



IHS Markit™

IHS Markit PO Index Rules

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Introduction

Each PO index (each, an “**PO Index**” and collectively, the “**PO Indices**”) shall be composed of the principal component of residential mortgage loan pools (each, a “**Reference Pool**”) issued by the Federal National Mortgage Association (“**Fannie Mae**”), the Government National Mortgage Association (“**Ginnie Mae**”) or the Federal Home Loan Mortgage Corporation (“**Freddie Mac**,” and together with Fannie Mae and Ginnie Mae, the “**Designated GSEs**” and each, a “**Designated GSE**”) issued in the Designated Period (as defined below) that meet the criteria specified in these PO Index Rules.

I. Administration of the Index

- 1.1. There shall be one or more sub-index of each PO Index (each, an “**PO Sub-Index**” and collectively, the “**PO Sub-Indices**”), satisfying the criteria in Section 3.2 and Section 3.3 below. A new PO Index and the related PO Sub-Indices will be launched semi-annually on March 12th (or the next Business Day in the event that such day is not a Business Day) and September 12th (or the next Business Day in the event that such day is not a Business Day) (each such date, a “**Roll Date**”) as directed by a Member Majority; provided that if a Member Majority votes to change the Roll Date of an PO Index or an PO Sub-Index, the Roll Date of such PO Index or an PO Sub-Index shall be the date designated by such Member Majority.
- 1.2. IHS Markit Benchmark Administration Limited (“**IMBA UK**” or the “**Administrator**”), shall from time to time publish an updated list of eligible members participating in determinations relating to the PO Indices (the “**PO Members**”).
- 1.3. Products based on the initial PO Sub-Indices will begin trading on June 12th, 2010, or such other day approved by at least seventy-five percent (75%) of the Eligible PO Members.
- 1.4. Except as otherwise provided herein, these PO Index Rules will be subject to the [General Rules Applicable to Voting and the Rules for Member Eligibility to Vote, each published with respect to the Dow Jones CDX Indices and for purposes of the Rules for Member Eligibility to Vote, each PO Index will be considered a Covered Index].
- 1.5. The determination of each PO Index will be administered by the Administrator based upon the rules and procedures provided herein.
- 1.6. Except to the extent otherwise set forth in these PO Index Rules, with respect to any vote pursuant to these PO Index Rules, the outcome shall be determined by the votes of a majority of all PO Members (a “**Member Majority**”).
- 1.7. All times referred to in these PO Index Rules refer to local time in New York, New York.

II. Administration of the Index

- 2.1 It is the obligation of each PO Member to provide end-of-day and other periodic prices within the time frame specified by the PO Pricing Rules (as defined below) that are duly solicited by the Administrator on each day other than Saturday, Sunday and federal holidays of the United States of America (“**United States Federal Holidays**”).
- 2.2 The Administrator shall monitor and maintain a record of each PO Member’s participation in providing prices in respect of the related MBX and IOS Indices. At the end of each day on which the Administrator solicits prices from each PO Member, the Administrator will send a written notice to each PO Member informing such PO Member whether it has met its obligations under the PO Pricing Rules to provide prices for such day, and if it has not met such obligations, briefly stating

how it has failed to meet such obligations. If, between the annex date and the maturity date of any PO Index, an PO Member fails to provide prices for each MBX and IOS Sub-Index related to each PO Index (i.e., one price per MBX and one price per IOS Sub-Index) more than fifteen percent (15%) of the time, the Administrator shall send such PO Member a written notice advising that such PO Member has been “Suspended” for purposes of these PO Index Rules and informing it of the reason(s) it has been Suspended. Such PO Member shall remain Suspended until the next Roll Date by which the PO Member has provided prices for each PO Sub-Index related to each PO Index (i.e., one price per PO Sub-Index) more than eighty-five percent (85%) of the time.

- 2.3 At any time, an PO Member shall be deemed not “Eligible” with respect to any vote under these PO Index Rules or any polling or submission with respect to the Roll Date of an PO Index pursuant to Section 3.3, Section 3.4 or Section 3.5, if at such time such PO Member remains Suspended pursuant to Section 2.2 above. Notwithstanding the foregoing, PO Members who are not Suspended (“**Eligible PO Members**”) shall at all times have the right to waive any or all of the foregoing criteria and to deem an PO Member to be an Eligible PO Member by consenting vote of at least seventy-five percent (75%) of the Eligible PO Members.

III. Polling Process for Roll Dates

- 3.1 No later than the tenth Business Day prior to each Roll Date of a new PO Index (the “**Review Date**”), the Administrator shall conduct a review of all Reference Pools issued by the Designated GSEs during a period designated by the Member Majority (a “**Designated Period**”), each of which satisfy, with respect to the initial PO Sub-Indices, the criteria in Section 3.2 below, and with respect to any subsequent PO Sub-Indices thereafter, the criteria in Section 3.3 below. The Administrator shall determine, with respect to each such Reference Pool, the aggregate face amount of the Reference Pool (the “**Deal Size**”). Based on such review, the Administrator shall create a list (each, an “**Initial List**”), consisting of all Reference Pools, ranked in decreasing order by Deal Size.
- 3.2 The initial PO Index (the “**PO.FN30 Index**”) shall consist of six PO Sub-Indices: PO.FN30.400.09 Sub-Index, PO.FN30.450.09 Sub-Index, PO.FN30.500.09 Sub-Index, PO.FN30.550.08 Sub-Index, PO.FN30.600.08 Sub-Index, and PO.FN30.650.67 Sub-Index (collectively, the “**PO.FN30 Sub-Indices**” and each, an “**PO.FN30 Sub-Index**”) meeting the following criteria as of the Review Date:
- (i) Each related Reference Pool must be issued by Fannie Mae and have a pool prefix designation of “CL”.
 - (ii) Each Reference Pool must be USD-denominated and bear a fixed rate of 4% (in the case of the PO.FN30.400.09 Sub-Index), 4.5% (in the case of the PO.FN30.450.09 Sub Index) 5%, (in the case of the PO.FN30.500.09 Sub-Index), 5.5% (in the case of the PO.FN30.550.08), 6% (in the case of the PO.FN30.600.08), or 6.5% (in the case of the PO.FN30.650.67).
 - (iii) Each Reference Pool must contain fixed rate, conventional, residential mortgage loans with an original stated maturity of 30 years or less.
 - (iv) Each Reference Pool must have a minimum of 90% of the balance originated in the Designated Period.
 - (v) Each Reference Pool must have been issued within the related Designated Period.
 - (vi) The monthly report (or other similar periodic statement) issued by Fannie Mae related to each Reference Pool be reasonably obtainable by the Administrator.

- 3.3 Any PO Index and the related PO Sub-Indices launched on a subsequent Roll Date shall meet the following criteria as of the related Review Date:
- (i) Each related Reference Pool must be designated by a Designated GSE.
 - (ii) Each Reference Pool must be a USD-denominated and bear a fixed rate.
 - (iii) Each Reference Pool must contain fixed rate, conventional, residential mortgage loans with an original stated maturity of 30 years or less.
 - (iv) Each Reference Pool must have been issued within the related Designated Period.
 - (v) The monthly report (or other similar periodic statement) issued by the Designated GSE related to each Reference Pool be reasonably obtainable by the Administrator.
- 3.4 No later than the [seventh (7th)] Business Day prior to the Roll Date, the Administrator shall simultaneously provide to the Eligible PO Members and publicly disseminate (through its website or as otherwise agreed between Markit and the Administrator) the Initial List, and will solicit from each related PO Member a vote as to which Reference Pool thereof, if any, in the related Initial List in such PO Member's judgment should be removed from such list. The Administrator will eliminate from the related Initial List those Reference Pools receiving votes for removal from at least [seventy-five percent (75%)] of the related PO Members of such PO Index. The Administrator will inform the related PO Members of the Reference Pools that have been eliminated from the related Initial List. Each PO Member shall notify the Administrator of its vote no later than 5:00 p.m. on the [first (1st)] Business Day following receipt of the Initial List (the "**Submission Deadline**"). If a PO Member fails to provide votes by the Submission Deadline, the Administrator may disregard such PO Member's votes. Upon receipt of the votes timely and properly submitted by the PO Members, the Administrator shall create a master list for each PO Index and related PO Sub-Indices (each, a "**Master List**") of the Reference Pools. The Reference Pools in each Master List shall be ranked in decreasing order by Deal Size.
- 3.5 If the Administrator is unable to create a Master List for an PO Index in accordance with the foregoing provisions, the Administrator shall take such action with respect to the creation of the Master List as is directed by a Member Majority.
- 3.6 Promptly following the determination thereof and, in any event, no later than 11:00 a.m. on the Business Day prior to the Roll Date, the Administrator will simultaneously provide to the PO Members and publicly disseminate (through its website or as otherwise agreed between Markit and the Administrator) the composition and annex of each new PO Index and the related PO Sub-Indices to be launched on that Roll Date. At such time, the Administrator will also publicly disseminate (through its website or as otherwise agreed between Markit and the Administrator) the current list of the related PO Members for each new PO Index and related PO Sub-Indices.

IV. Composite Process and Calculation Rules (the “PO Pricing Rules”)

- 4.1 For each PO Sub Index, the quoted composite value will be calculated by taking the difference between the Markit MBX quoted composite value and the Markit IOS quoted composite value ([MBX composite price] – [IOS composite price] = PO composite price). Each PO Sub Index will use the related IOS and MBX sub-indices in this calculation (related sub-indices reference the same Agency, Coupon, and Series). The MBX and IOS composite values will be calculated in accordance with the Markit MBX Index Rules and the Markit IOS Index Rules. The quoted PO composite value will be reported as a price rounded to the nearest 1/64th of a percentage point.
- 4.2 Notwithstanding the foregoing, if the Administrator receives notice from at least seventy-five percent (75%) of Eligible MBX Members that it has become impossible to obtain or provide a commercially reasonable firm quote of the mid-market price for any MBX Sub-Index, the Administrator shall publicly consult (in accordance with the IMBA UK Administrator’s Changes and Cessations policy) to confirm with all stakeholders that the termination of pricing for such MBX Sub-Index is appropriate.
- 4.3 With respect to MBX Member’s Confidential Information:
- (a) Without limiting Markit’s confidentiality obligations under the Index and Trademark License Agreement entered into between Markit and each PO Member, Markit acknowledges that it or its employees may, in the course of performing its responsibilities under these PO Index Rules or the Index and Trademark Licensing Agreement (the “**License Agreement**”), be exposed to or acquire information which is proprietary to or confidential to such PO Member or its affiliated companies or their clients or to third parties to whom the PO Member owes a duty of confidentiality. Subject to Section 4.2(b) of these PO Index Rules, any and all non-public information of any form obtained by Markit or its employees in the performance of these PO Index Rules and/or the License Agreement shall be deemed to be confidential and proprietary information. Markit will hold such information in strict confidence and will not copy, reproduce, sell, assign, license, market, transfer or otherwise dispose of, give or disclose such information to third parties or use such information for any purposes whatsoever other than on an anonymous and aggregated basis in the provision of services and will advise each of its employees who may be exposed to such proprietary and confidential information of their obligations to keep such information confidential.
 - (b) Confidential information shall not include information which is (i) in or becomes part of the public domain other than by disclosure by Mark it in violation of these MBX Index Rules or the License Agreement, (ii) demonstrably known to Markit previously, (iii) independently developed by Markit outside of these MBX Index Rules or the License Agreement or (iv) rightfully obtained by Markit from third parties.
 - (c) It is understood and agreed that in the event of a breach of this Paragraph, damages may not be an adequate remedy and the relevant MBX Member shall be entitled to seek injunctive relief to restrain any such breach, threatened or actual.
 - (d) This Paragraph shall survive expiration or termination of the License Agreement.
- 4.4 With respect to PO Member’s right to use PO Index data/information: in addition to the rights granted to a PO Member under the License Agreement for use of the Markit PO in creating derivative products, the PO Member may use and distribute the data and information included in and/or related to the PO Indices in research publications as well as to analyze, manipulate, publish, and prepare reports.
- 4.5 On each day other than Saturday, Sunday, and United States Federal Holidays, Markit will publish on its website (www.markit.com) composite mid-market prices at the aggregate index level no later than 5pm.

V. Additional Pricing Considerations

- 5.1 Liquidity in the PO Index has declined over time, with trading no longer occurring on a regular basis for all Current and Prior PO Sub-Indexes. As a result, the closing mid-market prices submitted by PO Participants may be estimated values for transactions under the PO Standard Terms Supplement, rather than actual transacted prices.
- 5.2 In order to calculate the official composite value for a particular PO Sub-Index, the Administrator must receive closing mid-market prices from three (3) MBX Members and three (3) IOS Members. If, on any date, the Administrator receives fewer than three (3) closing mid-market prices for a MBX Sub-Index or IOS Sub-Index, the Administrator will not publish a composite value for such PO Sub-Index on such date. The methodology for calculating an official composite value for a PO Sub-Index will be subject to change upon an affirmative vote of at least seventy-five percent (75%) of Eligible PO Members.

VI. Governance and Regulatory Compliance

IHS Markit Benchmark Administration Limited (IMBA UK) is the Index Administrator of the PO indices. Information on the Administrator's governance and compliance approach can be found [here](#). This document covers:

- Governance arrangements, including external committees
- Input data integrity
- Conflicts of interest management
- Market disruption and Force Majeure
- Methodology changes and cessations
- Complaints
- Errors and restatements
- Reporting of infringements and misconduct
- Methodology reviews
- Business continuity

More details about the Administrator can be found on the [Administrator's website](#).

Disclaimer

The Administrator does not undertake any duty of care and will not be liable to any party to a transaction referencing a Markit MBX Index, or related Sub-Index, for any form of damages, whether direct, indirect, special, consequential or otherwise, that might arise in connection with the Administrator's performance of its duties under the Rules, except in the case of the Administrator's gross negligence, fraud or wilful misconduct.