

7. Pool Notification Process

Chapter 7

Pool Notification Process

A. 48-Hour Rule

For TBA transactions, the seller must notify the buyer with the requisite pool information, as specified in Section B below, at least 48 hours before delivery (the “48-Hour Rule”). Effective with settlements on and after November 1, 1996, the cutoff time that must be observed for purposes of transmitting pool information in compliance with the 48-Hour Rule depends upon the classification of the counterparties to the transaction, and the mode of communication used for transmitting pool information, as described below:

		Buyer		
		EPN User ¹ (Dealer or Customer)	Non-EPN Dealer	Non-EPN Customer
Seller	EPN User ¹ (Dealer or Customer)	3:00pm	3:30pm	3:00pm
	Non-EPN Dealer	2:30pm	3:30pm	3:00pm
	Non-EPN Customer	3:00pm	3:00pm	3:00pm

For Electronic Pool Notification (EPN) Users (Dealer or Customer) the following cutoff times apply²:

- 3:00:00 p.m. to send/receive pool information via EPN to/from EPN Users (Dealer or Customer).
- 3:00:00 p.m. to send/receive pool information via verbal or fax to/from non-EPN Customers.
- 3:30:00 p.m. to send pool information via verbal or fax to non-EPN Dealers.
- 2:30:00 p.m. to receive pool information via verbal or fax from non-EPN Dealers.
- 2:30:00 p.m. to send pool information via verbal or fax to EPN Users (Dealer or Customer).

¹ For purposes of this guideline, an EPN User is any party or counterparty that maintains EPN facilities in accordance with the requirements of the Electronic Pool Notification system administered by the Mortgage-Backed Securities Division of the Fixed Income Clearing Corporation (MBSD-FICC). Securities Industry and Financial Markets Association reserves the right to refer to any publicly available information provided by MBSD-FICC regarding the status of parties that maintain EPN facilities.

² All times are Eastern Time (E.T.).

For non-EPN Dealers the following cutoff times apply:

- 2:30:00 p.m. to send pool information via verbal or fax to EPN Users (Dealer or Customer).
- 3:00:00 p.m. to send/receive pool information via verbal or fax to/from non-EPN Customers.
- 3:30:00 p.m. to send/receive pool information via verbal or fax to/from non-EPN Dealers.
- 3:30:00 p.m. to receive pool information via verbal or fax from EPN Users (Dealer or Customer).

For non-EPN Customers the following cutoff times apply:

- 3:00:00 p.m. to send/receive pool information via verbal or fax to/from EPN Users (Dealer or Customer).
- 3:00:00 p.m. to send/receive pool information via verbal or fax to/from non-EPN Dealers.
- 3:00:00 p.m. to send/receive pool information via verbal or fax to/from non-EPN Customers.

B. Pool Notification for the Settlement of TBA Trades

1. As a general matter, in accordance with the 48-Hour Rule stated above, the seller must first communicate to the buyer the following information:
 - the identification of the firm sending the information;
 - the number of trades and “good-delivery millions”;
 - the coupon rate and product;
 - the trade date and settlement date; and
 - the price.

After the above information has been provided, the following information is required to be provided by the seller to the buyer:

- the pool or group number;
 - the original face for each pool or group number within the transaction; and
 - identification of pools issued in the current month as “new,” or the issue date and maturity date of such pools.
2. If the information required is not communicated within the time frames specified in the 48-Hour Rule, the seller cannot make delivery earlier than two business days after the date on

which such information is transmitted in accordance with these time frames, unless otherwise agreed to by the buyer.

3. If the mode of pool notification is via Electronic Pool Notification (EPN), the procedures detailed in the MBSD-FICC User Guide should be followed.
4. If the mode of pool notification is verbal, the following procedures apply:

Prior to the applicable cutoff time as specified in the 48-Hour Rule in Section A above, either party may announce additional trades for which it has pool information. Note that the party initiating the transmission of pool information has the “right of way” in determining the order in which the reciprocal pool information will be passed. The party initiating the transmission of pool information may also request that information from the recipient be transmitted on another open line. If the recipient does not agree to transmit the information on another open line, the party initiating the call may request that the recipient’s information be transmitted first. This procedure shall apply whether new TBAs or additional information on previously announced TBAs are transmitted.
5. If the mode of pool notification is via fax, the following procedures apply:

Prior to faxing, parties to a trade must both agree upon the total number of million-dollar lots to be faxed, and the buyer must agree that transmission of pool information by fax is permissible. Once the buyer has agreed to a fax transmission, faxing should be done immediately. A fax transmission should be followed immediately by a phone call to notify the buyer of the transmission of pool information. It is the responsibility of the seller to contact the buyer in a timely manner to confirm the legibility and completeness of the fax.
6. If the mode of pool notification is via email, the following procedures apply:

Prior to sending an email, parties to a trade must both agree upon the total number of million-dollar lots to be emailed, and the buyer must agree that transmission of pool information by email is permissible. Once the buyer has agreed to an email transmission, the email should be sent immediately. It is the responsibility of the seller to contact the buyer in a timely manner to confirm the receipt and completeness of the email message. The timestamp placed on a message by the buyer’s email system shall be considered the time of receipt, not the time at which it was initially sent by the seller.

C. Cancellations and Corrections on TBA Trades

If pool information is transmitted before the applicable cutoff as specified in the 48-Hour Rule, cancellations and/or corrections of pool information must be made by the times indicated in the table below in order for the securities to be good for delivery in two business days (but no earlier than the scheduled settlement date). If cancellations and/or corrections are made after the time indicated in the table below, delivery cannot be made until the third business day after the notification unless agreed to by the buyer.

The times outlined in this table will become effective concurrent with the implementation of the EPN Pool Substitution message service by FICC, which will allow for the usage of Cancel/Correct messages. Until that date, the existing 12:15 PM cutoff will apply.

Seller	Buyer			
		EPN User	Non-EPN Dealer	Non-EPN Customer
	EPN User	12:15 pm	12:30pm	12:15pm
	Non-EPN Dealer	12:00 pm	12:30pm	12:15pm
	Non-EPN Customer	12:15 pm	12:15pm	12:15pm

Cancellation of pool information without immediate replacement pool information must be performed in good-delivery millions. When pool information is cancelled in this manner, both the cancellation of existing pool information and any subsequent replacement pool information must be preceded by a phone call. If all replacement pool information is known at the time of the call to cancel existing information, the replacement information may be given at that time and this will satisfy the requirement that a buyer be notified of replacement information by a phone call. If either the cancellation message or any replacement message is not preceded by a phone call, that message may be DKed.

When pool information is given for a particular TBA and is subsequently canceled by the seller, the TBA should be reestablished. The reinstated portion of this TBA is subject to the cutoffs in the above table for pool information to be good for 48-hour delivery. The applicable cutoff will be in effect for the reinstated portion of the TBA.

If an EPN cancellation message is sent in error and the buyer is not notified of this error, the buyer may accept the cancellation as a valid message and reestablish the TBA. The seller will be required to re-send the original pool information (preceded by a phone call) as a replacement allocation to that reopened TBA, subject to all applicable deadlines as of the time the information is re-sent.

For any TBA, one portion of which is subject to the standard cutoff times as specified in the 48-Hour Rule, with another portion subject to the applicable guideline in the above table, the seller is responsible for notifying the buyer if any of the information being transmitted should be applied to the reestablished portion of the TBA. If no indication is given to the buyer, the pool information should first be applied to the portion of the TBA that is subject to the 48-Hour Rule, with any remaining information being applied to the portion of the TBA that is subject to the applicable cutoff from the above table.

If pool changes are to be sent by fax the following procedures should be followed:

Prior to faxing, the buyer must agree that transmission of pool changes by fax is permissible. Once the buyer has agreed to a fax transmission, faxing should be done immediately. A fax transmission should be followed immediately by a phone call to notify the buyer of the transmission of pool changes. It is the responsibility of the seller to contact the buyer in a timely manner to confirm the legibility and completeness of the fax.

Example

Dealer A calls Dealer B with pool information at 9:00 a.m. on Wednesday for delivery on Friday. At 1:00 p.m. on Wednesday, Dealer A calls Dealer B to cancel the original pools and change the pool information. As a result, Dealer A cannot deliver to Dealer B on Friday. Dealer A must wait until Monday.

Example

Dealer X calls Dealer Y with pool information at 10:00 a.m. on Wednesday for delivery on Friday. At 11:00 a.m. on Wednesday, Dealer X calls Dealer Y to cancel the original pools and change the pool information. Dealer X may still deliver to Dealer Y on Friday.

Example

Dealer C calls Dealer D with pool information at 2:00 p.m. on Wednesday for delivery on Friday. At 2:30 p.m. on Wednesday, Dealer C calls Dealer D to cancel the original pools and change the pool information. As a result, Dealer C cannot deliver to Dealer D on Friday. Dealer C must wait until Monday.

D. FICC Disruption Contingency Plans

1 General

- a) This guideline sets forth contingency procedures to be followed in the event that FICC-MBSD experiences a system disruption. Pool notification extensions would be triggered only by a notification from FICC-MBSD that FICC systems are experiencing a disruption in service.
- b) **The Association's Good-Delivery Cut-Off Time** - Unless FICC-MBSD provides a notification that FICC systems are experiencing a system disruption and requests an extension, the Association's recommended pool notification timeframes as set forth in its 48-Hour Rule will remain in effect. In the event MBSD-FICC notifies the Association of a FICC system disruption and requests an extension, the "48-Hour Rule" will be superseded by the pool notification extension guideline described in paragraph 2 below.
- c) **The Association's Cancel-Correct Cut-Off Time** - Unless FICC-MBSD provides a notification that FICC systems are experiencing a disruption and requests an extension, the Association's recommended cancel-correct cutoffs as set forth in Section C of this chapter will remain in effect. In the event MBSD-FICC notifies the Association of a FICC system disruption and requests an extension, the guidelines in Section C of this chapter will be superseded by the extension guideline described in paragraph 2 below.
- d) **Notification of Extension** - In the event that FICC-MBSD experiences a FICC system disruption and requests an extension, the Association will effect a broad notification throughout the industry of such extension and the ultimate resolution of such a disruption.

2 Guideline Concerning Industry-Wide Extension of the 48-Hour Rule for Pool Notification

Note: this guideline is designed to address 'typical' disruptions of FICC's systems. It is not intended to address extraordinary circumstances. In such instances the association will facilitate emergency discussions with relevant industry participants, FICC, and other parties to determine the appropriate course of action.

Pool Notifications	FICC System disruption occurs after, or earlier disruption is not resolved by, 1:00 PM New York time	•Automatic 1 hour extension of good delivery cutoff time to 4:00 PM New York time
		•Subsequent extensions may be granted, with a minimum length of 1 hour as shown in the table below.
		•Request for extension must be received 15 minutes before cut-off time.
		•Extensions of Good Delivery cutoffs will not extend beyond 6:00 PM New York time absent extraordinary circumstances. In the event of a major disruption, the decision of whether or not to move to 24 hour notification, as detailed in the table below, will be determined by 5:15 PM New York time on the day of disruption.
Pool Changes	FICC System disruption occurs prior to, and is not resolved by, 11:45 AM New York time	•Automatic 45 minute extension of cutoff for good delivery purposes for pool changes, to 1:00 PM New York time. Request for extensions must be received 15 minutes before cut-off time.
		•Subsequent extensions may be granted, shown in the table below.
		•Pool changes should be effected via phone, email, and fax notifications if FICC systems are unavailable for an extended period of time and manual notification is required for timely settlement of trades.

	Standard Time	Automatic Extension	Pool Change Only Extension Only	First Extension	Second Extension	Next Day - 24 hour Notification
Pool Changes	12:15 PM	1:00 PM	2:00 PM	3:00 PM	4:00 PM	10:00 AM
Pool Notification	3:00 PM	4:00 PM	4:00 PM	5:00 PM	6:00 PM	12:00 PM