



Guidelines Relating to Trade Assignments of TBA Transactions

If a trade is assigned to a third party (the “Assignee”) by the Seller (the “Seller”) in a TBA transaction, the following delivery or notification guidelines will apply:

1) General

The Bond Market Association’s guidelines for transmission of pool information and other relevant good-delivery guidelines apply to TBA transactions that are assigned to third parties. Trade specifications (relating, for example, to variance, whole pools or WAM) are transferable, but must be specified as described below. In addition, the guidelines shall have no effect, directly or indirectly, on the contractual rights of the Buyer (defined below) in connection with the underlying trade in a TBA transaction or any assignment thereof.

Parties may assign TBA trades by using one of the following two methods:

- a) Pursuant to execution of a Trade Assignment Agreement executed and exchanged manually with respect to each trade assignment as described below (the “Manual Trade Assignment Process”).
- b) By executing a Master Electronic Trade Assignment Agreement and participating in the electronic trade assignment system described below (the “Electronic Trade Assignment Process”).

These recommended trade assignment guidelines and corresponding form of Trade Assignment Agreement (applicable to the Manual Trade Assignment Process) and the form of Master Electronic Trade Assignment Agreement (applicable to the Electronic Trade Assignment Process), each of which form of agreement is attached, apply to transactions in which an Assignee is obligated to make delivery to a Buyer on the terms and conditions originally agreed to between Seller and Buyer. In such transactions, all of the Seller’s performance obligations arising out of a single transaction are transferred from the Seller to the Assignee. The forms of Trade Assignment Agreement and Master Electronic Trade Assignment Agreement are not intended to be used for pair-offs or similar types of transactions (in particular, multiple transactions executed at different prices), where performance obligations remain with the original Seller and Buyer.

2) Manual Trade Assignment Process

Under the Manual Trade Assignment Process, parties to a trade assignment will, with respect to each assignment, execute and deliver a separate Trade Assignment Agreement in connection with each assignment (except as described under Paragraph 2(a)(iii) below).

a) Guidelines Relating to Seller

The Seller should provide sufficient information to the Assignee in a timely manner to facilitate the settlement of the trade between the Assignee and the contra party to the Seller's trade (the "Buyer").

- i) The Seller should promptly deliver to the Assignee, an executed copy of the applicable Trade Assignment Agreement and trade assignment data required under Annex I to the Trade Assignment Agreement.
- ii) As further described under Section 2(b)(i), below, because the Assignee must transmit or deliver a copy of the Trade Assignment Agreement to Buyer no later than 72 hours prior to settlement, Seller should deliver such Trade Assignment Agreement sufficiently in advance to allow for such delivery by Assignee. Further, delivery of the Trade Assignment Agreement should be made on a regular basis and not in bulk deliveries.
- iii) A Trade Assignment Agreement may provide notice of the intention to assign more than one trade; however, a separate and completed form of Annex I to the Trade Assignment Agreement should be delivered together with the applicable Trade Assignment Agreement with respect to each such additional trade. The first page of the transmission should indicate that more than one trade assignment is referenced, the total number of trade assignments that are referenced, and all pages delivered should be numbered sequentially.
- iv) In the event that a partial assignment of a TBA trade is necessary, the partial assignment must reflect standard good-delivery format. If the trade encompasses an odd lot, the odd lot portion must be assigned in its entirety. For example, assigning \$2,000,000 or \$5,000,000 of a \$5,500,000 trade would be consistent with this guideline. However, assigning \$750,000 of a \$5,500,000 trade would be inconsistent with this guideline.

b) Guidelines Relating to the Assignee

The Assignee should provide sufficient information to the Buyer in a timely manner to facilitate the settlement of the trade between the Assignee and the Buyer.

- i) Promptly upon receipt of a Trade Assignment Agreement from the Seller, the Assignee should deliver a copy of such Trade Assignment Agreement to the Buyer; but in any event, no later than the 72-hours prior to settlement of the underlying TBA transaction. Accordingly, no later than 3:00 p.m. (Eastern Time) on the third business day before the settlement date of the underlying TBA transaction, the Assignee should transmit such Trade Assignment Agreement by fax, or otherwise arrange for its physical delivery, to the Buyer. The Assignee should verbally notify the Buyer of an impending transmission of such Trade Assignment Agreement and verify the Buyer's acknowledgement of receipt of such Trade Assignment Agreement. Any Trade Assignment Agreement transmitted to a Buyer should contain the authorized signature of an employee or officer of the Assignee.

- ii) If a Trade Assignment Agreement to be delivered by the Assignee to the Buyer is not delivered within the referenced 72-hour time period, the Assignee can only make delivery of the securities described in such Trade Assignment Agreement three business days after such Trade Assignment Agreement is delivered.

c) Guidelines Relating to the Buyer

If the Buyer, upon receiving Trade Assignment Agreement from an Assignee objects to any of the terms of the trade or objects to the assignment of the trade, the Buyer should notify the Assignee of such objection within twenty-four (24) hours of receipt of the Trade Assignment Agreement. Buyer may object by communicating with Assignee by telephone or as the parties may otherwise agree.

3) Electronic Trade Assignment Process

Under the Electronic Trade Assignment Process, potential Buyers and Sellers will first enter into an agreement, the Master Electronic Trade Assignment Agreement, together with a single Assignee. Once the parties have executed the Master Electronic Trade Assignment Agreement, with respect to any future assignments among those parties, trade assignments will be effectuated through the automatic transmission of trade assignment notifications. Parties will not be required to exchange manually executed Trade Assignment Agreements.

a) Guidelines Relating to Seller

The Seller should provide sufficient information to the Assignee in a timely manner to facilitate the settlement of the trade between the Assignee and the Buyer.

- ii) The Seller should promptly deliver to the Assignee the data required under Sections A and B of Annex I to the Master Electronic Trade Assignment Agreement (the “Seller’s Electronic Trade Assignment Notice”).
- ii) As further described under Section 3(b)(i), below, because the Assignee must transmit or deliver the Seller’s Electronic Trade Assignment Notice to Buyer no later than 72 hours prior to settlement, Seller should deliver such Seller’s Electronic Trade Assignment Notice sufficiently in advance to allow for such delivery. Further, delivery of the Seller’s Electronic Trade Assignment Notice should be made on regular basis and not in bulk deliveries.
- iii) In the event that a partial assignment of a TBA trade is necessary, the partial assignment must reflect standard good-delivery format. If the trade encompasses an odd lot, the odd lot portion must be assigned in its entirety. For example, assigning \$2,000,000 or \$5,000,000 of a \$5,500,000 trade would be consistent with this guideline. However, assigning \$750,000 of a \$5,500,000 trade would be inconsistent with this guideline.

b) Guidelines Relating to the Assignee

The Assignee should provide sufficient information to the Buyer in a timely manner to facilitate the settlement of the trade between the Assignee and the Buyer.

- i) Promptly upon receipt of Seller's Electronic Trade Assignment Notice, the Assignee should transmit (via facsimile, e-mail or other electronic method) the information contained in such Seller's Electronic Trade Assignment Notice to the Buyer), together with the information required of Assignee in Section C of Annex I to the Master Electronic Trade Assignment Agreement ("Assignee's Electronic Trade Assignment Notice"). Such information shall not be delivered later than 72-hours prior to settlement of the applicable TBA transaction. Accordingly, no later than 3:00 p.m. (Eastern Time) on the third business day before the settlement date of the underlying TBA transaction, the Assignee should transmit such Assignee's Electronic Assignment Notice to Buyer via facsimile, e-mail or other electronic method, as agreed by the parties. The Assignee should verbally inform the Buyer of an impending transmission of such Assignee Electronic Trade Assignment Notice and verify the Buyer's receipt of such Assignee Electronic Trade Assignment Notice.
- ii) If the Assignee's Electronic Trade Assignment Notice is not transmitted prior to the 72-hour time period described above, the Assignee can only make delivery of the securities described in such Assignee's Electronic Trade Assignment Notice three business days after such Assignee's Electronic Trade Assignment Notice is delivered.

4) Guidelines Relating to the Buyer

If the Buyer, upon receiving Assignee's Electronic Trade Assignment Notice, objects to any of the terms of the trade or does not consent to the assignment of the trade, the Buyer should notify the Assignee of such objection within twenty-four (24) hours of receipt of the Assignee Electronic Trade Assignment Notice. Buyer may object by communicating with Assignee by telephone or as the parties may otherwise agree.