

December 18, 2023

## CANADA MORTGAGE BONDS (CMB) – FALLBACK RATE FOR 3-MONTH CDOR AFTER CDOR CESSATION

### BACKGROUND

On May 16, 2022, Refinitiv Benchmark Services Limited (RBSL), the benchmark administrator of the Canadian Dollar Offered Rate (CDOR), announced that the calculation and publication of all tenors of CDOR will permanently cease after June 28, 2024 (CDOR Cessation Date).

Five series of CDOR CMB (Affected Series) will be affected by this announcement:

Issue	Settlement Date of Original Issue	Coupon	Maturity Date	Outstanding as of November 15, 2023 (\$ millions)	CUSIP/ ISIN
Series 91	November 26, 2019	3m CDOR -0.04%	March 15, 2025	4,250	13509PHL0
Series 94	June 25, 2020	3m CDOR -0.035%	September 15, 2025	2,000	13509PHP1
Series 96	November 25, 2020	3M CDOR -0.155%	March 15, 2026	3,000	13509PHR7
Series 99	May 27, 2021	3m CDOR -0.17%	September 15, 2026	2,250	13509PHV8
Series 103	November 24, 2021	3m CDOR -0.18%	March 15, 2027	2,000	13509PHY2

The Affected Series contain the following provisions for determining the alternative rates (i.e. fallback provisions) that will apply if CDOR is discontinued as a reference rate:

- (1) Series 91, 94, 96 and 99 contain fallback provisions providing for the alternative reference rate selected or recommended by the central bank, reserve bank, monetary authority, relevant regulatory supervisor or any similar institution (including any committee or working group thereof), or identified through any other applicable regulatory or legislative action or guidance, that is consistent with accepted market practice for debt obligations such as CMBs (the **Interim Fallback Provision**); or



- (2) Series 103 contains fallback provisions providing for Fallback Rate (CORRA) as the first alternative reference rate in a replacement rate waterfall recommended by the Bank of Canada's Canadian Alternative Risk-Free Rate (**CARR**) working group in 2021 (the **CARR Recommended Fallback**).

The Interim Fallback Provision contains a clause (Conforming Changes Clause) that provides that the Calculation Agent shall, after consultation with the Issuer, make such adjustments to the alternative reference rate and the spread thereon, as well as the business day convention, interest payment dates and related provisions and definitions, in each case that are consistent with accepted market practice or applicable regulatory or legislative action or guidance for the use of such alternative reference rate for debt obligations such as CMBs.

On November 30, 2023, CARR amended the CARR Recommended Fallback for use with CDOR NHA MBS and specified that this change would only apply to CDOR NHA MBS. CARR noted that Fallback Rate (CORRA) has been broadly adopted as an alternative reference rate in new bond issues referencing CDOR and confirmed that all other CDOR-linked securities, including CMBs, should incorporate CARR's Recommended Fallback language and methodology.

## POLICY CLARIFICATION

Following cessation of CDOR, interest on Series 103 and all Affected Series containing the Interim Fallback Provision will be determined using the same CARR Recommended Fallback language and methodology included in Series 103, a copy of which is attached as Appendix.

For the interest period from June 15, 2024 to September 14, 2024, because the three-month CDOR for June 15, 2024 will still be published by Refinitiv, the coupon calculation will not be affected by CDOR cessation.

From the interest period starting September 15, 2024, three-month CDOR will be replaced by Fallback Rate (CORRA) as the first alternative reference rate in the CARR Recommended Fallback used to calculate the coupon.



## EFFECTIVE DATE OF CHANGE

This Policy Advice will be effective **immediately**. With respect to the Affected Series, CARR Recommended Fallback for three-month CDOR will be effective **on and after September 15, 2024**.

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



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## Appendix – Obtain the Fallback Rate (CORRA) for CMB

To facilitate smooth transition to the Fallback Rate (CORRA) for the CMB after CDOR cessation, the key information related to the fallback in the Series 103 is reproduced here:

- (ii) ***Index Cessation Effective Date with respect to 3 Month CDOR.*** Upon the occurrence of an Index Cessation Event, the rate for a Reset Date occurring on or after the Index Cessation Effective Date will be determined as if references to 3 Month CDOR were references to Fallback Rate (CORRA) for the ‘Original IBOR Rate Record Day’ that corresponds to the Reset Date, as most recently provided or published as at 11:30 a.m., Toronto time on the related Fallback Observation Day. If neither Bloomberg Index Services Limited (or a successor provider as approved and/or appointed by ISDA from time to time) provides, nor authorized distributors publish, Fallback Rate (CORRA) for that ‘Original IBOR Rate Record Day’ at, or prior to, 11:30 a.m., Toronto time on the related Fallback Observation Day and a Fallback Index Cessation Effective Date with respect to Fallback Rate (CORRA) has not occurred, then the rate for that Reset Date will be Fallback Rate (CORRA) as most recently provided or published at that time for the most recent ‘Original IBOR Rate Record Day’, notwithstanding that such day does not correspond to the Reset Date.
- (vi) ***“Fallback Observation Day”*** means, in respect of a Reset Date and the relevant Interest Period to which that Reset Date relates, the day that is two business days preceding the related interest payment date.
- (vii) ***“Fallback Rate (CORRA)”*** means the term adjusted CORRA plus the spread relating to CDOR, in each case, for a relevant Interest Period provided by Bloomberg Index Services Limited (or a successor provider as approved and/or appointed by ISDA from time to time), as the provider of term adjusted CORRA and the spread, on the Fallback Rate (CORRA) Screen (or by other means) or provided to, and published by, authorized distributors;
- (viii) ***“Fallback Rate (CORRA) Screen”*** means the Bloomberg Screen corresponding to the Bloomberg ticker for the fallback for 3 Month CDOR for a relevant Interest Period accessed via the Bloomberg Screen <FBAK> <GO> Page (or, if applicable, accessed via the Bloomberg Screen <HP><GO>) or any other published source designated by Bloomberg Index Services Limited (or a successor provider as approved and/or appointed by ISDA from time to time);
- (xi) ***“Original IBOR Rate Record Day”*** means ‘Original IBOR Rate Record Date’ as that term is used on the Fallback Rate (CORRA) Screen; and
- (xii) ***“Relevant Original Fixing Date”*** means, unless otherwise agreed, the day on which 3 Month CDOR would have been observed.

The following diagram shows the procedure to determine Fallback Rate (CORRA) by using the interest period from September 15, 2024 to December 14, 2024 as an example.



