

TBA Futures

Futures on 30-Year Uniform Mortgage-Backed Securities (UMBS) TBAs

TBA futures complement the existing marketplace with unique features

Futures contract design

- Adheres to well-established TBA market standards.
- Deliverable contract ensures convergence with underlying.
- Utilizes MBSD delivery mechanism.
- Futures have off-balance-sheet exposure like TBAs.

Contract specifications summary

Deliverable Grade Issuers	UMBS (Fannie Mae and Freddie Mac)
Deliverable Mortgage Term	30-Year
Available Coupons*	2% through 7%
Minimum Price Increment	Outright: 1/4 of 1/32 nd (\$7.8125 per contract) Calendars: 1/8 of 1/32 nd electronic, 1/16 th blocks
Contract Size	\$100,000
Last Trading Day (LTD)	Three days before SIFMA TBA Notification Day
Delivery Day	Business day following Last Trading Day
Listed Delivery Months	Nearest three calendar months at any given time

**additional coupons will be added as needed*

Features of TBA futures

Unique market structure

- Globex offers transparent, all-to-all marketplace with a broad mix of global participants.
- Inter-contract spreads between Treasury futures and TBA futures enable efficient liquidity formation.
- Access to futures market without MSFTAs with counterparties.

Futures clearing efficiencies

- Multilateral netting via central counterparty (CCP).
- Margin offsets with Treasury futures and Eris Swap futures.
- Potential to add offsets with OTC swaps and other Rates futures and options.

Bringing the benefits of exchange-traded futures to TBAs

Exchange trading creates value and efficiency even in established fixed income markets. Benefits of futurization are especially apparent in fixed income markets as the Fed raises rates and winds down balance sheet.



- ✓ **Globex central limit order book**
 - Open to all, anonymous and transparent.
 - Potentially enables superior liquidity formation.
- ✓ **Central counterparty clearing**
 - Multilateral netting creates more stable and more liquid market.
- ✓ **Margin offsets with other fixed income futures products**
 - Standardized margin requirements and efficient allocation of capital.
- ✓ **\$100,000 contract sizes**
 - Allows for higher precision trades and hedges.
- ✓ **Block trades**
 - Execute large transitions at a fair and reasonable single price.

All block trades are subject to the conditions set forth in [Rule 526](https://www.cmegroup.com/rulebook/files/cme-group-Rule-526.pdf)
www.cmegroup.com/rulebook/files/cme-group-Rule-526.pdf

Expiration of TBA futures results in a TBA forward cleared at MBSD

Deliverable grade of MBSD Cleared TBAs ensures alignment, convergence and ability of futures position holders to exit TBAs as they do currently.

To participate in TBA futures deliveries, an account holder at any clearing firm would need to meet the following requirements:

- ✓ Eligible contract participant, as defined in CEA.
- ✓ Must be capable of making or taking TBA delivery through a “full” FICC MBSD clearing member that may be either affiliated or unaffiliated with the clearing member.
- ✓ Firms that are “EPN Only” (electronic pool notification) only clearing members of MBSD are not considered eligible to fulfill TBA futures deliveries either for itself or on behalf of other customers.
- ✓ Customers of clearing members without affiliated MBSD clearing member are permitted to use unaffiliated MBSD clearing member to fulfill futures delivery of MBSD cleared TBAs.

Conversion from futures to forward happens just before 72-hour day

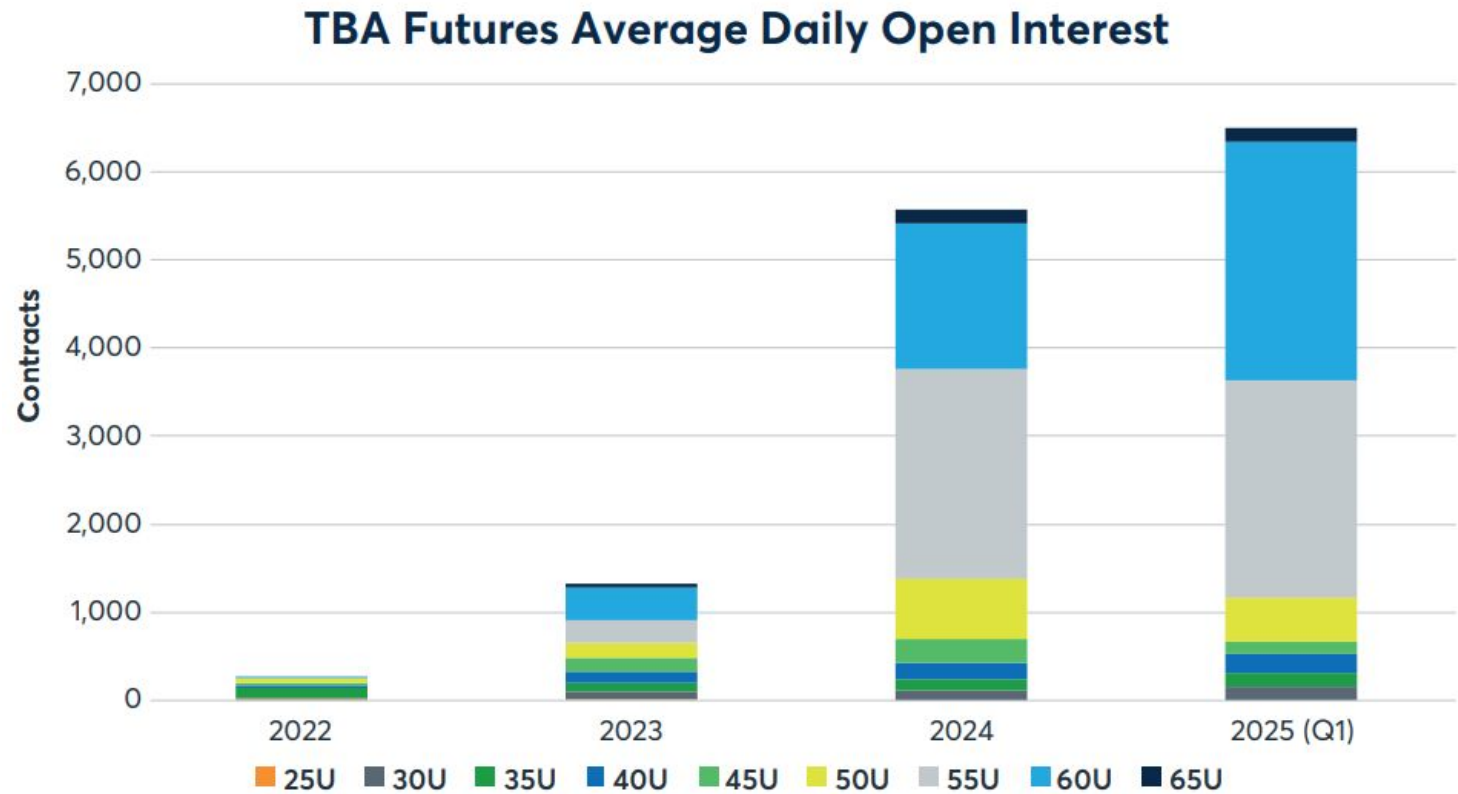
Hypothetical example – taking delivery on a December 2022 position

Nov 10	Account K buys 1000 TBA futures (\$100M notional face value) for December 2022 delivery of UMBS 30-Year 4.5% TBAs. Price = 103-16
Nov 10 to Dec 6	Futures subject to daily marks-to-market
Dec 6	<p>Futures last trading day</p> <p>Final settlement price = 104-16. Cumulative P&L on Account K's position = \$ 1,000,000 (equal to \$31.25 per 1/32nd per contract x 32/32^{nds} x 1000 contracts)</p> <p>CME Clearing assigns Account K's 1000 open long contracts to become TBA buyers from open short contracts assigned (by CME Clearing) to become TBA sellers. By 3:00 p.m. CME Clearing notifies Account K's clearing member of accounts matched to become TBA sellers to Account K.</p>
Dec 7	<p>Futures delivery day</p> <p>Account K's clearing firm ensures that Account K makes and receives TBA confirmations. Account K becomes December 2022 TBA buyer, and short futures position holder(s) matched by CME Clearing to Account K become(s) December 2022 TBA seller(s), of \$100m face value of UMBS 30-Year 4.5% MBS at 104-16.</p>
Dec 8	MBSD netting day (72-Hour Day)
Dec 9	SIFMA TBA notification day (48-hour day)
Dec 13	SIFMA TBA settlement day

December 2022						
SU	MO	TU	WE	TH	FR	SA
27	28	29	30	1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31
1	2	3	4	5	6	7

TBA futures
replaced with TBA forward
position

Average daily open interest in TBA futures



Example CME Direct trading grid for TBA futures

To expedite your set-up on CME Direct, download a template grid from the website.

CC	Product	Description	+	Imp	Qty	Bid	Ofr	Qty	Imp
— Month 1 Outrights									
20U	30-Year UMBS TBA Futures - 2.0% Coupon	May25							
25U	30-Year UMBS TBA Futures - 2.5% Coupon	May25							
30U	30-Year UMBS TBA Futures - 3.0% Coupon	May25	+		10	84'035	85'310	10	
35U	30-Year UMBS TBA Futures - 3.5% Coupon	May25	+		50	87'242	89'077	5	
40U	30-Year UMBS TBA Futures - 4.0% Coupon	May25	+		100	91'115	91'147	100	
45U	30-Year UMBS TBA Futures - 4.5% Coupon	May25	+		100	93'307	94'022	150	
50U	30-Year UMBS TBA Futures - 5.0% Coupon	May25	+		50	96'147	96'182	150	
55U	30-Year UMBS TBA Futures - 5.5% Coupon	May25	+		50	98'225	98'237	150	50
60U	30-Year UMBS TBA Futures - 6.0% Coupon	May25	+		50	100'205	100'240	200	
65U	30-Year UMBS TBA Futures - 6.5% Coupon	May25	+		150	102'160	102'195	150	
— Month 2 Outrights									
20U	30-Year UMBS TBA Futures - 2.0% Coupon	Jun25							
25U	30-Year UMBS TBA Futures - 2.5% Coupon	Jun25							
30U	30-Year UMBS TBA Futures - 3.0% Coupon	Jun25	+	10	15	84'027	85'310	15	10
35U	30-Year UMBS TBA Futures - 3.5% Coupon	Jun25	+	50	55	87'227	89'067	5	5
40U	30-Year UMBS TBA Futures - 4.0% Coupon	Jun25	+		100	91'102	91'137	105	5
45U	30-Year UMBS TBA Futures - 4.5% Coupon	Jun25	+		100	93'295	94'010	150	
50U	30-Year UMBS TBA Futures - 5.0% Coupon	Jun25	+		100	96'130	96'165	150	
55U	30-Year UMBS TBA Futures - 5.5% Coupon	Jun25	+	50	100	98'197	98'210	50	
60U	30-Year UMBS TBA Futures - 6.0% Coupon	Jun25	+		100	100'180	100'212	50	
65U	30-Year UMBS TBA Futures - 6.5% Coupon	Jun25	+		100	102'122	102'157	100	
— Dollar Rolls									
20U	30-Year UMBS TBA Futures - 2.0% Coupon	May25/Jun25							
25U	30-Year UMBS TBA Futures - 2.5% Coupon	May25/Jun25							
30U	30-Year UMBS TBA Futures - 3.0% Coupon	May25/Jun25	+		30	0'001	0'007	250	
35U	30-Year UMBS TBA Futures - 3.5% Coupon	May25/Jun25	+		30	0'010	0'015	250	
40U	30-Year UMBS TBA Futures - 4.0% Coupon	May25/Jun25	+		5	0'011	0'015	100	
45U	30-Year UMBS TBA Futures - 4.5% Coupon	May25/Jun25	+		100	0'008	0'015	100	
50U	30-Year UMBS TBA Futures - 5.0% Coupon	May25/Jun25	+		100	0'013	0'020	100	
55U	30-Year UMBS TBA Futures - 5.5% Coupon	May25/Jun25	+		100	0'021	0'027	100	
60U	30-Year UMBS TBA Futures - 6.0% Coupon	May25/Jun25	+		100	0'022	0'028	100	
65U	30-Year UMBS TBA Futures - 6.5% Coupon	May25/Jun25	+		100	0'033	0'040	200	

To download the TBA futures trading grid:

1. Right click this [link](http://www.cmegroup.com/trading/interest-rates/files/tba-futures-view.xml)* and select “Save link as...”
2. Save the file as an .XML on your computer.
3. In CME Direct, click “Menu” and then “Import view...”
4. Select the saved .XML file.
5. Click “Menu” and then “Save Window Layout.”

*www.cmegroup.com/trading/interest-rates/files/tba-futures-view.xml

Block trades

- ✓ Execute large transactions at a fair and reasonable price.
- ✓ Convenience of privately negotiating trade with selected eligible counterparty.
- ✓ Security of CME Cleared trade.

Block Thresholds

- RTH - 100 contracts
- ETH - 50 contracts
- ATH - 25 contracts

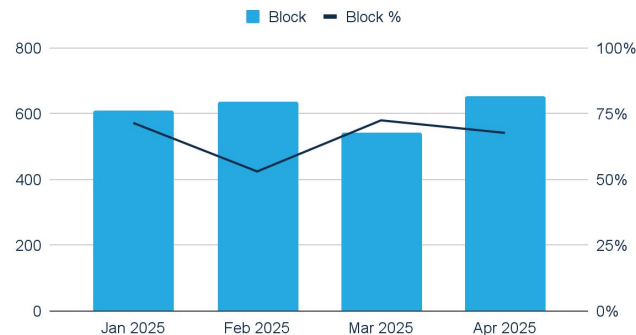
TBA Futures

FIRM	CONTACT	PHONE	EMAIL	TIMES
Arb Trading Group	Carl Schmidt	+1 203 212 9185	cschmidt@arb-tg.com	RTH (7am - 4pm CT)
	Craig Atkins	+1 203 212 9185	catkins@arb-tg.com	RTH (7am - 4pm CT)
Citi	Rudra Gopinath	+1 212 723 6250	rudra.gopinath@citi.com	RTH (7am - 4pm CT)
DRW	Adam Green	+1 312 542 1000	agreen@drwholdings.com	RTH (7am - 4pm CT)
DV Trading, LLC	Ricky Stern	+1 612 991 9824	rstern@dvtrading.co	RTH (7am - 4pm CT)
Nomura	Tim Doern	+1 212 667 2170	timothy.doern1@nomura.com	RTH (7am - 4pm CT)

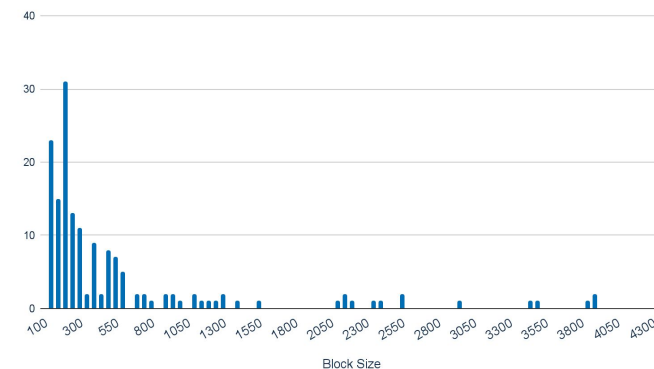
[Block Market Maker Directory](#)

All block trades are subject to the conditions set forth in [Rule 526](#)
www.cmegroup.com/rulebook/files/cme-group-Rule-526.pdf

ADV in 2025



TBA Block Size Distribution



TBA codes & expiry calendar

Examples:

- 3.5s for Dec 2024 settle
 - CME: 35UZ4
 - Bloomberg: JYDZ4 Comdty
- 4.0s for Jun 2025 settle
 - CME: 40UM5
 - Bloomberg: JYEM5 Comdty

Product	CME Symbol	Bloomberg Ticker
30-Year UMBS TBA Futures - 2.0% Coupon	20U	JYAA Comdty
30-Year UMBS TBA Futures - 2.5% Coupon	25U	JYBA Comdty
30-Year UMBS TBA Futures - 3.0% Coupon	30U	JYCA Comdty
30-Year UMBS TBA Futures - 3.5% Coupon	35U	JYDA Comdty
30-Year UMBS TBA Futures - 4.0% Coupon	40U	JYEA Comdty
30-Year UMBS TBA Futures - 4.5% Coupon	45U	JYIA Comdty
30-Year UMBS TBA Futures - 5.0% Coupon	50U	JYPA Comdty
30-Year UMBS TBA Futures - 5.5% Coupon	55U	JYTA Comdty
30-Year UMBS TBA Futures - 6.0% Coupon	60U	JYWA Comdty
30-Year UMBS TBA Futures - 6.5% Coupon	65U	JYLA Comdty
30-Year UMBS TBA Futures - 7.0% Coupon	70U	JYYA Comdty

	TBA Futures		TBA Forward Dates (per SIFMA)	
Contract	Last Trade Date	Expiry/Delivery	Notification Day	Settlement Day
Apr-25	7-Apr-25	8-Apr-25	10-Apr-25	14-Apr-25
May-25	6-May-25	7-May-25	9-May-25	13-May-25
Jun-25	5-Jun-25	6-Jun-25	10-Jun-25	12-Jun-25
Jul-25	7-Jul-25	8-Jul-25	10-Jul-25	14-Jul-25

30-Year UMBS TBA futures - *contract specifications*

Deliverable Grade Issuers	Fannie Mae and Freddie Mac
Deliverable Mortgage Term	30-Year
Deliverable Grade Coupons	For a given delivery month, futures are listed by the Exchange for delivery of each of a small number of specified active (current-production) mortgage coupon rates. Each coupon rate will be listed as separate product with a unique product code.
Deliverable Grade and Size	\$100K 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 nd of one point (\$7.8125 per contract). 1/8 of 1/32 nd for intra-market calendar spreads (\$3.90625 per calendar spread), with block trades eligible for 1/16 th of 1/32 nd
Listed Delivery Months	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 12:00 p.m. Central Time (CT).
Delivery Day	Business day following last trading day
Settlement/Delivery	Assignment of an expiring MBSD-cleared TBA for the contract-grade mortgage coupon rate. 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.

See contract specifications [here](#)

www.cmegroup.com/markets/interest-rates/mortgage/tba

For more info

Visit www.cmegroup.com/tba.

Contact your representative from CME Group Client Development & Sales.

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Appendix

TBA background and TBA futures from CME Group

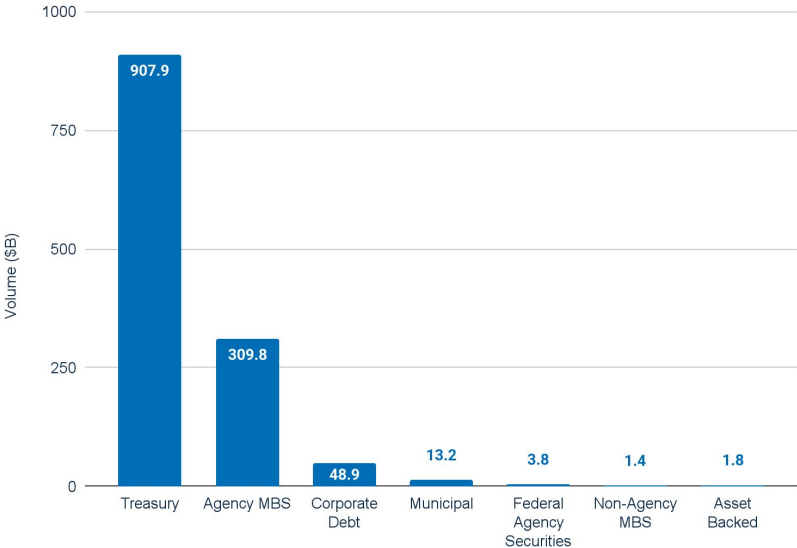
What is the TBA market, why is it important and what is CME doing?

- Established in the 1970s, the To-Be-Announced (TBA) market facilitates **forward** trading of generic exposures in residential mortgage-backed securities (MBS) issued by the GSEs (Fannie Mae (FNMA), Freddie Mac (FHLMC) and Ginnie Mae (GNMA)).
 - The generic, forward-starting features of the TBA mechanism have contributed to development of deep liquidity.
 - TBA market fosters standardization of MBS pools by stipulating standards for goodness of delivery in fulfillment of TBA agreements/
 - Codification of TBA market practices is built upon “good-delivery guidelines” promulgated and maintained by SIFMA.
 - Since 2011 TBA trading accounts for more than 90% of all Agency MBS transaction volumes (TBA + MBS).
- In November 2022, CME Group launched **futures** on TBA forwards.

Agency MBS is the second largest fixed income market and has grown from 2020-2024

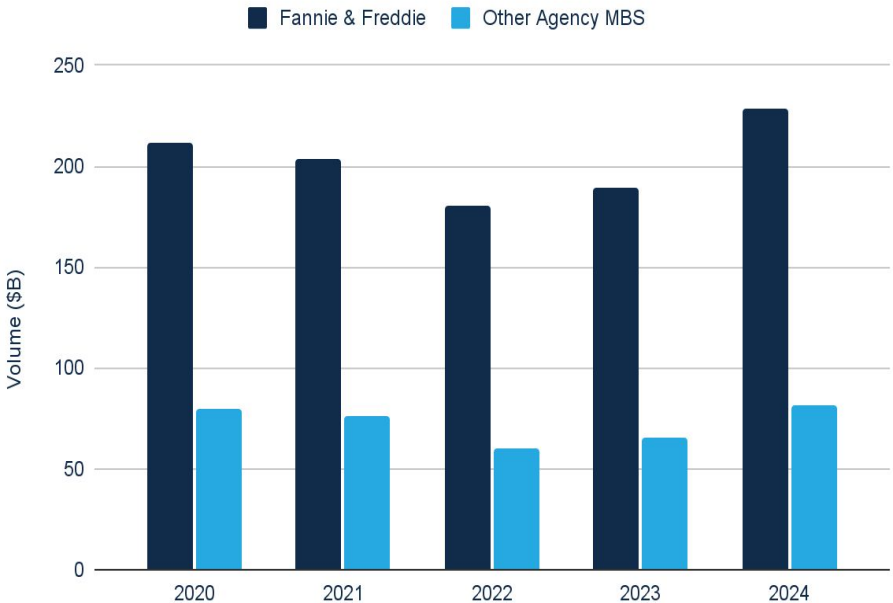
U.S. fixed income cash markets: Agency MBS products are second only to U.S. Treasuries, accounting for about 25% of bond market volume (well ahead of Corporate Bonds, Munis)

US Fixed Income Cash Markets 2024



Source: FINRA TRACE, SIFMA

Agency MBS volume: Fannie and Freddie TBAs account for 70%+



1/16th increment available for block spreads, reported as 2-level prices

Spread block trades executed at 1/16 of 1/32 (0.001953125) can be reported by splitting quantities 50/50 across price levels of 1/8.

Add Deal - GEN: 2-Year U.S. Treasury Note Future +2 Mar21, -1 Jun21, -1 Jun21

Deal Cross

CME Group | CME Direct

Product: 26: 2-Year U.S. Treasury Note Future
Strategy: Custom
Trade type: Block
Clearing: CME

Terms: [] [] [] []

Price: [] Quantity: [] Unit: [] Price Legs: []

	Disp...	Ratio	Product	Term	Price	Quantity	Units	Settlement Price
BUY	-	+	26: 2-Year U.S. Treasury Note ...	Mar21	110'103	100	Contracts/Month	Requesting...
SELL	-	+	26: 2-Year U.S. Treasury Note ...	Jun21	110'101	50	Contracts/Month	Requesting...
SELL	-	+	26: 2-Year U.S. Treasury Note ...	Jun21	110'102	50	Contracts/Month	Requesting...

GEN: 2-Year U.S. Treasury Note Future +2 Mar21, -1 Jun21, -1 Jun21

Buyer: Alleged [] Aggressor [] Affirmed [] [] []
Company: []
Trader: []
Account: []
Ted Carey/BKR6

Notes: []
Exec date: 04 Mar 2021 Exec time: 13:14:30

Fees (F4) Save draft (F5) Submit to clearing (F12) Close

Seller: Alleged [] Aggressor [] Affirmed [] [] []
Company: []
Trader: []
Account: []
Ted Carey/BKR6

Requires affirmation []
Add another []

Participant trades Mar-Jun spread at 3/16th

- Mar'21 side is booked at 100 at 3/8th (6/16th).
- Jun'21 side is booked with quantity split across two price levels, 50 at 1/8th and 50 at 2/8th for an average of 3/16th).

Participants have 15 minutes to submit block trades.

TBA futures - deliveries

Timetable for deliveries

1. Clearing members would be required to report details of open interest to the CME Clearing Delivery Team by 8:00 p.m. Central Time (CT) during the last three trading days in expiring futures like the reporting process for MAC Swap futures.
2. Last trading day (LTD), three exchange business days prior to SIFMA TBA notification date, CME Clearing:
 - *Assigns open long futures positions as buyer, and open short positions as seller, of an expiring contract-grade TBA.*
 - *Makes delivery assignments directly to accounts of expiring long and short positions matched during futures delivery process.*
 - *Notifies each clearing member firm carrying open positions in expiring futures of accounts assigned to become TBA buyers (sellers) versus short (long) positions in expiring contracts held in accounts carried by the clearing member firm.*
3. Delivery day, business day following LTD, clearing member ensures that accounts participating in the delivery process make and receive TBA confirmations.

TBA futures - deliveries

Delivery process - last trading day

- Trading in expiring contract month ceases at 12:00 p.m. CT.
- Clearing members are required to report intentions by 2:00 p.m. CT.
- CME Clearing makes delivery assignment information available at 3:00 p.m. CT.
- Delivery matching will occur in the following order:
 1. Clearing members' long and short positions.
 2. Pro-rata.
- Firm notification reports will be made available to clearing members following assignment. Reports must include:
 1. Clearing member firm (CMF)
 2. Trade member firm (TMF)
 3. Origin
 4. Contract
 5. Quantity

TBA futures - deliveries

Delivery process - delivery day

- TBA buyers and sellers are required to provide confirmation of TBA transfer to the CME Clearing Delivery Team.
- Final Confirmations - clearing members are required to provide CME Clearing Delivery Team TBA confirmation details by 2:00 p.m. CT.
- Clearing members must report non-receipt within one hour after the delivery deadline.
- Delivery margin removed at EOD (end of day).
- Delivery process complete from Exchange perspective.

Confirmations of TBA Transactions

Contain the following information applicable to the securities being confirmed:

- Description of security, including settlement month, coupon rate and product type.
- Confirming party's name, address and telephone number.
- Identification of the "contra party."
- Designation of "purchase from" or "sale to."
- Price and par amount.
- Trade date.
- Settlement date.
- Unless covered by a separate agreement, reference to material provisions of any applicable initial margin or mark-to-market requirements.
- Any other information needed to ensure that the parties agree on important details of the transaction (e.g., specific certificate denominations, additional information for "new pools" dated the same month as they are settled).

Using RFQ functionality to source on-screen liquidity

To submit an RFQ:

- Ensure your screen contains the RFQ field.
- “Send RFQ” button indicates intent of price discover without needing to specify a buy or sell.

X	CC	Product	Description	Status	RFQ	Qty	Bid	Ofc	Qty	Pin	Last
*	TIE	Mexican Funding TIE (Monthly Contracts) Futures	Nov24	Open	RFQ	10	89.000	89.005	10		89.0
*	TIE	Mexican Funding TIE (Monthly Contracts) Futures	Dec24	Open	RFQ	...					
*	TIE	Mexican Funding TIE (Monthly Contracts) Futures	Jan25	Open	RFQ						

Once sent, on-screen market makers can respond on the CLOB and provide a price and quantity to match the trade.

- Commonly used for non-production coupons or calendar spreads outside of 10-day active roll period.
- For more info: [Futures RFQs 101](https://www.cmegroup.com/articles/2024/futures-rfqs-101.html)*

X	CC	Product	Description	Status	RFQ	Qty	Bid	Ofc	Qty	Pin	Last	Change	Settlement
*	TIE	Mexican Funding TIE (Monthly Contracts) Futures	Nov24	Open	RFQ	10	89.000	89.005	10		89.000	-0.605	89.605
*	TIE	Mexican Funding TIE (Monthly Contracts) Futures	Dec24	Open	RFQ	...	89.830	89.835	60				89.835
*	TIE	Mexican Funding TIE (Monthly Contracts) Futures	Dec24	Open	RFQ	...	89.830	89.835	55				89.835

*www.cmegroup.com/articles/2024/futures-rfqs-101.html

We provide two types of RFQ functionality for “on-demand” liquidity

Category	Globex RFQ (G-RFQ)	Directed RFQ (D-RFQ)
<i>Visible to</i>	All market participants, sender is anonymous	One or more specific recipients, sender is identified
<i>Initiated On</i>	CME Direct, many ISVs, proprietary systems	CME Direct only*
<i>Commonly Used For</i>	Indication of interest Enables others to improve CLOB liquidity	Initiating a block trade
<i>Current Usage</i>	~5,000 per day for Interest Rate options	Initial adoption by Energy and FX options
<i>Availability</i>	All CME Group futures and options markets	

*dRFQ API access is in pipeline

Disclaimer

Neither futures trading nor swaps trading are suitable for all investors, and each involves the risk of loss. Swaps trading should only be undertaken by investors who are Eligible Contract Participants (ECPs) within the meaning of Section 1a(18) of the Commodity Exchange Act. Futures and swaps each are leveraged investments and, because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money deposited for either a futures or swaps position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyles and only a portion of those funds should be devoted to any one trade because traders cannot expect to profit on every trade.

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