

REVISED EFFECTIVE DATE OF CORRA NHA MBS

PURPOSE

To provide an update on the revised effective date for the new NHA MBS pool types (881, 886, 981, and 986) and CMB where the coupons are based on the Canadian Overnight Repo Rate Average (CORRA). To provide the final Information Circular (CMHC 2834) and clarification daily compounded CORRA for CORRA NHA MBS sold to CHT.

BACKGROUND

To meet CMHC's mandate on promoting financial stability and facilitating market adoption of CORRA as a key financial benchmark, CMHC recently enhanced the securitization programs by introducing four pool types of which the coupon is based on CORRA ("CORRA NHA MBS").

Revised Effective Date of CORRA NHA MBS

CMHC has received feedback from the industry and the MBSIA advising that participating institutions require more time to prepare systems and processes in order to be ready to issue CORRA based NHA MBS. The MBSIA working group has recommended that CMHC delay the implementation date of CORRA based securities by an additional 3 months.

Based on the guidance provided by the industry, and to ensure an orderly transition to CORRA based securities, CMHC is pleased to announce a change to the effective date for the CORRA based NHA MBS and CORRA CMB from February 1, 2022 to May 1, 2022.

NHA MBS Information Circular (CMHC 2834)

The CMHC 2834, Information Circular as noted in the Advice No.13 to Issuers released on September 13, 2021 has been finalized and includes the interim CORRA fallback language, which is attached for your reference. The updated Information Circular will take effect on May 1, 2022 and will apply to all CORRA NHA MBS pools issued on and after this date. Issuers and Investors can find all of the NHA MBS forms on our website in the section Updated NHA MBS forms here: <https://www.cmhc-schl.gc.ca/en/finance-and-investing/nha-mortgage-backedsecurities/updated-nha-mbs-forms>

Please note that CMHC also plans to revise and release another update to the CMHC 2834 in early 2022 to reflect the final CDOR fallback language. In addition, the Canadian Alternative Reference Rate Working Group (CARR) is currently developing final CORRA fallback language and updates to the CMHC 2834 will be required to reflect the final CORRA fallback language when available.

Daily Compounded CORRA Clarification for CORRA NHA MBS sold to CHT:

In addition, please find attached a memo providing additional clarity on the use of Daily Compounded CORRA Observation Shift Convention when accrued interest on CORRA NHA MBS and CORRA CMB for a given day must be determined prior to the final publication time for CORRA for that day.

This note provides examples of calculation methodology for:

- (i) The accrued interest calculations related to a CORAA NHA MBS being sold to CHT as Original Assets and
- (ii) The accrued interest calculation related to a reopening of a CORRA CMB.

EFFECTIVE DATE OF CHANGE

These changes are effective May 1, 2022.

The next update to the NHA Mortgage-Backed Securities Guide will reflect this policy amendment.

ENQUIRIES

For further details on these policy changes please contact Geneviève Julien at gjulien@cmhc.ca.

For any related questions on the NHA MBS Program, please contact CMHC Securitization by email at securitization@cmhc.ca.



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A CLARIFICATION ON THE DAILY COMPOUNDED CORRA OBSERVATION SHIFT CONVENTION

This note provides additional clarity on the use of **Daily Compounded CORRA Observation Shift Convention** when accrued interest on CORRA NHA MBS and CORRA CMB for a given day must be determined prior to the final publication time for CORRA for that day.

The final publication time for CORRA for a given day is 11:00am ET on the following Bank of Canada Business Day. Where accrued interest for a given day must be determined in advance of the final publication time for CORRA for that day, the latest published or provided final CORRA should be used instead.

This note provides examples of calculation methodology for:

- (i) The accrued interest calculations related to a CORRA NHA MBS being sold to CHT as Original Assets;
- (ii) The accrued interest calculation related to CORRA CMB reopenings.

This will ensure all participants including CMB Sellers, CMB Swap counterparties, CHT and CMHC have the same way to calculate the accrued interest in those two occasions.

Since the Daily CORRA is finalized at 11:00 am on each Bank of Canada Business Day but the accrued interest for the above-mentioned occasions need to be determined before 11:00 am, the CORRA for the date two Bank of Canada Business Days preceding the accrued interest calculation date should be used as the last available CORRA in the calculation. This CORRA is published one Bank of Canada Business Day preceding the accrued interest calculation date.

The following two examples illustrate these two occasions.

Example 1: Sell CORRA NHA MBS into CMB as Original Assets

We use a hypothetical CORRA CMB issued in May 2021 as an example.

Accrued Interest Calculation Date/CMB Pricing Date: Wednesday, May 19, 2021

Settlement Date: Thursday, May 27, 2021

Compounded CORRA for Accrued Interest of CORRA NHA MBS

When an MBS is sold into CMB as original assets, usually the settlement date is five business days after CMB pricing date. Therefore, **Daily Compounded CORRA Observation Shift Convention** is used.

The table below shows the accrued interest period and corresponding observation period.

Interest Period Reset Date (Interest Period Start) Date de révision de la période d'intérêt (Début de la période d'intérêt)	May-01-21
Interest Payment Date (Interest Period End) Date de paiement des intérêts (Fin de la période d'intérêt)	May-27-21

Observation Day Shift Variation au jour d'observation	-2
CORRA Observation Period Start Date: Date de début de la période d'observation du taux CORRA :	April-29-21
CORRA Observation Period End Date: Date de fin de la période d'observation du taux CORRA :	May-25-21
Principal Amount: Montant en capital :	\$1,000,000,000
Compounded CORRA: Taux CORRA composé :	0.18655%

Specifically, the Observation Period is from and including April 29, 2021 to but excluding May 25, 2021.

May 25, 2021 is Tuesday and May 24, 2021 is Victoria Day, so the last business day preceding May 25, 2021 is May 21, 2021.

On May 19, 2021, the CORRA for May 19, 20 and 21 has NOT been published yet. According to the Advices for CORRA NHA MBS and for CORRA CMB, the last available CORRA should be used for those days.

UPDATE TO ADVICE NO. 13: REVISED EFFECTIVE DATE OF CORRA NHA MBS

The NHA MBS pricing activities on the CMB pricing date take place before 11 am. In this example, it happens before 11:00 am on May 19, 2021. Although the CORRA for May 18, 2021 is published at 9:00 am on May 19, 2021, it is not finalized until 11:00 am on May 19, 2021. Therefore, for NHA MBS pricing in this occasion, the CORRA for May 17, 2021 will be used for the CORRA for May 18, 19, 20 and 21 as shown in the table below. On CMB closing, swap counterparties will be required to transfer to the Trust Administrator, the accrued interest on CORRA NHA MBS using the convention outlined above.

<u>Interest Period Date</u> <u>Date de la période d'intérêt</u>	<u>Observation Period</u> <u>Date</u> <u>Date de la période</u> <u>d'observation</u>	<u>CORRA_i</u>	<u>Calculated CORRA_i</u> <u>Taux CORRA_i calculé</u>	<u>Weighting (n_i)</u> <u>Pondération (n_i)</u>	<u>Compound</u> <u>Accrual Factor</u> <u>Coefficient</u> <u>d'accroissement</u>
May-03-21	April-29-21	0.16%	0.16%	1	1.00000438
May-04-21	April-30-21	0.17%	0.17%	3	1.00001397
May-05-21	May-03-21	0.18%	0.18%	1	1.00000493
May-06-21	May-04-21	0.18%	0.18%	1	1.00000493
May-07-21	May-05-21	0.17%	0.17%	1	1.00000466
May-10-21	May-06-21	0.18%	0.18%	1	1.00000493
May-11-21	May-07-21	0.18%	0.18%	3	1.00001479
May-12-21	May-10-21	0.18%	0.18%	1	1.00000493
May-13-21	May-11-21	0.18%	0.18%	1	1.00000493
May-14-21	May-12-21	0.18%	0.18%	1	1.00000493
May-17-21	May-13-21	0.19%	0.19%	1	1.00000521
May-18-21	May-14-21	0.20%	0.20%	3	1.00001644
May-19-21	May-17-21	0.20%	0.20%	1	1.00000548
May-20-21	May-18-21	#N/A	0.20%	1	1.00000548
May-21-21	May-19-21	#N/A	0.20%	1	1.00000548
May-25-21	May-20-21	#N/A	0.20%	1	1.00000548
May-26-21	May-21-21	#N/A	0.20%	4	1.00002192
May-27-21	May-25-21				

Example 2: Accrued Interest for CMB Reopening

We use a hypothetical CORRA CMB reopened in May 2021 as an example.

Accrued Interest Calculation Date/CMB pricing date: Wednesday, May 19, 2021

Settlement Date: Thursday, May 27, 2021

Compounded CORRA for Accrued Interest of CORRA CMB

Assume there are five business days between CMB pricing date and the settlement date. The **Daily Compounded CORRA Observation Shift Convention** is used to calculate the compounded CORRA for the CMB accrued interest.

The table below shows the accrued interest period and corresponding observation period.

Interest Period Reset Date (Interest Period Start) Date de révision de la période d'intérêt (Début de la période d'intérêt)	March-15-21
Interest Payment Date (Interest Period End) Date de paiement des intérêts (Fin de la période d'intérêt)	May-27-21

Observation Day Shift Variation au jour d'observation	-2
CORRA Observation Period Start Date: Date de début de la période d'observation du taux CORRA :	March-11-21
CORRA Observation Period End Date: Date de fin de la période d'observation du taux CORRA :	May-25-21
Principal Amount: Montant en capital :	\$1,000,000,000
Compounded CORRA: Taux CORRA composé :	0.16749%

Specifically, the Observation Period is from and including March 11, 2021 to but excluding May 25, 2021.

May 25, 2021 is Tuesday and May 24, 2021 is Victoria Day, so the last business day preceding May 25, 2021 is May 21, 2021.

On May 19, 2021, the CORRA for May 19, 20 and 21 has NOT been published yet. According to the Advice, the last available CORRA should be used for those days.

UPDATE TO ADVICE NO. 13: REVISED EFFECTIVE DATE OF CORRA NHA MBS

Pricing of the re-opened CMB generally occurs prior to 11am on the pricing date. Based on the same reason mentioned in the Example 1, the CORRA for May 17, 2021 should be used for the CORRA for May 18, 19, 20 and 21 as shown in the table below.

<u>Interest Period Date</u> <u>Date de la période d'intérêt</u>	<u>Observation Period</u> <u>Date</u> <u>Date de la période</u> <u>d'observation</u>	<u>CORRA_i</u>	<u>Calculated CORRA_i</u> <u>Taux CORRA_i calculé</u>	<u>Weighting (n_i)</u> <u>Pondération (n_i)</u>	<u>Compound Accrual</u> <u>Factor</u> <u>Coefficient</u> <u>d'accroissement</u>
March-15-21	March-11-21	0.18%	0.18%	1	1.00000493
March-16-21	March-12-21	0.17%	0.17%	3	1.00001397
March-17-21	March-15-21	0.17%	0.17%	1	1.00000466
March-18-21	March-16-21	0.17%	0.17%	1	1.00000466
March-19-21	March-17-21	0.16%	0.16%	1	1.00000438
March-22-21	March-18-21	0.13%	0.13%	1	1.00000356
March-23-21	March-19-21	0.13%	0.13%	3	1.00001068
March-24-21	March-22-21	0.15%	0.15%	1	1.00000411
March-25-21	March-23-21	0.14%	0.14%	1	1.00000384
March-26-21	March-24-21	0.15%	0.15%	1	1.00000411
March-29-21	March-25-21	0.15%	0.15%	1	1.00000411
March-30-21	March-26-21	0.15%	0.15%	3	1.00001233
March-31-21	March-29-21	0.17%	0.17%	1	1.00000466
April-01-21	March-30-21	0.16%	0.16%	1	1.00000438
April-05-21	March-31-21	0.14%	0.14%	1	1.00000384
April-06-21	April-01-21	0.17%	0.17%	4	1.00001863
April-07-21	April-05-21	0.16%	0.16%	1	1.00000438
April-08-21	April-06-21	0.16%	0.16%	1	1.00000438
April-09-21	April-07-21	0.15%	0.15%	1	1.00000411
April-12-21	April-08-21	0.15%	0.15%	1	1.00000411
April-13-21	April-09-21	0.15%	0.15%	3	1.00001233
April-14-21	April-12-21	0.15%	0.15%	1	1.00000411
April-15-21	April-13-21	0.15%	0.15%	1	1.00000411
April-16-21	April-14-21	0.15%	0.15%	1	1.00000411
April-19-21	April-15-21	0.15%	0.15%	1	1.00000411
April-20-21	April-16-21	0.15%	0.15%	3	1.00001233
April-21-21	April-19-21	0.17%	0.17%	1	1.00000466
April-22-21	April-20-21	0.17%	0.17%	1	1.00000466
April-23-21	April-21-21	0.17%	0.17%	1	1.00000466
April-26-21	April-22-21	0.17%	0.17%	1	1.00000466
April-27-21	April-23-21	0.17%	0.17%	3	1.00001397
April-28-21	April-26-21	0.17%	0.17%	1	1.00000466
April-29-21	April-27-21	0.17%	0.17%	1	1.00000466
April-30-21	April-28-21	0.16%	0.16%	1	1.00000438
May-03-21	April-29-21	0.16%	0.16%	1	1.00000438
May-04-21	April-30-21	0.17%	0.17%	3	1.00001397
May-05-21	May-03-21	0.18%	0.18%	1	1.00000493
May-06-21	May-04-21	0.18%	0.18%	1	1.00000493
May-07-21	May-05-21	0.17%	0.17%	1	1.00000466
May-10-21	May-06-21	0.18%	0.18%	1	1.00000493
May-11-21	May-07-21	0.18%	0.18%	3	1.00001479
May-12-21	May-10-21	0.18%	0.18%	1	1.00000493
May-13-21	May-11-21	0.18%	0.18%	1	1.00000493
May-14-21	May-12-21	0.18%	0.18%	1	1.00000493
May-17-21	May-13-21	0.19%	0.19%	1	1.00000521
May-18-21	May-14-21	0.20%	0.20%	3	1.00001644
May-19-21	May-17-21	0.20%	0.20%	1	1.00000548
May-20-21	May-18-21	#N/A	0.20%	1	1.00000548
May-21-21	May-19-21	#N/A	0.20%	1	1.00000548
May-25-21	May-20-21	#N/A	0.20%	1	1.00000548
May-26-21	May-21-21	#N/A	0.20%	4	1.00002192
May-27-21	May-25-21				