

## Update on Single Security Implementation in FTSE Mortgage Indexes

The approach taken by FTSE Russell to reflect the Single Security Initiative, which went live on June 3, 2019, allows for separate tracking of Fannie Mae UMBS, Freddie Mac UMBS and legacy 45-day delay Freddie Mac pools in mortgage index cohorts.<sup>1</sup> These cohorts are priced according to the methodology that was implemented in April 2019 which uses an average of all underlying pool-level prices based on their current outstanding balance to arrive at a cohort-level price.

Currently, the universe of Level 1 Freddie Mac 45-day delay pools that are fully committed to a Giant and have been exchanged at the Level 2 prior to the creation of mirrors do not have a corresponding Level 1 UMBS mirror pool to use for pricing. To ensure that our cohort-level prices remain as accurate as possible as we work through this issue, the index will only reflect those exchanges in the reduction of legacy 45-day delay Freddie Mac cohort balances and the addition of Freddie Mac UMBS cohort balances where a Level 1 UMBS mirror is available. This universe includes exchanges of Level 1 45-day delay Freddie Mac pools into Level 1 Freddie Mac UMBS pools, as well as Level 2 Freddie Mac 45-day delay Giants that were exchanged to Level 2 Freddie Mac UMBS Super where a Level 1 Freddie Mac UMBS mirror pool is available.

For avoidance of doubt, the balances for Level 2 exchanges where a Level 1 UMBS mirror is not available will continue to be represented in the legacy 45-day delay cohorts until we are able to source prices.

Table 1 provides a list of 9 cohorts that are projected to enter the FTSE Mortgage Index for the July 2019 profile. The below outstanding amounts reflect activity through May 31, 2019.<sup>2</sup>

Cusip	Ticker	Description	Coupon	Maturity	Par Amount (in \$ billion)
999820QV	FHLGU	30-YR FHLMC UMBS-2018 PROD	3.50	20471101	1,447.90
999820RK	FHLGU	30-YR FHLMC UMBS-2019 PROD	3.50	20490301	2,114.00
999820QE	FHLGU	30-YR FHLMC UMBS-2017 PROD	4.00	20461201	1,426.10
999820QW	FHLGU	30-YR FHLMC UMBS-2018 PROD	4.00	20480401	3,689.90
999820RL	FHLGU	30-YR FHLMC UMBS-2019 PROD	4.00	20490201	4,250.70
999820QX	FHLGU	30-YR FHLMC UMBS-2018 PROD	4.50	20480601	7,190.00
999820RM	FHLGU	30-YR FHLMC UMBS-2019 PROD	4.50	20481201	4,569.20
999820QY	FHLGU	30-YR FHLMC UMBS-2018 PROD	5.00	20480601	4,208.70
999820RN	FHLGU	30-YR FHLMC UMBS-2019 PROD	5.00	20481201	1,749.70

<sup>1</sup> For further details please see: [https://www.yieldbook.com/f/m/pdf/ftse\\_indexes/announcements/IX2\\_20190124.mtg.single.pdf](https://www.yieldbook.com/f/m/pdf/ftse_indexes/announcements/IX2_20190124.mtg.single.pdf)

<sup>2</sup> New issue and exchanged Freddie Mac UMBS cohorts enter the index once their amount outstanding meets the existing \$1 billion by origination year for inclusion.

FTSE Russell are urgently working with our partners on a solution to this issue and will keep users updated on our progress.

We encourage users to contact us at [fi.index@ftserussell.com](mailto:fi.index@ftserussell.com) with any questions or feedback.

FTSE Russell

<b>FTSE Fixed Income LLC</b>	<b>US</b>	<b>EMEA</b>	<b>Hong Kong</b>	<b>Singapore</b>	<b>Japan</b>
111 Wall Street 14 <sup>th</sup> Floor New York, NY 10005	+212 816 0700 <a href="mailto:fi.index@ftserussell.com">fi.index@ftserussell.com</a>	+44 20 7334 8963 <a href="mailto:fi.index@ftserussell.com">fi.index@ftserussell.com</a>	+852 2164 3288 <a href="mailto:fi.index@ftserussell.com">fi.index@ftserussell.com</a>	+65 6950 3850 <a href="mailto:fi.index@ftserussell.com">fi.index@ftserussell.com</a>	+81 3 4563 6346 <a href="mailto:fi.indexjp@ftserussell.com">fi.indexjp@ftserussell.com</a>