

Fallback Rate (CORRA) for CDOR CMB Example

We go through all the future interest periods for CDOR CMB until March 2027 and identify:

Among 10 remaining CDOR CMB interest periods,

- 7 times the Fallback Rate (CORRA) is published on Observation Day. Example 1 will cover this common situation.
- 3 times the Fallback Rate (CORRA) is not published on Observation Day. Example 2 will cover this less common situation.

Interest Payment Date	Fallback Observation Day	IBOR Rate Record Day	IBOR Rate Record Day	Fallback Observation Period – Start Date	Fallback Observation Period – End Date	Observation Day Shift
December-16-24	December-12-24	September-16-24	September-16-24	September-12-24	December-12-24	-2
March-17-25	March-13-25	December-16-24	December-16-24	December-12-24	March-12-25	-2
June-16-25	June-12-25	March-17-25	March-14-25	March-12-25	June-12-25	-3
September-15-25	September-11-25	June-16-25	June-13-25	June-11-25	September-11-25	-3
December-15-25	December-11-25	September-15-25	September-15-25	September-11-25	December-11-25	-2
March-16-26	March-12-26	December-15-25	December-15-25	December-11-25	March-11-26	-2
June-15-26	June-11-26	March-16-26	March-13-26	March-11-26	June-11-26	-3
September-15-26	September-11-26	June-15-26	June-15-26	June-11-26	September-11-26	-2
December-15-26	December-11-26	September-15-26	September-15-26	September-11-26	December-11-26	-2
March-15-27	March-11-27	December-15-26	December-15-26	December-11-26	March-11-27	-2

To request an alternate format, please contact us at:

1-800-668-2642
contactcentre@cmhc.ca

700 Montreal Road,
Ottawa, ON K1A 0P7

CMHC.ca

Canada



Illustrative Example 1:

Given that CDOR CMB coupon payment dates occur quarterly (March, June, September, and December), we use the latest payment date of March 15, 2024, to illustrate the procedure of obtaining Fallback Rate (CORRA) from Bloomberg. This approach ensures continuity even if CDOR were to cease publication before this coupon calculation.

For the interest payment day of March 15, 2024, the interest rate period is between December 15, 2023, and March 14, 2024. The fallback rate for 3-Month CDOR (i.e. Fallback Rate (CORRA)) as of December 15, 2023, should be used to calculate the coupon rate.

I. Determine the Fallback Observation Day

(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**.

- Based on (vi) section in the fallback language, since March 15, 2024, is the interest payment date, March 13, 2024, is the Fallback Observation Day.

II. Determine the Original IBOR Rate Record Day

- Since 3-Month CDOR as of December 15, 2023, is used to calculate the coupon rate, December 15, 2023, is the Original IBOR Rate Record Day.

III. Determine the Fallback Rate (CORRA) by using FBAK <GO> screen on Bloomberg

(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);

- (viii) section in the fallback language provides details.

- On FBAK screen, choose CAD CDOR, which is number 3 under Official ISDA Fallback Rates section.



Source: Bloomberg Finance L.P.

- ii. On next screen, choose the Fallback Rate for Tenor of 3M, Calculation Date of 03/13/2024 and Original IBOR Rate Record Day of 12/15/23.

Tenor	Calculation Date	Original IBOR Rate Record Day	Fallback Rate
1) 1M	03/22/24	02/26/24	5.31517
2) 2M	03/22/24	01/24/24	5.35058
3) 3M	03/22/24	12/28/23	5.38642
4) 6M	03/22/24	09/26/23	5.58825
5) 1Y	03/22/24	03/24/23	5.55515

Source: Bloomberg Finance L.P.

As highlighted in the red box, we first verify this is the screen for CDOR fallback rates and then we choose the 3M tenor.

On the observation day, we expect the date in Calculation Date column (column 2) to correspond with the Observation Day (for example, March 13, 2024, in our case). Additionally, the date in the Original IBOR Rate Record Day column (column 3) should match December 15, 2023.

However, due to the screenshot being taken on March 22, 2024, the Fallback Rate (CORRA) for December 15, 2023, cannot be determined. Therefore, we will use the <HP><GO> Screen.

- iii. On <HP><GO> Screen, please ensure it shows VCDOR03M (Green Box).

Choose the Fallback Rate for Calc Date of 03/13/2024 and Original IBOR Rate Record Day of 12/15/23 (Red Box).

Date	Calc Date	Last Price	Date	Calc Date	Last Price
Fr 12/29/23			Fr 12/08/23	03/06/24	5.3
Th 12/28/23	03/22/24	5.38642	Th 12/07/23	03/05/24	5.3
We 12/27/23	03/21/24	5.38664	We 12/06/23	03/04/24	5.3
Tu 12/26/23	03/21/24	5.38664	Tu 12/05/23	03/01/24	5.3
Mo 12/25/23	03/21/24	5.38664	Mo 12/04/23	02/29/24	5.3
Fr 12/22/23	03/20/24	5.38697	Fr 12/01/23	02/29/24	5.3
Th 12/21/23	03/19/24	5.38719	Th 11/30/23	02/28/24	5.3
We 12/20/23	03/18/24	5.38753	We 11/29/23	02/27/24	5.3
Tu 12/19/23	03/15/24	5.38853	Tu 11/28/23	02/26/24	5.3
Mo 12/18/23	03/14/24	5.38886	Mo 11/27/23	02/23/24	5.3
Fr 12/15/23	03/13/24	5.38909	Fr 11/24/23	02/22/24	5.3
Th 12/14/23	03/12/24	5.38942	Th 11/23/23	02/21/24	5.3
We 12/13/23	03/11/24	5.38964	We 11/22/23	02/20/24	5.3
Tu 12/12/23	03/08/24	5.39031	Tu 11/21/23	02/20/24	5.3
Mo 12/11/23	03/07/24	5.39053	Mo 11/20/23	02/16/24	5.3

Source: Bloomberg Finance L.P.

- 5.38909 in Last Price column should be used as Fallback Rate (CORRA) for December 15, 2023, to calculate the coupon rate.

Illustrative Example 2:

Example 2 shows the rare situation where the Fallback Rate (CORRA) for the Original IBOR Rate Record Day is NOT available on Fallback Observation Day.

A hypothetical CMB with:

- Payment Date of January 15, 2024
- Observation Date of January 11, 2024
- IBOR Rate Record Day of October 15, 2023

FBAK Page on Bloomberg shows:

- Fallback Rate for 3M CDOR as of Oct 15, 2023, isn't published on the Observation Day.
- The first prior published Fallback Rate for 3M CDOR is 5.38860 as of Oct 13, 2023.

Tenor	Calculation Date	Original IBOR Rate Record Day	Fallback Rate
1M	01/11/24	12/13/23	5.34705
2M	01/10/24	11/15/23	5.35759
3M	01/11/24	10/13/23	5.38860
6M	01/11/24	07/13/23	5.57488
1Y	01/11/24	01/13/23	5.43734

Source: Bloomberg Finance L.P.

- In this case, 5.38860, which is the Fallback Rate for 3M CDOR as of October 13, 2023, should be used as Fallback Rate (CORRA) based on the following clause.

(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.

- These situations happen far less often for CDOR CMB compared to CDOR NHA MBS since NHA MBS is a monthly payment instrument and the interest period starts on the 1st calendar day of each month. Therefore, CDOR CMB and CDOR NHA MBS use **different** fallback rate methodologies.