

Freddie Mac Reference Bill Auction Procedures

Sec. 1 Applicability. Unless otherwise specified in an applicable offering announcement, the provisions of the Freddie Mac Reference Bill Auction Procedures (the “Procedures”), as in effect from time to time, will govern the sale and issuance of all Freddie Mac Discount Notes issued as Reference Bills. The effective date of these Procedures is November 23, 2015.

Sec. 2 Definitions. In these Procedures, unless the context indicates otherwise.

“Auction” means a bidding process by which Freddie Mac sells Reference Bills to certain members of its Discount Note Dealer Group (each such member, a “Dealer”).

“Bidder”, as further defined in Section 6(e), means a person or an entity that offers to purchase Reference Bills, either directly or through a Dealer authorized to submit offers to purchase in an Auction on behalf of customers. In some cases, two or more persons or entities are considered to be one bidder based on their relationship or their actions in participating in an Auction.

“Bid-to-cover” ratio means the total par amount of Reference Bills bid for or ordered in an Auction divided by the total par amount of Reference Bills awarded in an Auction.

“Book-entry security” means a security the issuance and maintenance of which are represented by an accounting entry or electronic record and not by a certificate. Freddie Mac Reference Bills may only be held as book-entry securities on the book-entry system maintained by the Federal Reserve Banks.

“Business Day” means a day other than a Saturday, Sunday, or other day on which the Federal Reserve Banks or Freddie Mac are not open for business.

“Competitive Bid” or “Bid” means an offer to purchase a stated par amount of Reference Bills at a specified discount rate.

“CUSIP” means Committee on Uniform Securities Identification Procedures.

“CUSIP Number” means the unique identifying number assigned to each separate Reference Bill issue. CUSIP numbers are provided by the CUSIP Service Bureau of Standard & Poor's Corporation.

“Customer” means a bidder on whose behalf a submitter has been directed to submit or forward a competitive bid or noncompetitive order for a specified amount of Reference Bills in a specified Auction.

“Dealer” means an entity that has executed the Freddie Mac Discount Note Dealer Group Agreement (the “Discount Note Dealer Group Agreement”) and has registered to participate in the Freddie Mac Reference Bill Auction.

“Discount” means the difference between par and the price of a Reference Bill, when the price is less than par.

“Discount Amount” means the discount divided by 100 and multiplied by the par amount.

“Discount Rate” means the rate of discount applicable to an issuance of Reference Bills. .

“Federal Reserve Bank” means a Federal Reserve Bank or a branch of a Federal Reserve Bank.

“Funds Account” means a cash account maintained by a Dealer through a depository institution, which is a Federal Reserve Bank branch.

“Intermediary” means an entity that forwards competitive bids or non-competitive orders for customers to a submitter and not directly to the Auction.

“Issue Date” means the date specified in the offering announcement on which a Reference Bill is to be settled.

“Maturity Date” means the date specified in the offering announcement on which a Reference Bill becomes due and payable.

“Noncompetitive Order” or “Order” means an offer to purchase Reference Bills at the same discount rate as Reference Bills awarded in the applicable Auction to competitive bidders.

“Par” means a price of 100.

“Par Amount” means the stated value of a Reference Bill at original issuance.

“Person” means a natural person.

“Price” means the price per \$100 of a Reference Bill as calculated using the formulas in Appendix A.

“Public Offering Amount” means the par amount of Reference Bills offered to Dealers for purchase in an Auction, as specified in the offering announcement.

“Purchase Price” means the dollar amount needed to purchase specified Reference Bills at the applicable price.

“Reference Bills” mean Freddie Mac Discount Notes (as described in the Offering Circular (as defined herein)) issued pursuant to the terms of these Procedures, the Offering Circular, the Discount Note Agreement (as defined herein) and any applicable offering announcement.

“Reopening” means the auction of an additional amount of an outstanding Reference Bill.

“Settlement” means final and complete payment for Reference Bills awarded in an Auction.

“Settlement Amount” means the aggregate purchase price of specified Reference Bills awarded.

“Submitter” means the Dealer submitting bids directly to the Auction for its own account, for the account of others, or both.

“Tender” means the submission to the Auction, by Internet transmission or otherwise, of a bidder’s offers to purchase Reference Bills.

Sec. 3 Auction Procedures; Registration.

(a) **Auction Procedures.** Freddie Mac reserves the right to change the Auction Procedures, from time to time, in its sole discretion, prior to any Auction, without prior notice to Dealer. Freddie Mac will announce or otherwise communicate any such change to the Auction Procedures at the time any such change takes effect.

(b) **Registration.** Prior to participating in an Auction, a Dealer must have registered with Freddie Mac. Freddie Mac reserves the right to reject an application to register and to revoke the registration of a Dealer, at any time prior to an Auction, without prior notice to the Dealer, all in Freddie Mac's sole discretion. By submitting an application to register to participate in an Auction, a Dealer represents that it will comply with the Procedures, as in effect from time to time.

Sec. 4 Description of Reference Bills. Reference Bills offered pursuant to these Procedures are described more fully in the Global Debt Facility Offering Circular dated February 19, 2015 and any supplement to such offering circular or successors thereto, (together, such offering circular and such supplement, the "Offering Circular"). The Reference Bills are obligations of Freddie Mac only. Reference Bills, including any return of discount, are not guaranteed by and are not debts or obligations of the United States or any federal agency or instrumentality other than Freddie Mac. The Reference Bills are subject to the terms and conditions set forth in these Procedures, the Offering Circular, the Discount Note Agreement dated February 19, 2015 and any amendments or successors thereto, (such agreement and such amendment, together, the "Discount Note Agreement") and the offering announcements, all to the extent applicable. When Freddie Mac issues additional Reference Bills with the same CUSIP number as outstanding Reference Bills, all Reference Bills with the same CUSIP number are considered the same Reference Bill. Reference Bills may be issued at a discount, are redeemed at their par amount at maturity, and have maturities of not more than one year.

Sec. 5 Offering Announcement. Freddie Mac provides notice of each Auction of Reference Bills by issuing an offering announcement. The offering announcement lists the specifics of each offering, e.g., offering amount, term of each Reference Bill, CUSIP number, and issue and maturity dates. To the extent that the provisions of an offering announcement are inconsistent with the provisions of these Procedures, the Offering Circular or the Discount Note Agreement, the provisions of the offering announcement will control. Accordingly, bidders should read the applicable offering announcement in conjunction with these Procedures, the Offering Circular and the Discount Note Agreement. Freddie Mac reserves the right to change any details given in the offering announcement up until the time of the applicable Auction. Freddie Mac will publicly announce any such change.

Sec. 6 Submission of Competitive Bids and Noncompetitive Orders.

(a) **Registration.** A submitter must be registered as a participant in the Freddie Mac Reference Bill Auction in order to participate in any specific Auction. Any information submitted by a submitter in connection with registration is available for review by Freddie Mac. Decisions about permitting a submitter to be registered will be made by Freddie Mac, in its complete and sole discretion.

(b) **Competitive Bids and Noncompetitive Orders.** Competitive bids and noncompetitive orders must be received prior to the closing time specified in the applicable offering

announcement. In the case of bids and orders received by Internet transmission, the Auction system's computer time stamp will establish the time of receipt. In the case of bids and orders received other than by Internet transmission, Freddie Mac shall determine, in its sole discretion, the time of receipt. Bids and orders not received in a timely manner will not be recognized in the Auction. Bids and orders for Reference Bills are binding on the bidder after such bids and orders have been submitted in an Auction by a submitter. Tenders of offers to purchase in an Auction may be submitted only by those Dealers who have registered to participate in such Auction.

(c) **Information.** Any information contained in a tender, once it has been submitted by a submitter, is available for review by Freddie Mac. Freddie Mac, in its sole discretion, may reject any offer to purchase received in an Auction. Freddie Mac, in its sole discretion, prior to deciding final Auction results, may contact a submitter in order to ask one or more questions about the submitter's tender and, in its sole discretion, may accept instructions from a submitter to make corrections to such tender. Any such contact by Freddie Mac regarding questions and instructions about a tender will take place on a recordable medium.

(d) **Allocation of Responsibilities.**

(1) The submitter of a tender to the Auction bears sole risk for any disruption or failure in the operation of its own computer, any electronic-based communications facilities, or any communications lines between the submitter and Freddie Mac or the Auction.

(2) The submitter is responsible for tenders submitted using computer or other communications equipment on its premises, whether or not such tenders are authorized.

(3) Freddie Mac shall not, in any way, be responsible for any delays, errors, or omissions in the submission of tenders.

(4) Freddie Mac shall not, in any way, be responsible for any disruptions to any electronic communications system used during an Auction by Freddie Mac or Dealer, including, but not limited to, the Internet and/or telephone services and equipment.

(5) Freddie Mac shall not, in any way, be responsible for any lack of synchronization between the clock used by Freddie Mac in an Auction and any clock used by a submitter, either in the submitter's office locations or in the submitter's electronic equipment with which it submits a tender in an Auction.

(6) Each submitter must retain a written record of the details of each competitive bid or noncompetitive order submitted in each Auction, including, but not limited to, a customer's or intermediary's name, where applicable, the type and amount of each bid or order, the amounts and prices of the Reference Bills awarded, other information which may relate to a customer's or an intermediary's compliance with the provisions of these Procedures, and each trade ticket written by the submitter in connection with Reference Bills awarded in an Auction (each such trade ticket shall be marked to indicate that it was written in connection with awarded Reference Bills), for a period of two years, on the submitter's premises, and must provide such written record and such trade tickets to Freddie Mac upon request. Any such trade tickets or written records may be in a paper or electronic format.

(e) **Bidder Definitions.**

(1) Freddie Mac will follow the definitions of “bidder” contained in Title 31, Part 356, Appendix A Paragraphs (a), (b), (c), (d), (e) and (f) of the Code of Federal Regulations (Revised as of July 28, 2004 and amended on May 23, 2005) (“Treasury Department Eligible Bidder Definitions”) or successors thereto or as revised or amended subsequently, in determining whether a bidder constitutes one bidder or more than one bidder for the purpose of bidding in a specific Auction. The definitions shall also be used by Freddie Mac in applying competitive bid and noncompetitive order award limitations and related requirements. Notwithstanding the definitions, any persons or entities that intentionally act together with respect to bidding in an Auction are considered, collectively, to be one bidder.

(2) Freddie Mac will also use the requirements contained in the Treasury Department Eligible Bidder Definitions Paragraphs (a) and (b) in deciding whether a bidder is one bidder or more than one bidder. If a bidder meets the requirements of the Treasury Department Eligible Bidder Definitions Paragraphs (a) and (b) for purposes of being defined as a bidder, and not more than one bidder, in auctions conducted by the U.S. Treasury Department, then such bidder will be deemed by Freddie Mac to be one bidder and not more than one bidder for purposes of Freddie Mac Reference Bill Auctions. Any bidder in an Auction, submitting an offer to purchase as one bidder, shall be deemed to represent that, as of the time of the applicable Auction, it is in compliance with the applicable requirements described in Treasury Department Eligible Bidder Definitions Paragraphs (a) and (b) and that it meets the applicable definitions contained Paragraphs (a), (b), (c), (d), (e) and (f).

(3) In making a determination of whether a bidder is one bidder or more than one bidder, Freddie Mac may require a submitter to provide written documentation that substantiates whether each bidder for whom such submitter submits a bid or order is in compliance with the requirements described in Treasury Department Eligible Bidder Definitions Paragraphs (a) and (b) and that it meets the definitions contained Paragraphs (a), (b), (c), (d), (e) and (f). Such written documentation may include the name of and other relevant information about the bidder.

(4) Notwithstanding the provisions of this Section 6(e), it is the intent of Freddie Mac that no Auction participant receive a larger Auction award by acquiring securities through third parties than it could have received had it been considered a single bidder under these definitions.

Sec. 7 Noncompetitive Orders and Competitive Bids.

(a) **General.** All bids and orders, including bids and orders for reopenings, must state the par amount of Reference Bills bid for or ordered and must equal or exceed the applicable minimum amount stated in the offering announcement. Bids that exceed the minimum bid amount must be in the applicable additional increments stated in the offering announcement. A bidder must specify whether an offer to purchase is a competitive bid or a noncompetitive order and whether a bid is proprietary or nonproprietary.

(b) Noncompetitive Orders.

(1) A bidder must offer to purchase noncompetitively at least \$1,000 of Reference Bills in an Auction, and in additional increments of \$1,000.

(2) A noncompetitive order by a bidder may not exceed the amount specified in the applicable offering announcement as the maximum amount permitted for such orders. Any

noncompetitive order submitted for more than the maximum amount specified will not be accepted.

(3) A person or entity registered with the U.S. Securities and Exchange Commission as a broker-dealer under the Securities Exchange Act of 1934 (15 U.S.C. §78o and §78o-5) may not submit a noncompetitive order for its own account in an Auction, either directly or through an intermediary.

(c) **Competitive Bids.** A competitive bid in an auction must be for at least \$1 million of Reference Bills and in additional increments of \$1 million.

(1) **Bid Format.** A competitive bid must show the discount rate bid, expressed with three decimals in .001 percent increments. Fractions may not be used.

(2) **Maximum Recognized Bid.** A competitive bid by a bidder at a single discount rate may not exceed the amount specified in the applicable offering announcement as the maximum amount permitted for such bids. Any competitive bid submitted for more than the maximum amount specified will not be accepted.

Sec. 8 Submitting Bids for Customers. Submitters may submit competitive bids for their own account, but may not submit noncompetitive orders for their own account. Submitters may submit competitive bids and noncompetitive orders for their customers, or for customers of intermediaries. By submitting a bid or order on behalf of its customer or a customer of any intermediary, a submitter agrees to remit payment for Reference Bills awarded as a result of such bid or order. For competitive bids, the submitter may submit bids at multiple discount rates on the same tender.

Sec. 9 Certifications.

(a) **Submitters.** By submitting a tender for a Reference Bill, a submitter is deemed to have certified to Freddie Mac that it is in compliance with these Procedures and the offering announcement governing the sale and issue of the applicable Reference Bills. Further, the submitter is deemed to have certified to Freddie Mac that the information provided on the tender with regard to bids for its own account is accurate and complete, and that the information provided on the tender with regard to bids and orders for customers accurately and completely reflects information provided to it by its customers or intermediaries.

(b) **Intermediaries.** By forwarding a bid or an order, an intermediary is deemed to have certified to the submitter or other intermediary, as applicable, that it is in compliance with these Procedures and the offering announcement governing the sale and issue of the applicable Reference Bills. Further, the intermediary is deemed to have certified to the submitter or other intermediary that the information provided to a submitter or other intermediary with regard to competitive bids for its own account is accurate and complete, and that the information provided to a submitter or other intermediary with regard to bids or orders for customers accurately and completely reflects information provided to it by its customers or intermediaries.

(c) **Customers.** By submitting a bid or an order for a Reference Bill, a customer is deemed to have certified to the submitter or intermediary, as applicable, that it is in compliance with these Procedures and the offering announcement governing the sale and issue of the applicable

Reference Bills and that the information it provided to the submitter or intermediary in connection with the bid or order is accurate and complete.

Sec. 10 Responsibility for Payment.

(a) **General.** A submitter agrees to pay the settlement amount for any Reference Bills awarded to it in an Auction.

Sec. 11 Determination of Auction Awards.

(a) **Determining the Discount Rate; Amount of Accepted Noncompetitive Orders and Competitive Bids.**

(1) **Accepting Orders and Bids.** Determinations of awards are made by Freddie Mac after the closing time for receipt of tenders. In determining Auction awards, Freddie Mac accepts orders and bids according to the following priorities:

(i) Freddie Mac first accepts all noncompetitive orders received by the closing time specified. If the aggregate amount of such noncompetitive orders exceeds the maximum amount for noncompetitive orders specified in the applicable offering announcement, then awards in respect of noncompetitive orders shall be prorated and each such award shall be rounded up to the nearest \$1,000.

(ii) Freddie Mac next accepts all competitive bids beginning with the bids with the lowest discount rate through bids with successively higher discount rates, until the total of such accepted bids, together with accepted orders, equals the amount required to meet the public offering amount. Bids at the highest accepted discount rate will be prorated (as described in paragraph (a)(2) of this section), if necessary.

(2) **Accepting Competitive Bids at the High Discount Rate.** When the total amount of competitive bids at the highest accepted discount rate exceeds the amount of the public offering amount remaining after acceptance of noncompetitive orders and competitive bids at the lower discount rates, a percentage of the competitive bids received at the highest accepted discount rate will be awarded. This proration is performed for the purpose of awarding a par amount of Reference Bills close to the public offering amount. The percentage is derived by dividing the remaining par amount needed to fill the public offering by the par amount of the bids recognized at the high discount rate. All awards shall be rounded up to the nearest \$1,000.

(b) **Determining Prices for Awarded Reference Bills.** Price calculations will be rounded to nine decimal places on the basis of price per hundred, e.g., 99.987654321. The price of Reference Bills awarded to both competitive and noncompetitive bidders is the price equivalent to the highest discount rate at which competitive bids were accepted. (See Appendix A for the formula for calculating a price based on the discount rate of an issue of Reference Bills.)

Sec. 12 Awards.

(a) **Minimum Denomination.** In all cases, awards will be for at least the minimum denomination for Reference Bills, and awards must be in an appropriate additional increment. Awards at the highest accepted rate are adjusted upwards, if necessary, to the minimum denomination for Reference Bills.

(b) Awards to Customers. In Auctions where bids at the highest accepted discount rate are prorated under Sec. 11(a)(2), submitters are responsible for prorating awards for their customers or for intermediaries at the same percentage as that announced by Freddie Mac. For example, if 80% is the announced percentage at the highest discount rate, then each customer bid at that rate shall be awarded 80%, subject to rounding. In turn, intermediaries are responsible for prorating awards for their customers or for other intermediaries at the same percentage as that announced by Freddie Mac. The same prorating rules apply to intermediaries and customers as apply to submitters.

Sec. 13 Limitation on Auction Awards.

(a) Awards to Noncompetitive Bidders. The maximum award that will be made to any single noncompetitive bidder will be an amount equal to the maximum amount for noncompetitive orders specified in the applicable offering announcement.

(b) Awards to Competitive Bidders. The maximum award that will be made to any single competitive bidder will be an amount equal to the maximum amount for competitive bids specified in the applicable offering announcement.

Sec. 14 Announcing Auction Results. After the conclusion of an Auction, Freddie Mac will make an official announcement of the Auction results through a press release or other means and will post the results on its website (www.freddiemac.com). The press release or other communication and posting will include such information as the amounts of bids and orders recognized and accepted, proration percentage, a breakdown of the amounts of noncompetitive orders and competitive bids recognized and accepted, and money market equivalent yield of the bids and orders awarded at the high discount rate.

Sec. 15 Notice of Awards; Confirmations.

(a) Notice to Submitters of Awards. Notice of awards will be provided by Freddie Mac to submitters of all successful bids and orders.

(b) Notification of Award to Customer. A submitter submitting bids or orders for customers is responsible for notifying its customers and intermediaries that forwarded bids or orders to it of the awards. Similarly, an intermediary is responsible for notifying its customers and any intermediaries that forwarded bids or orders to it of the awards.

(c) Confirmation of Award and Settlement Amount to Submitter. Not later than 5 p.m., Eastern time, on the date of the Auction, Freddie Mac will notify each submitter as to the amount to be charged to its funds account at a Federal Reserve Bank on the issue date in conjunction with delivery of the Reference Bills purchased in the Auction by the submitter for its own account or for the accounts of others.

Sec. 16 Payment for Awarded Reference Bills. Payment for Reference Bills will take place upon issuance of the Reference Bills by Freddie Mac. When Freddie Mac transmits Reference Bills purchased by a submitter on the Federal Reserve Bank book-entry system, each submitter's funds account at the applicable Federal Reserve Bank shall be debited, on a delivery versus payment basis, for a cash amount equal to the applicable settlement amount, as defined in Section 2.

Appendix A

Computation of Purchase Price, Discount Rate, and Money Market Yield for Reference Bills

A. Conversion of the discount rate to a purchase price for Reference Bills of all maturities:

Formula:

$$P=100\left[1-d\left(\frac{r}{360}\right)\right]$$

Where:

d=discount rate, in decimals

r=number of days remaining to maturity

P=price per 100 (dollars)

Note: Purchase prices per \$100 are rounded to nine decimal places, using normal rounding procedures.

B. Computation of purchase prices and discount amounts based on price per \$100, for Reference Bills of all maturities:

1. To determine the purchase price of any Reference Bill, divide the par amount by 100 and multiply the resulting quotient by the price per \$100.

2. To determine the discount amount for any Reference Bill, subtract the purchase price from the par amount of the Reference Bill.

Example. For a \$10,000 Reference Bill with a purchase price of \$9,809.80, the discount amount would be \$190.20, or \$10,000-\$9,809.80.

C. Calculation of money market equivalent yield for Reference Bills of all maturities:

Formula:

$$MMY = \frac{360d}{360 - dr}$$

Where:

MMY=money market equivalent yield

d=discount rate, expressed as a decimal

r=number of days remaining to maturity