

Single Security Table Top Planning - TBA Trade Scenario

Meeting Discussion:

Topic	Feedback
Operational - What are the operational concerns with booking and settling a UMBS TBA Trade? What changes from how trades are booked and settle today?	
UMBS TBA Trade Post Transition	General Consensus - Because we are keeping with the 01F clearing cusip, interaction between systems should not change. Booking and settling a UMBS TBA Trade should work the same as a Fannie MBS trade today. Certain vendor displays that users will see may change.
Trades Over Transition - What are the concerns with trades over transition?	
General Discussion	<ul style="list-style-type: none"> General Consensus – Fannie MBS trades over transition should be straightforward. We should make it clear in the Trades over Transition Chart that UMBS = existing Fannie Mae MBS, Newly issued Fannie or Freddie UMBS and exchanged Freddie Gold PCs <p>Confirmed that Chart is correct for the FNCL Sale – MBS and UMBS</p>
Freddie Mac / Fannie Mae concerns	<ul style="list-style-type: none"> Confirmed FR Sale PCs – April Trade, May Settle and May Trade, June Settle – Pair off or deliver 45day PCs Roll – Selling May 2019 02R and Buying June 2019 UMBS 01F – People will likely want to roll into UMBS. As long as vendors can support, it should be possible and not create operational issues. However the decision to roll into UMBS has to be worked out with the trade counterparty. SIFMA mentioned putting out a document addressing some of these topics. <p>Fannie Mae – Would this audience recommend the Enterprises provide best practices (based on industry feedback) on how to treat 02R trades over transition? Attendees recommended the Enterprises leave this up to firms how they should work through individual trades, however SIFMA mentioned created a document to help address concerns.</p>
Failure Scenarios - What are some of the unique failure scenarios that should be considered?	
TBA Fails	<ul style="list-style-type: none"> Will need to determine for TBA fails, will it need to be replaced by UMBS issued by the same issuer as the failed trade. SIFMA TMPG needs to provide guidance
	<ul style="list-style-type: none"> From a DTCC perspective, you cannot deliver 01F UMBS securities for a failed 02R trade. You have to pair off the original trade and open a new UMBS trade.
	<ul style="list-style-type: none"> SIFMA TMPG needs to provide guidance on all of the fail questions

Trades over Transition Period to UMBS

** UMBS to deliver existing Fannie Mae trades or exchanged Freddie Mac PC Golds.

Trade Type	Transaction Date	To Close Position	To Roll Position	What's changing?	Considerations
FNCL Sale - Fannie Mae MBS ("01F")	Before Implementation (March 2019 trade, April 2019 settle)	Pair off position or deliver Fannie Mae MBS	May 2019 TBA	No change (Regular Roll)	
	Before Implementation (April 2019 trade, May 2019 Settle)	Pair off position or deliver Fannie Mae MBS	Roll position by selling May 2019 Fannie Mae TBA and buying June 2019 UMBS TBA*	Still Buy & Sell "01F" TBA for both sides of roll; however, deliverables change for June TBA	If required FNM issuer, back end UMBS TBA needs to be stipped
FNCL Sale - UMBS* ("01F")	During Implementation (May 2019 trade, June 2019 settle)	Pair off position or deliver UMBS**	Roll position with UMBS TBA* (Sell June 2019 UMBS TBA – buy July 2019 UMBS TBA)	No Change (Regular Roll)	
	After Implementation (June 2019 trade, July 2019 settle)	Pair off position or deliver UMBS*	Roll position with UMBS TBA* (Sell July 2019 TBA – Buy Aug 2019 TBA)	No Change (Regular Roll)	If required FNM issuer, back end UMBS TBA needs to be stipped
FGLMC Sale – Freddie Mac PCs ("02R")	Before Implementation (March 2019 Trade, April 2019 settle)	Pair off position or deliver 45-day Freddie Mac PCs	Roll position with Freddie Mac TBA (02R)	No Change (Regular Roll)	
	Before Implementation (April 2019 Trade, May 2019 settle)	Pair off position or deliver 45-day Freddie Mac PCs	Roll position by selling May 2019 02R Freddie TBA and buying June 2019 UMBS TBA 01F	Still Buy "02R" & Sell "01F" UMBS TBA for deliverables change for June TBA Regular Roll - No Change	If required FRE issuer, back end UMBS TBA needs to be stipped
	During Implementation (May 2019 trade, June 2019 settle) **	Pair off position or deliver 45-day Freddie Mac PCs	Sell June 2019 01 F TBA – buy July 01F 2019 TBA	Regular Rolls – No change	If required FRE issuer, back end TBA needs to be stipped Know what product you want to trade ("02R" or "01F")