

# Tabletop Planning Session #1 – Industry Feedback Summary

Insights from other Testing Exercises	Operational Concerns around New Market	Potential Scenarios to be Covered	Exchange Scenarios – Illustrative Discussion
<ul style="list-style-type: none"> <li>• MiFID II: Required constant planning, still missed some areas to focus on *Key: get <u>all</u> perspectives</li> <li>• MBS Novation: getting participants in early, gather folks, work thru scenarios, communication from Day 1 Lots of internal testing, 6-7 months, gradual approach               <ul style="list-style-type: none"> <li>• Internal testing caught a lot of issues</li> </ul> </li> <li>• T+2 Conversion: lots of testing, hiring contractors               <ul style="list-style-type: none"> <li>• Require Regulatory clarity</li> <li>• Build out Playbook – details, checklists. The T+2 Playbook was very helpful</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• How are we making these transfers internal DVP? Thru Fed? (exchanges)</li> <li>• Concern @ funding &amp; timing to get the delivery back out (exchanges)</li> <li>• Concept of UMBS as an issuer “open trade” → esp. over month end/ quarter end (TBA Trades)</li> <li>• Waiting to see what treasury does &amp; perhaps follow suit</li> <li>• Netting</li> <li>• Positions, exchange, trades</li> <li>• Migration to UMBS in dollar rolls</li> <li>• Pricing: can we anticipate length of time of Gold PC TBA market persisting</li> </ul>	<ul style="list-style-type: none"> <li>• Multi-issuer CMOs Supers</li> <li>• UMBS: Security master file changes, investment guideline updates</li> <li>• CMOs: top level issuer vs. look thru, data needs to flow to systems</li> <li>• Would like to see Buy &amp; Sell side working group to hammer out guidelines/standards</li> <li>• TBA trade/ Dollar Roll Swap</li> <li>• Exchange end to end</li> </ul>	<ul style="list-style-type: none"> <li>• Dealer facilitated path</li> <li>• Specific SLA?</li> <li>• Dealers will be certified to execute exchanges (their option)</li> <li>• Hopeful for electronic messaging among dealer/investor/custodian/FRE</li> <li>• One day-DVP-buy/settle on same day that delivers</li> <li>• 50k/day FRE limit</li> <li>• How to remedy float compensation</li> <li>• Under settle meant FRE has collateral but exchange fails → FRE issuing Trust receipts? (yes)</li> <li>• Agreement on price, potentially buying cheaper RVP vs. DVP (market convention)</li> <li>• Proper treatment by internal accounting, notifying custodian</li> <li>• As a custodian, can we view how many exchanges are scheduled via the <u>calendar*</u></li> <li>• There will be blackout dates</li> </ul>

# Tabletop Planning Session #1 – Scenarios Identified

Work stream 1: TBA Trade	Work stream 2: Dollar Roll Swap	Work stream 3: Exchange (Dealer Facilitated Path)	Work stream 4: CMOs & Supers
<p><b>Scenarios</b></p> <ol style="list-style-type: none"> <li>1. Buy TBA               <ol style="list-style-type: none"> <li>a) Before implementation</li> <li>b) During implementation</li> <li>c) After implementation</li> </ol> </li> <li>2. Pair-off, take delivery or pool netting               <ol style="list-style-type: none"> <li>a) Before implementation</li> <li>b) During implementation</li> <li>c) After implementation</li> </ol> </li> </ol>	<p><b>Scenarios</b></p> <ol style="list-style-type: none"> <li>1. Dollar roll &amp; swap               <ol style="list-style-type: none"> <li>a) Before implementation</li> <li>b) During implementation</li> <li>c) After implementation</li> </ol> </li> </ol>	<p><b>Scenarios</b></p> <ol style="list-style-type: none"> <li>1. Dealer-facilitated               <ol style="list-style-type: none"> <li>a) Successful reservation</li> <li>b) Unsuccessful reservation</li> <li>c) Settlement</li> <li>d) Failed settlement</li> </ol> </li> <li>2. Direct-to-Freddie               <ol style="list-style-type: none"> <li>a) Successful reservation</li> <li>b) Unsuccessful reservation</li> <li>c) Settlement</li> <li>d) Failed settlement</li> </ol> </li> </ol>	<p><b>Scenarios</b></p> <ol style="list-style-type: none"> <li>1. Commingled Supers               <ol style="list-style-type: none"> <li>a) Lookthroughs (if needed)</li> </ol> </li> </ol> <p style="text-align: center;"><i>Scenario to be developed later</i></p>
<p><b>Considerations</b></p> <ul style="list-style-type: none"> <li>• UMBS as an Issuer</li> <li>• Security Master File, Investor Guidelines</li> <li>• Buy &amp; Sell Side Guidelines</li> <li>• 817(h) Implications</li> <li>• Pool Netting</li> <li>• Accounting treatment</li> </ul>	<p><b>Considerations</b></p> <ul style="list-style-type: none"> <li>• Guidelines</li> <li>• Accounting treatment (financing)</li> <li>• Will dealers support this?</li> </ul>	<p><b>Considerations</b></p> <ul style="list-style-type: none"> <li>• Float compensation calculation/reconciliation</li> <li>• 50K transaction capacity</li> <li>• Pricing – RVP vs DVP</li> <li>• Communicating an exchange</li> <li>• Operations and accounting for 10-day payment return</li> <li>• Exchange identifiers</li> <li>• Timing (daylight overdraft)</li> <li>• Accounting/tax treatment</li> <li>• Dealer certification</li> <li>• FRE as a counterparty</li> </ul>	<p><b>Considerations</b></p> <ul style="list-style-type: none"> <li>• Clients that want to recognize Fannie/Freddie as separate issuers</li> <li>• 817(h) and concentration limits</li> </ul>