

Single Security 2019: *Will You Be Ready?*

The Single Security Initiative Conference

Hosted by: Fannie Mae and Freddie Mac

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Fannie Mae

FreddieMac

Industry Testing and External Milestones

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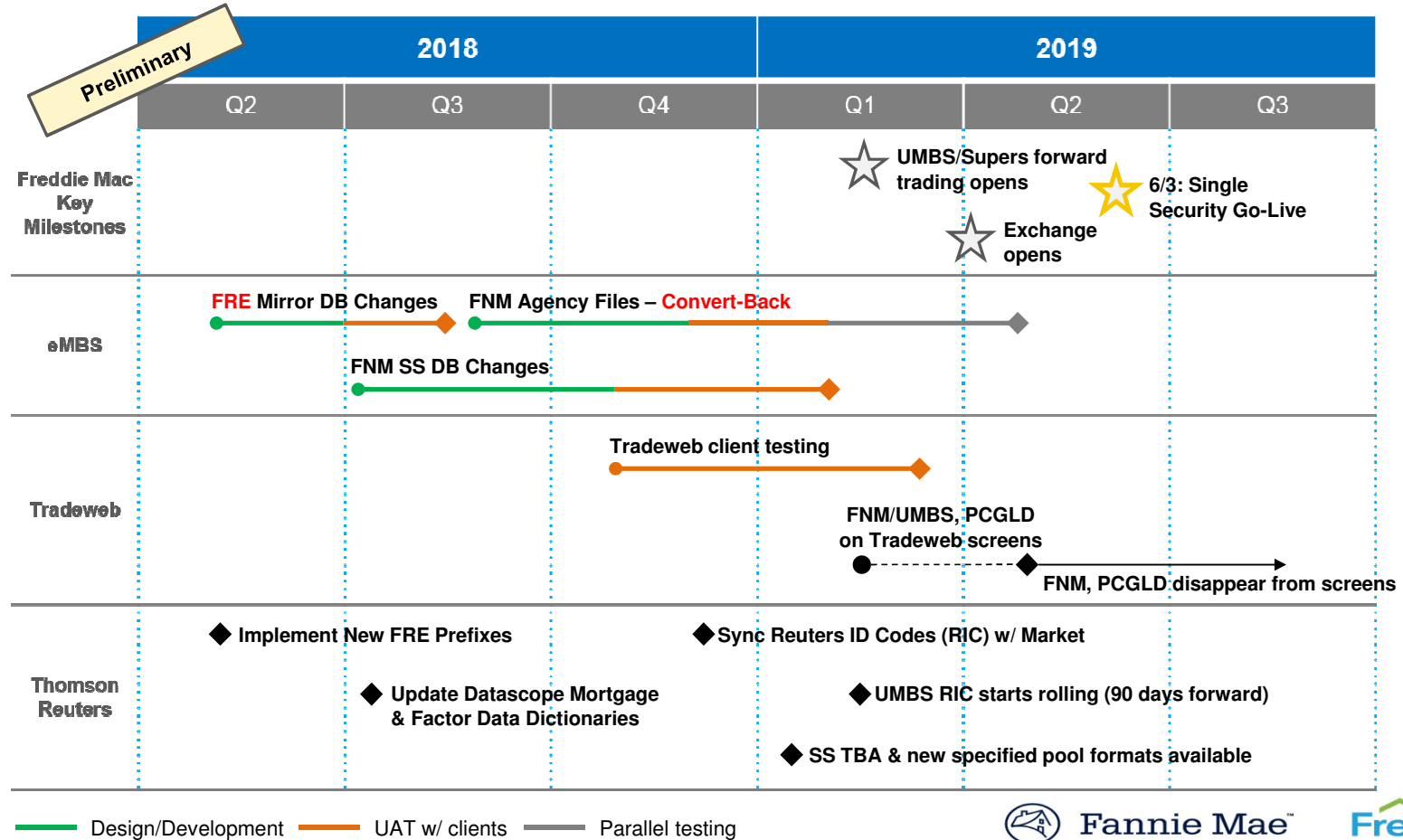
Market Readiness - Industry Testing Timelines

Industry testing is a critical component of Market Readiness for the Single Security Implementation in 2019. There will be several opportunities to test – **please take advantage of ALL that are applicable to your organization!**

- **Exchange process testing** via Dealer Direct – Q3 2018
 - Dealer opportunity for training and testing the entry of exchange transactions in Dealer Direct’s Customer Testing Environment (CTE)
- **Disclosure testing** for new formats and distribution mechanism – Q3 2018
 - Key data vendors* test with aligned Single Security formats (already in use by Freddie Mac)...
 - ...and new distribution methods via the Common Securitization Platform
- **Vendor testing** with customers
 - We will publish what we know as we know it, but check with your vendors for their schedules
- **Single Security Tabletop Exercise** – early Q4 2018
 - Opportunity to walk through key scenarios in a Business Continuity Planning (BCP)-type tabletop “live exercise”

* Only a small subset of vendors will test directly with CSS

Vendor Testing Timeline – to be expanded as information is confirmed



Single Security Tabletop Exercise Overview

- The industry has indicated an interest in an interactive walk-through to ensure market readiness as we approach Single Security critical milestone dates.
- As a result, Freddie Mac and Fannie Mae would like to conduct an active, live exercise with industry participants to simulate end-to-end execution of key securities-related activities such as a TBA Trade or Freddie Mac's PC Exchange.
- The outputs of the exercise will be shared with the market in 4Q 2018 to help ensure industry-wide understanding of impacts and readiness for the implementation of the UMBS.
- We would like market participant volunteers to join us in developing the Single Security tabletop live exercise.

Single Security Tabletop Exercise Details

Why

Inform the market of what is changing
Help participants better understand their upstream and downstream impacts
Identify potential issues or fail points which can be shared with the broader industry

Who

Investors, Broker/Dealers, Custodians, Seller/Service providers, Third Party Providers

How

Starting in July, convene a small monthly working group to discuss process, assess impacts, and contribute to the development of the exercise
Freddie Mac and Fannie Mae will facilitate
Leverage stakeholders to describe their processes, visual examples, sample inputs and outputs

When/Where

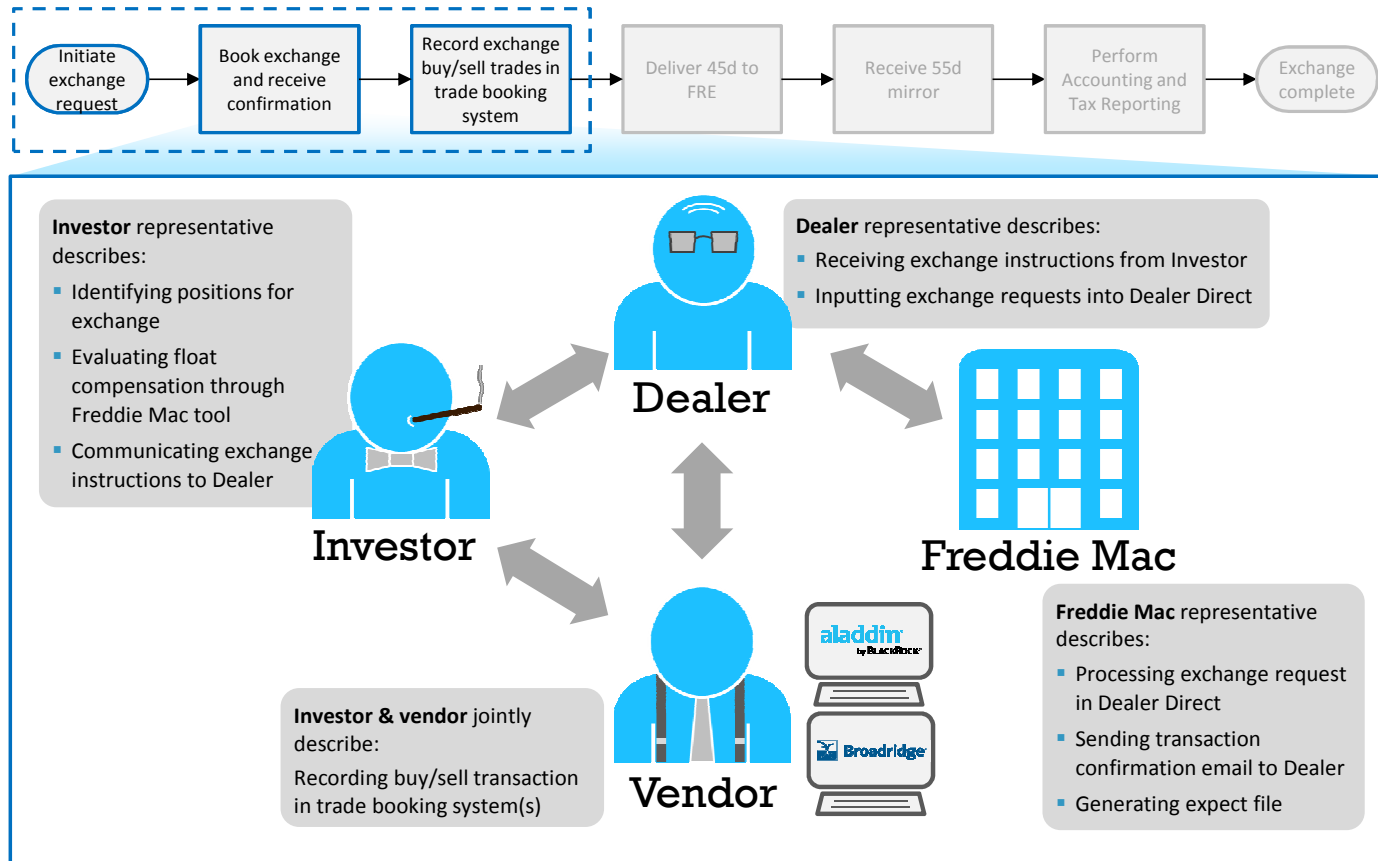
Working Group Sessions: *Monthly via phone/webinar*
Live Exercise: *Early 4Q 2018 in New York, Location TBD*

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Single Security Tabletop Exercise Scenarios	Activities may include:
UMBS <u>Forward Sale/Pool Formation</u>	<ul style="list-style-type: none"> ▪ Hedging and Pipeline Management ▪ Forward Pricing ▪ Forward Sale / Trade ▪ Loan Delivery / Pool Formation ▪ Forward Trade Settlement
End to end <u>TBA Trade</u> from Price Discovery to Pool Settlement of a 55-day UMBS	<ul style="list-style-type: none"> ▪ Price Discovery ▪ TBA Trade Comparison ▪ TBA Netting ▪ Pool Allocation ▪ Pool Comparison and Pool Netting ▪ Payment/Settlement ▪ Fail Trade
End-to-end <u>Exchange</u> process of a Freddie Mac 45-day Gold PC for a new 55-day UMBS (TBA) or Freddie Mac MBS (non-TBA)	<ul style="list-style-type: none"> ▪ Using the float compensation tool on Freddiemac.com ▪ Booking an Exchange transaction ▪ Settling an Exchange transaction ▪ Fails, partial settlement and rebooking
<u>Dollar Roll/Swap</u> : exchange of a Freddie Mac 45-day Gold PC for a 55-day UMBS / FRE MBS via a “swap” embedded within a Dollar Roll	<ul style="list-style-type: none"> ▪ Investor offers 45-day Gold PCs in the front month, and receives 55-day UMBS / FRE MBS in return in the back month
Formation/Issuance of a <u>Commingled Re-securitization</u> (Supers and REMICs)	<ul style="list-style-type: none"> ▪ Eligibility and pooling rules for commingling ▪ Formation of commingled Supers ▪ Formation of commingled REMIC bonds



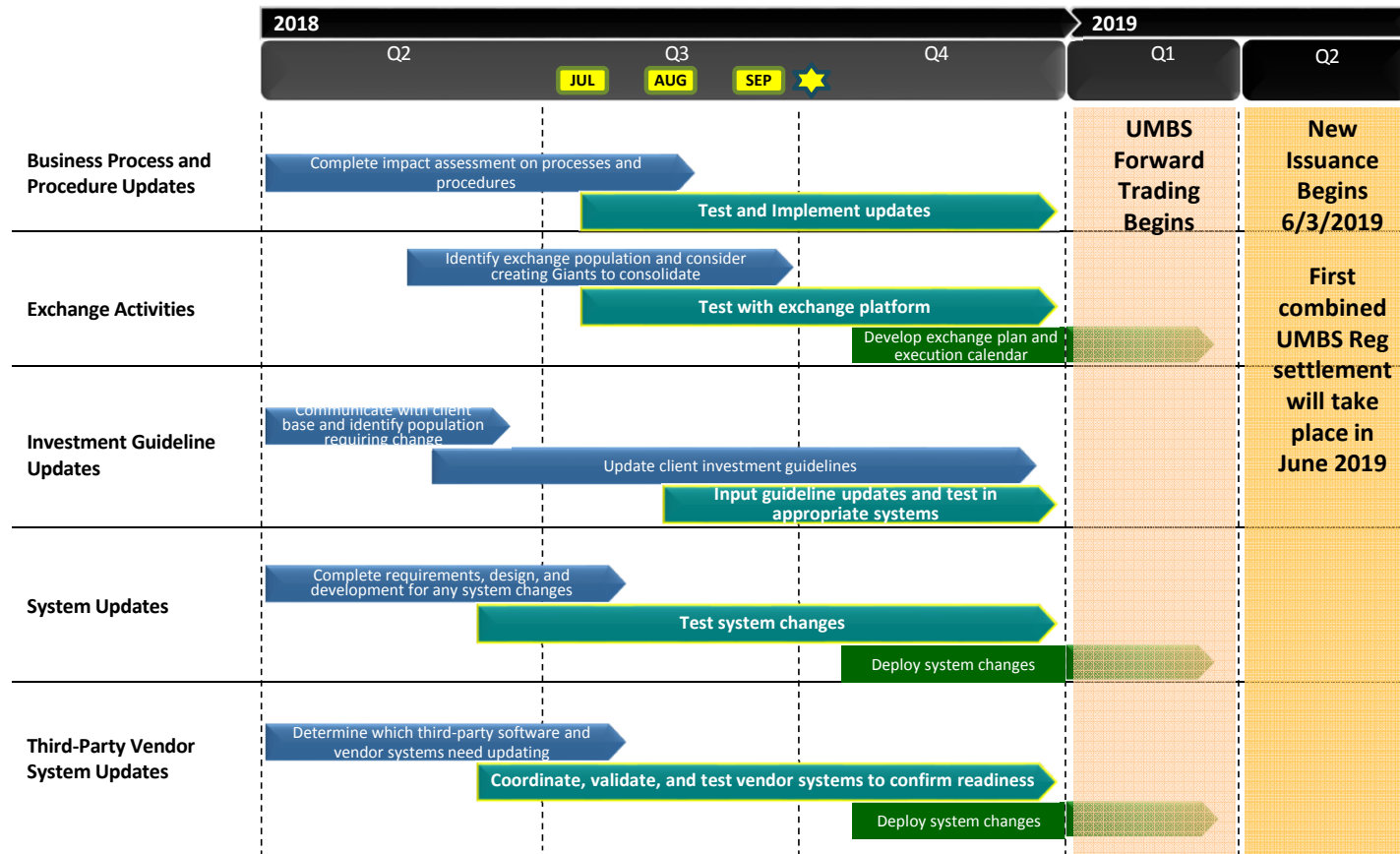
Tabletop Exercise Exchange Example



Testing Schedule

 Live Table Top Exercise

 Monthly Working Group to prepare for exercise



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