

Release of 2025 Canadian Registered Covered Bond Programs Guide

Purpose

To notify stakeholders that an updated **2025 Canadian Registered Covered Bond Programs Guide** has been released

Background

Established in 2012, Canada has a dedicated covered bond legislation under Part I.1 of the National Housing Act (Canada) (NHA), which together with the Canadian Registered Covered Bond Programs Guide (“CB Guide”), forms the legal framework for Canadian registered covered bonds. The CB Guide was last updated in 2017.

The policy objectives underlying the covered bonds legislative framework are to develop a robust covered bonds regime designed to promote 1) appropriate disclosure to investors and 2) continuity of payment (and ultimate repayment) of issued covered bonds.

Updates to the CB Guide follow a formal review process, that includes examining global best practices, industry commentary, and consulting with issuer stakeholders.

Key 2025 CB Guide Changes

Enhanced Disclosures [CB Guide - Annex H Monthly Reporting Requirements]

Unlike securitization, covered bonds allow for the dynamic transfer—through sale and (re)purchase—of mortgages between the Issuer and the Guarantor SPV (cover pool). To enhance transparency, the 2025 CB Guide requires that Issuers disclose a snapshot of the Guarantor SPV’s cash inflows and outflows, and statistics relating to non-amortizing mortgages and weighted average LTVs of Collateral Mortgages.

To align with global practice, the 2025 CB Guide now requires risk disclosures on market risk, interest rate risk, currency risk and liquidity risk in the monthly investor report (with option to cross-reference prospectuses or offering documents).

Regulatory Overcollateralization Minimum [CB Guide – Section 4.3.8]

The 2025 CB Guide now stipulates that the Regulatory Overcollateralization (OC) Minimum is increased from **3%** to **5%**.

Soft-bullet Extendable Maturities [CB Guide – new Section 4.7]

Under existing market practice, maturity dates for soft-bullet covered bonds are extended by objective triggers, typically by a failure by the registered issuer to make a payment. The 2025 CB Guide formalizes this practice by i) ensuring that issuers may not extend maturity at their discretion and that clearly defined extension triggers must be specified in transaction documents ii) specifying criteria for determining the extended maturity date, iii) requiring continued payment of interest and, to the extent funds are available, payment of principal during extension periods and iv) specific notification requirements to CMHC with respect to maturity extensions.

Liquidity Reserves [CB Guide – new Section 4.8]

Eligible assets for liquidity reserves are broadened to include government of Canada securities and repos of government of Canada securities, rather than solely cash. This broader eligibility improves the yield on liquidity reserves, while maintaining a high standard of asset quality.

Other Enhancements [CB Guide – Section 4.2.1(b), 4.2.1 (K), 3.6.9, Annex J Cover Pool Monitor]

The 2025 CB Guide clarifies mortgage eligibility requirements including amortization requirements and HELOC ineligibility.

To enhance controls around custodian recordkeeping, the cover pool monitor will be tasked with verifying that both the Issuer and Custodian complies with Eligible Loans Details and Substitution Asset Details file requirements.

Changes to incorporate Advice No.12 [CB Guide – Section 3.5.1, 3.5.2 and 3.6.12]

The 2025 Guide reflects revised minimum rating requirements introduced by Advice No. 12 on November 13, 2019.

Effective Date

The 2025 CB Guide comes into effect on **January 1, 2026**. All registered covered bond issuers are required to comply with the CB Guide.

Inquiries

For inquiries on the Canadian Registered Covered Bond Programs, please email ccba@cmhc-schl.gc.ca