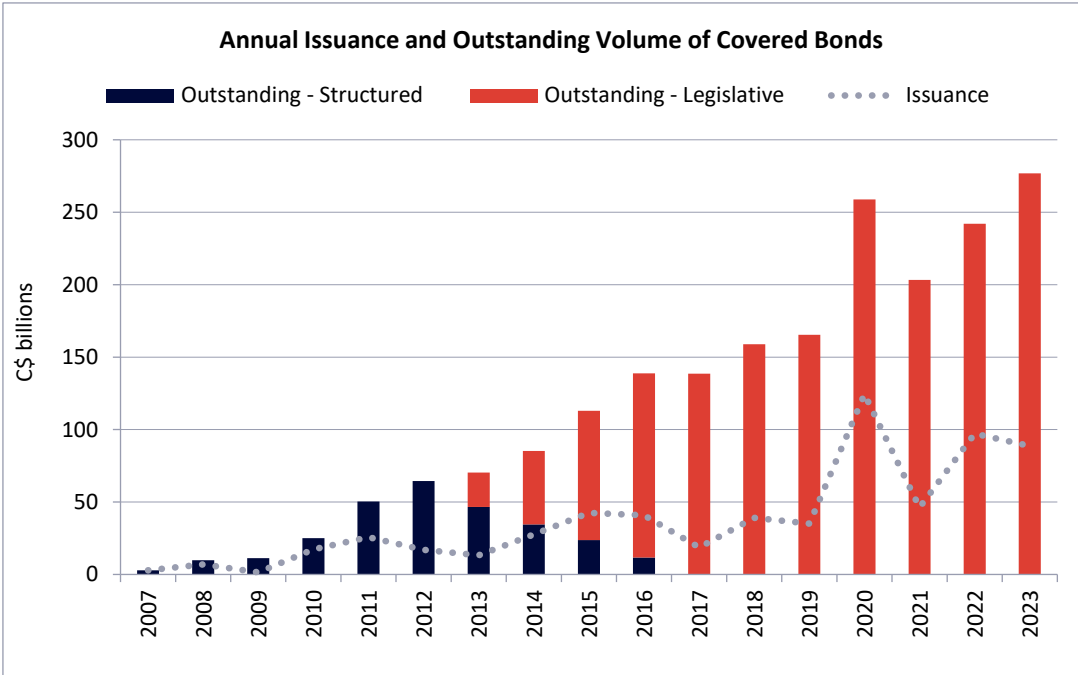
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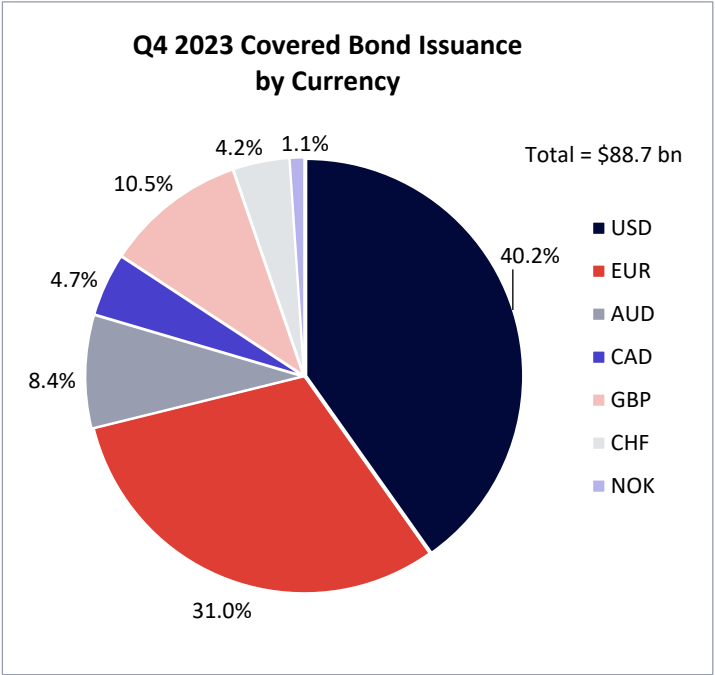
# ANNUAL ISSUANCE AND OUTSTANDING VOLUME OF COVERED BONDS

The 2012 amendments to the *National Housing Act* established a legal framework for the registration of covered bond programs in Canada. Under the Act, CMHC is responsible for maintaining a registry of covered bonds issuers and programs and acts as the administrator for the legislative covered bonds framework. Prior to 2012, covered bonds issued by Canadian financial institutions were issued under structured programs without statutory protection for investors. The Government and CMHC do not provide any guarantees or backing for covered bonds, and covered bond collateral must be composed of one- to four-unit uninsured residential mortgage loans.

The amount of covered bonds outstanding issued by Canadian financial institutions has increased gradually since 2007. As of December 31<sup>st</sup>, 2023, the amount of covered bonds outstanding issued under the legislative framework amounted to \$276.8 billion and the 2023 issuance amounted to \$88.7 billion.



Source: Registered Issuers' websites



Source: Registered Issuers' websites

## COVERED BONDS ISSUANCE CAPACITY

Canada's nine largest banks (Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, HSBC Bank Canada, Laurentian Bank, National Bank of Canada, Royal Bank of Canada, Toronto-Dominion Bank, Equitable Bank) and Fédération des caisses Desjardins du Québec have registered covered bonds programs.

May 2019: Under federal and provincial regulatory requirements, the amount of assets pledged for covered bonds by an institution cannot exceed 5.5% of its total assets as set and calculated by the regulatory bodies (OSFI and AMF, respectively).

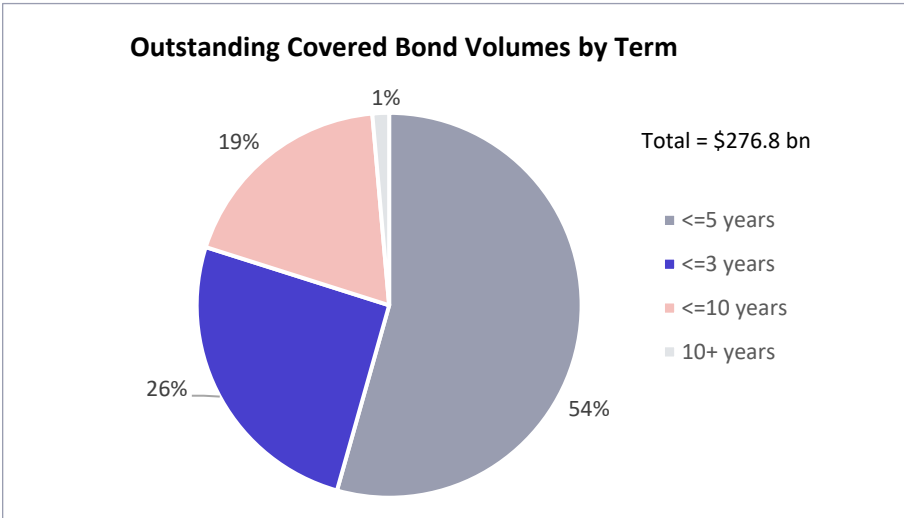
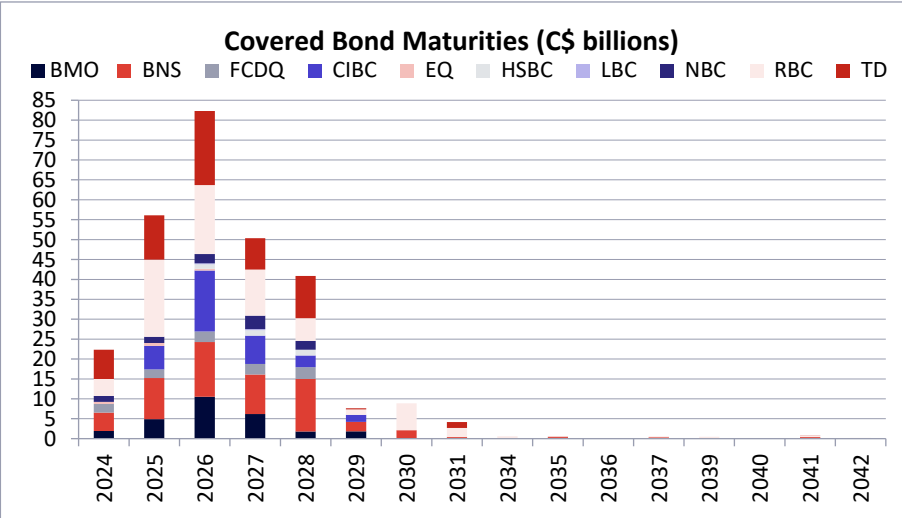
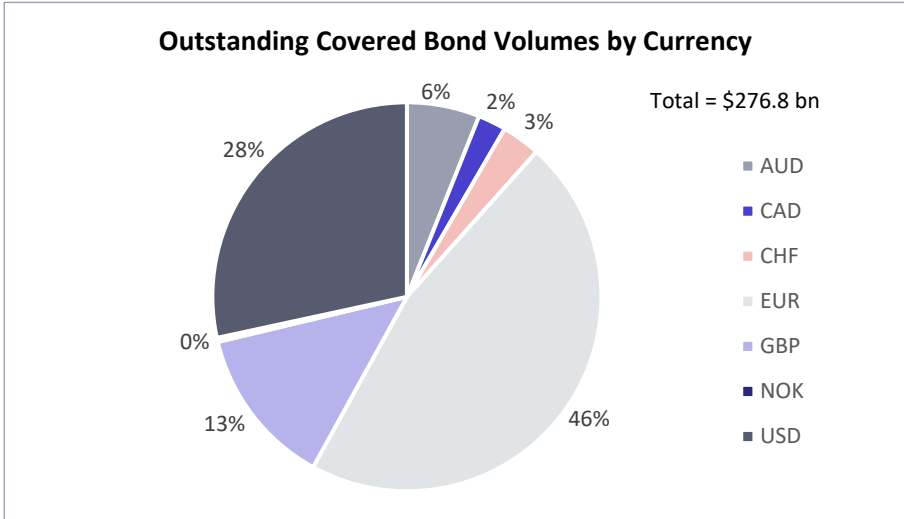
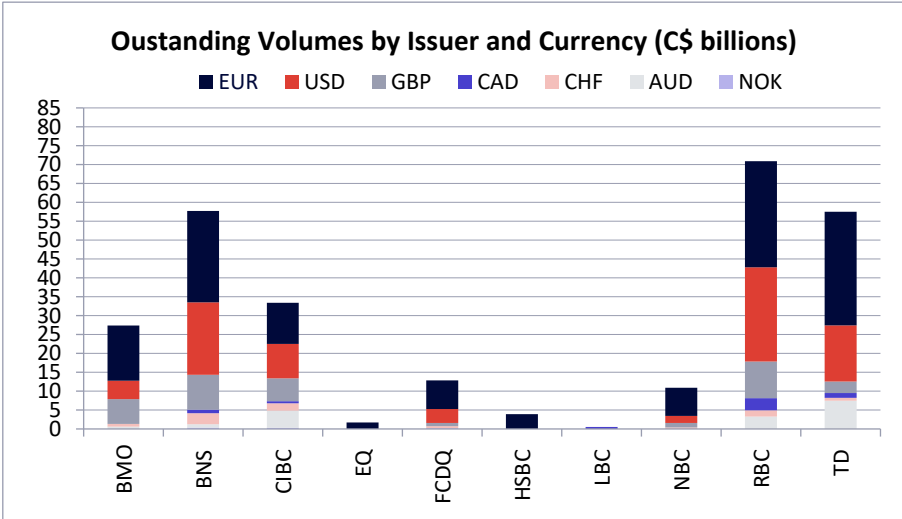
March 2020: The regulatory bodies temporarily increased the limit on total assets that may be pledged for covered bonds from 5.5% of the deposit taking institution's assets to 10%, resulting in additional issuance capacity. The additional 4.5% issuance capacity may only be used to permit issuers to pledge covered bonds as collateral to the Bank of Canada. In March 2020, the Bank of Canada announced that own-name covered bonds would be accepted for term repo operations. The maximum amount of pool assets relating to market instruments remained limited to 5.5% of the issuer's on-balance sheet assets. In October 2020, the Bank of Canada announced that own-name covered bonds will no longer be accepted for term repo operations. In April 2021 the regulatory bodies announced the unwinding of the temporary 10% covered bond limit bringing back the limit to 5.5% of the issuer's on-balance sheet assets.

The covered bond ratios ranged from 1.38% to 4.35% and the combined regulatory covered bond limit was \$478.6 billion as at December 31<sup>st</sup>, 2023. At this point, all issuers have the capacity to issue additional covered bonds. Future covered bond redemptions will also provide additional issuance capacity.

As at December 31 <sup>st</sup> , 2023	BMO	BNS	CIBC	EQ	FCDQ	HSBC	LBC	NBC	RBC	TD	TOTAL
Total Covered Bonds Outstanding (C\$ Equivalent)	27.3	57.6	33.4	1.6	12.8	3.9	0.5	10.9	70.8	57.5	276.8
Total Regulatory Covered Bond Limit	71.1	77.5	53.6	2.9	22.7	6.7	2.6	23.2	110.2	107.6	478.6
Assets Remaining Available to be Pledged	41.8	16.1	17.7	1.0	9.3	2.4	2.0	11.3	33.9	47.0	183.0
Total Assets Pledged as a % of Regulatory Limit	41.2%	79.1%	66.9%	64.0%	59.0%	64.2%	25.1%	51.1%	69.2%	56.2%	
Covered Bond Ratio (%)	2.27%	4.35%	3.68%	3.52%	3.24%	3.53%	1.38%	2.81%	3.80%	3.09%	

# COVERED BOND CURRENCIES, MATURITIES AND TERMS

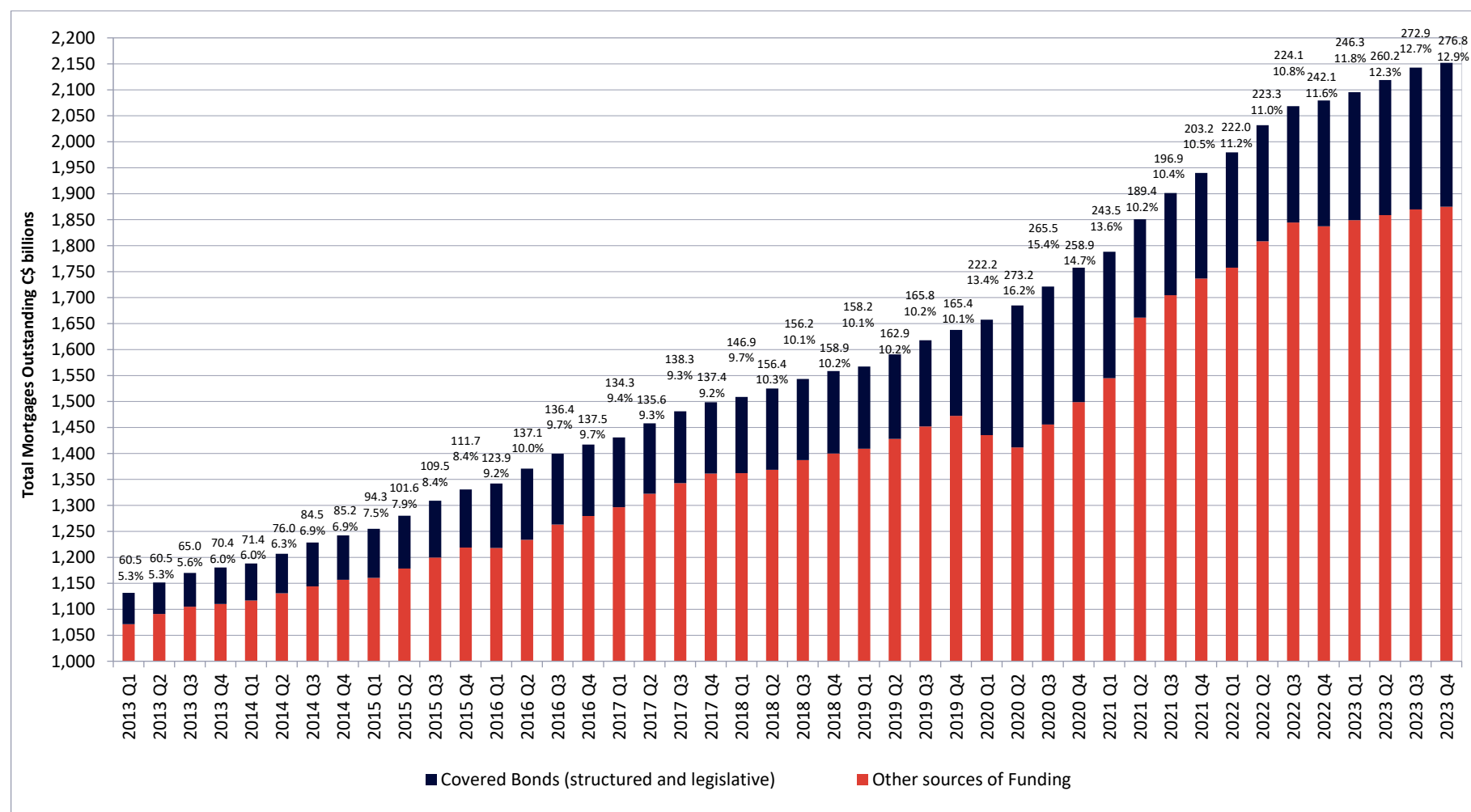
Covered Bonds are issued in seven different currencies and the bond term ranges between one to twenty years. The EUR represents 46% of the issuances while the CAD represents 2%. In 2023, the first NOK currency covered bonds were issued by the BNS, CIBC and FCDQ.



Source: Registered Issuers' websites

## COVERED BONDS AS A SOURCE OF FUNDING

Canadian lenders have continually increased their use of covered bonds as a source of funding. Covered bond funding as a percentage of the total mortgage market increased from 5% in early 2013 to over 10% in 2016. In December 2023, covered bond funding as percentage of the mortgage market is 12.9%.



Sources: Statistics Canada website, Registered Issuers' websites

## REVENUES AND EXPENSE FOR THE ADMINISTRATION OF THE COVERED BONDS FRAMEWORK

The NHA requires that fees for the registration of covered bond issuers and programs be commensurate with the expenses incurred by CMHC in performing its duties with respect to the administration of the registered covered bond framework.

The fee structure at the inception of the program was \$350,000 for the application fee and \$350,000 for the annual fee. The chart below illustrates the fees since the inception of the program. In 2024, the annual fee and the application fee remained unchanged at \$175,00 and \$100,000 respectively. The CMHC will continue to monitor the fees and related expenses to ensure CMHC administers the legislative covered bond program on a cost recovery basis.

	Application Fee	Issuer Annual Fee
2023	100,000	175,000
2022	100,000	175,000
2021	100,000	175,000
2020	100,000	125,000
2019	100,000	125,000
2018	350,000	175,000
2017	350,000	225,000
2016	350,000	250,000
2013 – 2015	350,000	350,000

	Total since inception (2012 – 2022)	2023
<b>Fees Earned</b>	<b>20,625,000</b>	<b>1,750,000</b>
Expenses		
Internal	14,377,600	1,495,712
External	5,539,469	3,917
<b>Total Expenses*</b>	<b>19,917,070</b>	<b>1,499,629</b>

\*Expenses are estimated