

Bold and underlined text indicates proposed added language

~~Bold and strikethrough text~~ indicates proposed deleted language

FIXED INCOME CLEARING CORPORATION

MORTGAGE-BACKED SECURITIES DIVISION

CLEARING RULES

RULE 1 – DEFINITIONS

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Claimable Unit

The term “Claimable Unit” means (a) for CPR Claims relating to pool allocations or substitutions for Pool Deliver Obligations that have been allocated after the Factor Release Date following the Contractual Settlement Date, the group of pools allocated between one Factor Release Date and the next Factor Release Date for a given TBA transaction and (b) for CPR Claims relating to pool substitutions for Pool Deliver Obligations that are a result of Pool Netting, the sum of a Clearing Member’s netting output generated from any given Pool Netting cycle that has the same trade terms, including TBA CUSIP Number, Contractual Settlement Date, price and buy/sell indicator.

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CPR Claim

The term “CPR Claim” shall have the meaning set forth in Section 10 of Rule 9.

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Factor Release Date

The term “Factor Release Date” means, with respect to a pool, the date on which Fannie Mae, Freddie Mac or Ginnie Mae, as applicable, releases the factor that represents the percentage of the agency’s original balance that remains outstanding as of such date.

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Fannie Mae

The term “Fannie Mae” means the Federal National Mortgage Association.

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FHLMC

~~The term “FHLMC” means the Federal Home Loan Mortgage Corporation.~~

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FNMA

~~The term “FNMA” means Fannie Mae.~~

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Freddie Mac

The term “Freddie Mac” means the Federal Home Loan Mortgage Corporation.

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Ginnie Mae

The term Ginnie Mae means the Government National Mortgage Association.

GNMA

~~The term “GNMA” means the Government National Mortgage Association (“Ginnie Mae”), a corporate instrumentality of the U.S. Department of Housing and Urban Development.~~

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Government Sponsored Enterprise

The term “Government Sponsored Enterprise” shall mean ~~FNMA~~**Fannie Mae**, ~~GNMA~~**Ginnie Mae**, Federal Home Loan Banks, or ~~the FHLMC~~**Freddie Mac**.

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SIFMA Guidelines

The term "SIFMA Guidelines" means the guidelines for good delivery of Mortgage-Backed Securities as promulgated from time to time by The Securities Industry and Financial Markets Association, available at <https://www.sifma.org/resources/general/tba-market-governance/> under “Uniform Practices Manual.”

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RULE 9 – POOL SETTLEMENT WITH THE CORPORATION

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Section 10 – CPR Claims

If a Clearing Member with a Pool Deliver Obligation allocates or substitutes the Pool Deliver Obligation after the Factor Release Date with pools that pay down at a faster rate from the average pay-down rate for pools of the same type and coupon as the pools in the Pool Deliver Obligation, the Clearing Member with a Pool Receive Obligation with respect to such pools may submit a conditional prepayment rate claim (“CPR Claim”) to the Corporation in accordance with the communication links, formats, timeframes and deadlines established by the Corporation from time to time.

CPR Claims submitted to the Corporation will be reviewed by the Corporation to determine eligibility for compensation in accordance with SIFMA Guidelines and these Rules. Each CPR Claim will be evaluated by the Corporation to validate that (i) the Claimable Unit with respect to the CPR Claim meets the criteria for fast paying pools as set forth in SIFMA Guidelines, (ii) the CPR Claim amount is \$10,000 or greater, unless the CPR Claim is a re-transmittal of a CPR Claim, in which case, (a) if the CPR Claim relates to an allocation of pools effected after the Factor Release Date following the Contractual Settlement Date and/or substitution of related pools, the amount is \$500 or greater or (b) if the CPR Claim relates to a substitution of pools allocated prior to the Factor Release Date following the Contractual Settlement Date, the amount is \$5,000 or greater and (iii) 90% of the Clearing Member’s Claimable Unit has settled. If the Corporation determines eligibility for compensation with respect to the CPR Claim in accordance with SIFMA Guidelines and these Rules, the Corporation will verify compensation quantity in accordance with SIFMA Guidelines calculation methodology and process associated credits and debits to the Clearing Members as set forth in these Rules. If a CPR Claim is determined to be invalid, the Corporation will notify the Clearing Member initiating the CPR Claim that the CPR Claim has been rejected.

The Corporation maintains the right to re-transmit CPR Claims and collect from delivering counterparties with no minimum denomination requirement. CPR Claims may be apportioned to more than one participant. CPR Claims may be comprised of both debits and credits. Cash adjustments relating to CPR Claims will be processed as a cash obligation pursuant to Section 7 of Rule 11. The Corporation will process all CPR Claims on the Class “B” settlement date in the month following the month the Corporation has re-transmitted the CPR Claim to the counterparties.

The Corporation shall not guaranty CPR Claims payments in the event of a default (i.e., if a Clearing Member does not pay a CPR Claim debit, any Clearing Member due to receive the corresponding CPR Claim credit will have the amount of the credit reduced pro-rata by the defaulting Clearing Member’s unpaid amount).

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RULE 11 – CASH SETTLEMENT

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Section 7 - Computation of Cash Balance for Each Account

Each Business Day, the Corporation shall compute a Cash Balance for each applicable Account, which for Clearing Members shall be a net positive or negative amount equal to:

- (a) the positive or negative amount of any TBA Transaction Adjustment Payment computed for such Account pursuant to Section 1 of this Rule; plus or minus
- (b) the positive or negative amount of any Net Pool Transaction Adjustment Payment; plus or minus
- (c) the positive or negative amount of any Expanded Pool Net Transaction Adjustment Payment; plus or minus
- (d) the positive or negative amount of any Do Not Allocate Transaction Adjustment Payment; plus or minus
- (e) the positive or negative amount of any TBA Reprice Transaction Adjustment Payment; plus or minus
- (f) the positive or negative amount of any Variance Transaction Adjustment Payment; plus or minus
- (g) the positive or negative amount of any Factor Update Adjustment Payment; plus or minus
- (h) the positive or negative amount of any Principal and Interest payments required as a result of the clearance of Deliver and Receive Obligations which are not eligible for processing through FedWire (Fail Tracking/Interim Accounting) Securities Service Automated Claims Adjustment Process (ACAP); plus
- (i) in the case of a Broker, any commissions that the Corporation, at such intervals as are prescribed by the Corporation from time to time, determines are due the Broker as a result of Transactions effected by the Broker on behalf of purchasing and selling Dealers; or minus
- (j) in the case of a Dealer effecting Transactions through a Broker, any commissions that the Corporation, at such intervals as are prescribed by the Corporation from time to time, determines are due the Broker with respect to such Transactions; minus
- (k) if applicable, the amount of any charges for services rendered with respect to such Account pursuant to Rule 18; minus
- (l) the amount of any fines, billing fees, charges for financing costs or interest imposed by the Corporation or other charges for services rendered by the Corporation, with respect to such Account pursuant to these Rules; or plus

- (m) if applicable, the amount of interest payable by the Corporation with respect to such Account pursuant to Section 1 and Section 6 of this Rule; plus or minus
- (n) the positive or negative value of any Clearance Difference Amount; **plus or minus**
- (o) if applicable, the positive or negative amount of any credits or debits processed by the Corporation pursuant to any valid CPR Claim.**

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