

30-Year UMBS TBA futures

The second largest U.S. fixed income market (Agency MBS) is now just a futures contract away.

About the TBA/Agency MBS market

- Established in the 1970s, the TBA market facilitates forward trading of generic exposure in residential MBS issued by Fannie Mae, Freddie Mac, and Ginnie Mae.
- The TBA forward market helps to promote the standardization of MBS pools by stipulating standards of goodness for delivery in fulfillment of TBA agreements.
 - This process has contributed to deep liquidity in the market, allowing for generic exposure to MBS issued by government-supported entities (GSEs).
- Since 2011, TBA trading accounts for more than 90% of all Agency MBS transaction volumes.
- Agency MBS is the second largest fixed income market in the U.S.

TBA futures

- TBA futures offer a capital-efficient tool for hedging mortgage market risk, a transparent, all-to-all marketplace with the safety of central counterparty clearing.
- TBA futures are futures contracts on TBA forwards – the design adheres to well-established TBA market standards.
- TBA futures, utilizing the MBS mechanism, are physically delivered contracts that ensure convergence with the underlying observed cash OTC.
- Contracts are listed on active mortgage coupons rates ranging from 2.0% - 6.5%.

Key features

TRANSPARENT PRICE DISCOVERY

Source liquidity and price discovery via an equal access, transparent order book.

EXPANDED TRADING ACCESS

Manage granular mortgage risk with 24-hour trading, capital efficiency, and 10 different coupons.

CENTRAL COUNTERPARTY CLEARING

Multilateral netting creates a more stable and liquid market for all participants.

ICS TRADING

Trade the differential between Treasury futures and TBA futures, either in the same delivery month or across the calendar.

\$100,000 CONTRACT SIZE

This amount allows for higher precision trades and hedges, or the utilizing of a variety of coupons in a strategy.

SIMPLIFY TBA MARKET ACCESS WITH A FUTURES ACCOUNT

While OTC trades generally require a Master Securities Forward Transaction Agreement (MSFTA), TBA futures allow easy and simple access with only a futures account.

MARGIN EFFICIENCIES

Automatic clearing including margin offsets with other fixed income products.

MARGIN OFFSETS

Users of Treasury and Eris Swap futures can unlock significant margin offsets when trading TBA futures.

Example margin offsets for 6.0% Coupon TBA futures (as of October 23, 2023, subject to change):

- 70% vs. 10-Year T-Note
- 60% vs. 5-Year T-Note
- 60% vs. Ultra 10-Year T-Note
- 65% vs. 5-Year Eris SOFR swap
- 60% vs. 10-Year Eris SOFR swap
- 85% vs. 5.5% TBA futures

VENDOR CODES

COUPON	2.00%	2.50%	3.00%	3.50%	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%
CME*	20U	25U	30U	35U	40U	45U	50U	55U	60U	65U
Bloomberg	JYAA Comdty CT	JYBA Comdty CT	JYCA Comdty CT	JYDA Comdty CT	JYEA Comdty CT	JYIA Comdty CT	JYPA Comdty CT	JYTA Comdty CT	JYWA Comdty CT	JYLA Comdty CT

*CME code also used for Fidessa, FIS Global, ION, ITIVITI, TT, Vela

CONTRACT SPECS

PRODUCT NAME	30-YEAR UMBS TBA FUTURES
DELIVERABLE GRADE ISSUERS	Fannie Mae and Freddie Mac
DELIVERABLE MORTGAGE TERM	30-Year
DELIVERABLE GRADE AND SIZE	\$100,000 face value of MBSD-cleared 30-Year UMBS TBA at a given coupon rate.
PRICE	Par is on basis of 100 points. Each point = \$1,000 per contract.
MINIMUM PRICE INCREMENT	1/4 of 1/32 for outrights, 1/8 of 1/32 for calendar spreads, blocks eligible for 1/16 of 1/32.
LISTED DELIVERY MONTHS	The nearest three calendar months at any given time.
LAST TRADING DAY (LTD)	For a given Delivery Month, three Exchange business days before SIFMA TBA Notification Day. Expiring contract ceases trading at 2:00 p.m. Chicago time (CT).
DELIVERY DAY	The business day following Last Trading Day.
SETTLEMENT/DELIVERY	After termination of trading, CME Clearing assigns open long futures positions as buyer, and open short positions as seller, of contract-grade TBA. By 3:00 p.m. CT on LTD, CME Clearing notifies clearing member firms carrying open positions in expiring futures of accounts holding long positions in expiring contracts who are assigned to become TBA buyers from accounts holding short positions in expiring contracts. CME Clearing makes delivery assignments directly to accounts of expiring long and short positions matched during futures delivery process.
BLOCK MINIMUM	RTH-100; ETH-50; ATH-25; Reporting Window RTH/ETH/ATH – 15 minutes

TBA FUTURES

View more information and access related resources below



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