



Treasury Flooring Discussion

Dec 4, 2024

Need for a Floor

Unfloored GEMS Calibration produces too large a shift in Reserves

- Without floor, short Yields get as low as -6%
- Produced large increases in Reserves and Capital for Interest Sensitive products
 - E.g. Roughly 3X for ULSG product analyzed via model office ahead of first field test

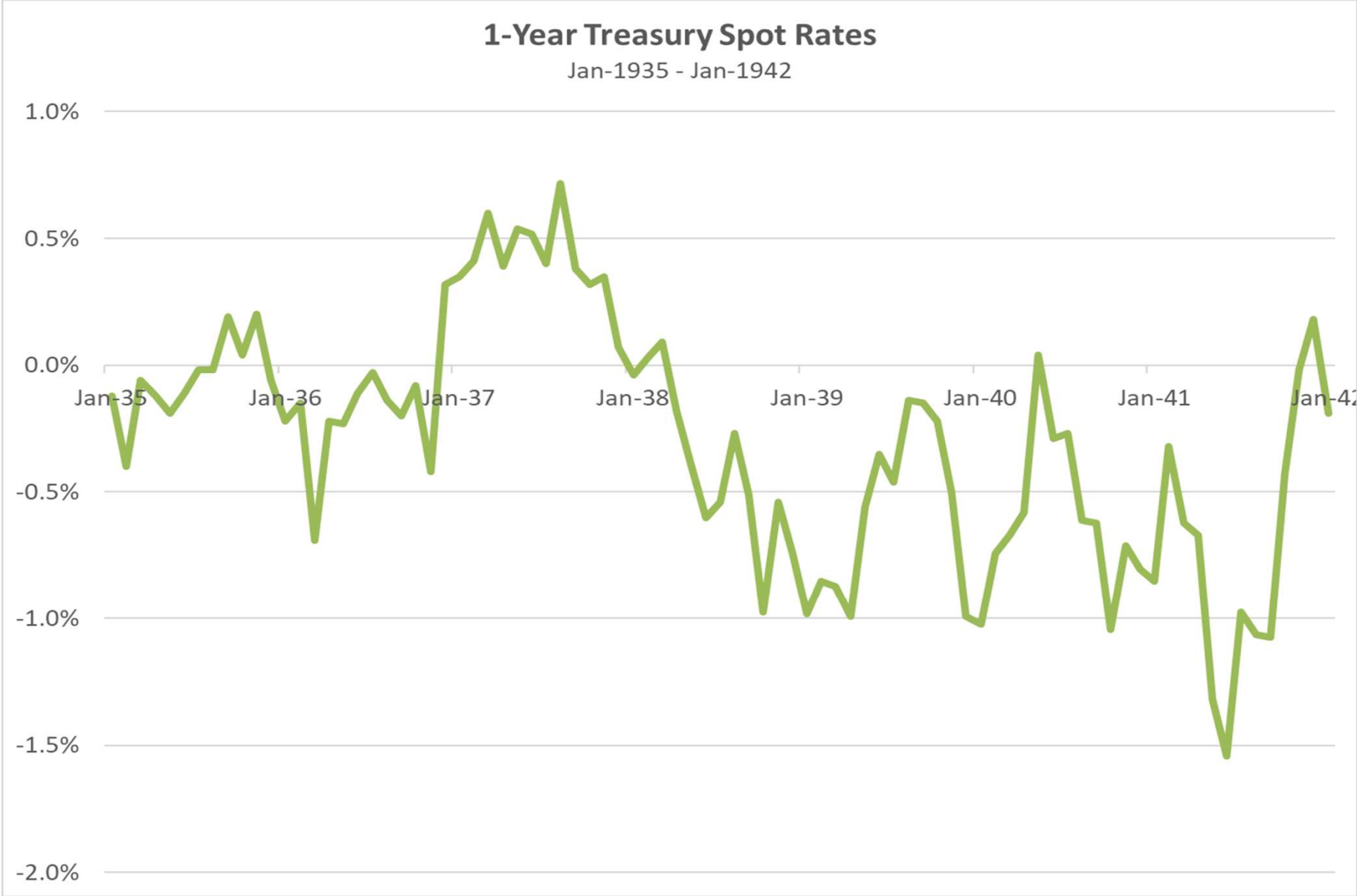
Proposed Generalized Fractional Floor (GFF)

- Used in both Field Tests
- Impacts Spot Yields below 0.40%
 - 20% scaling below that level
- Limits simulated minimum Yields to about -1.5%
- Very few negative Yields on longer bonds (i.e. ≥ 10 Years)

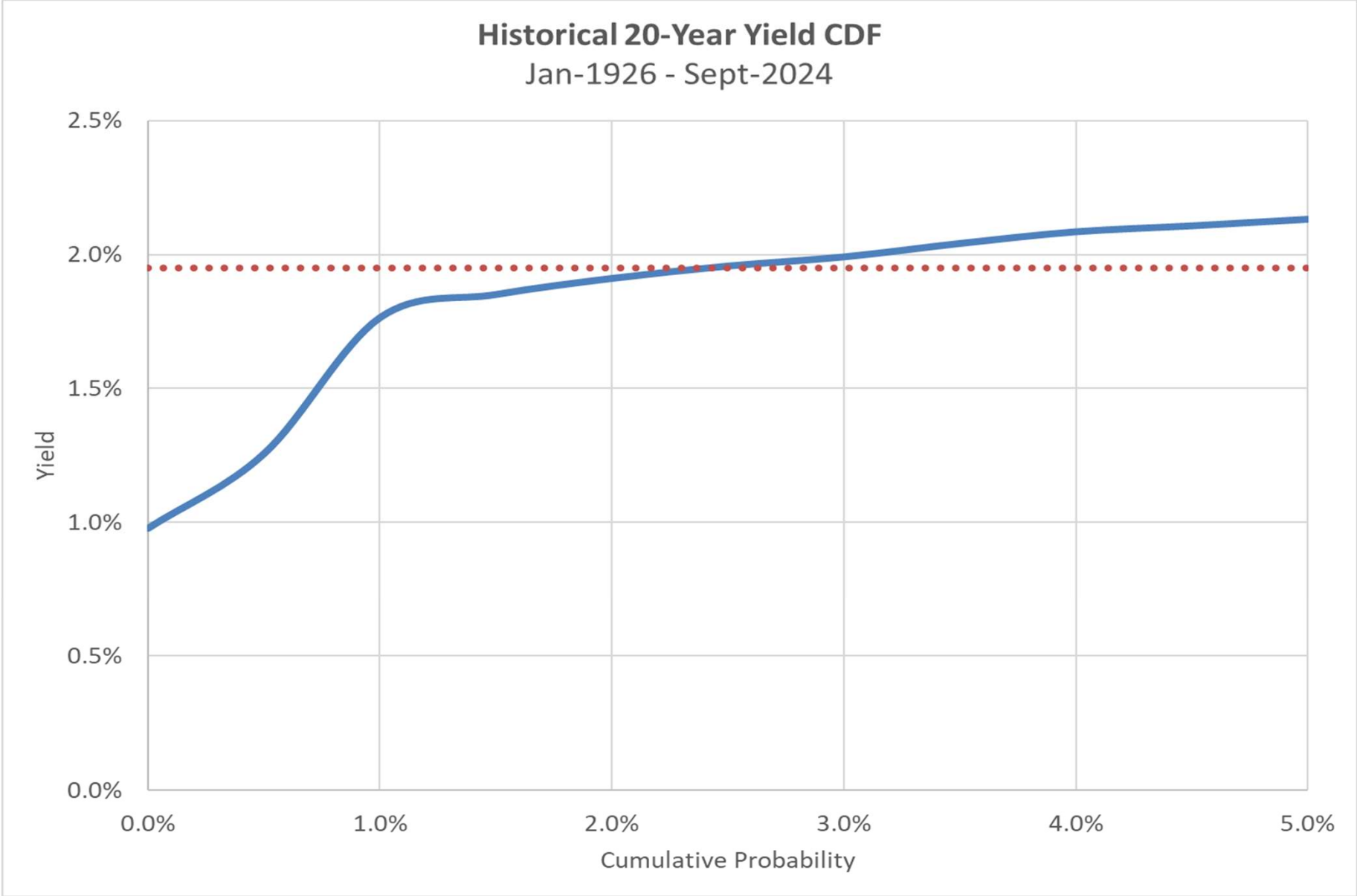
Historical Data



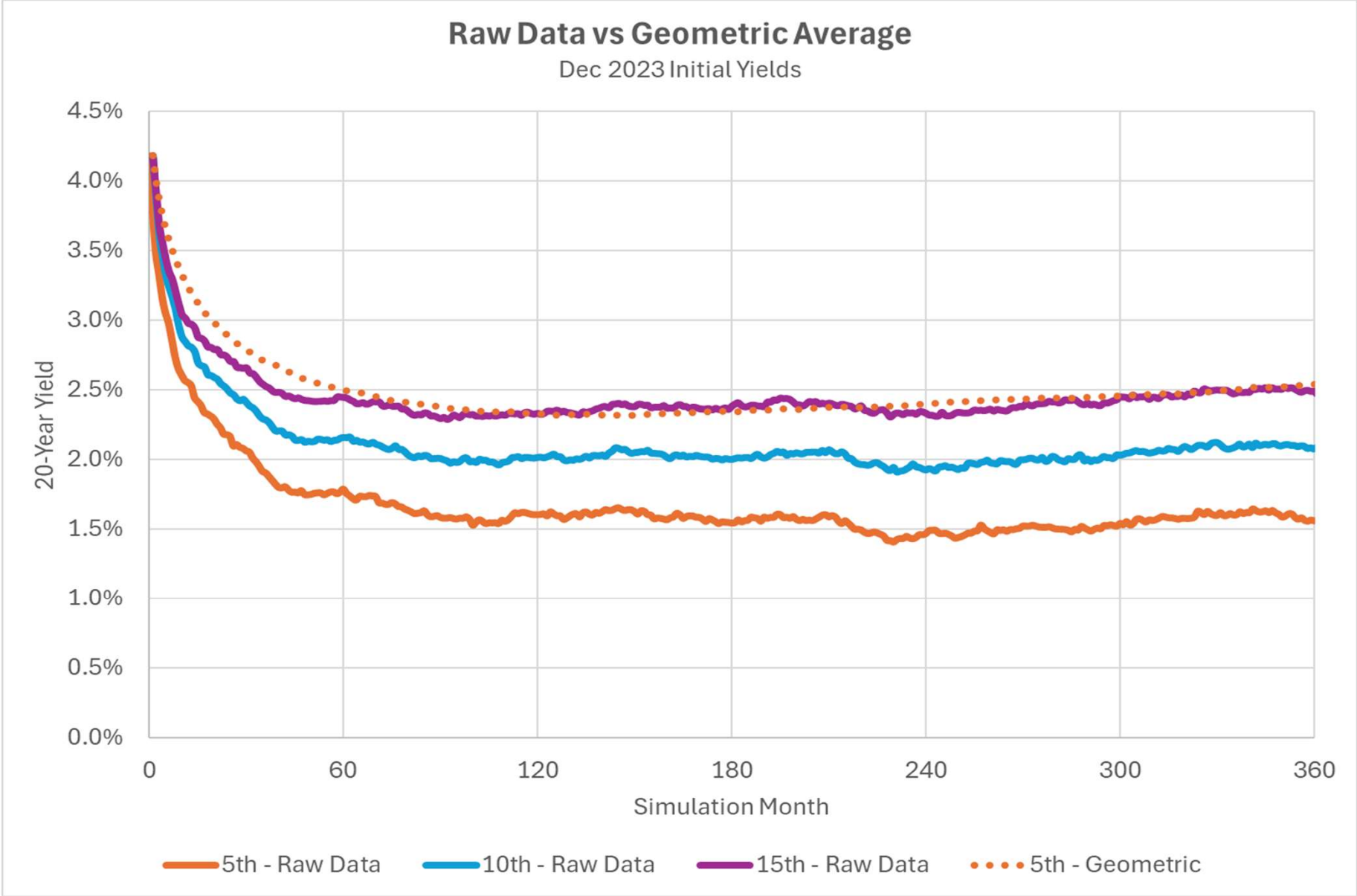
Historical Data – Negative Yields



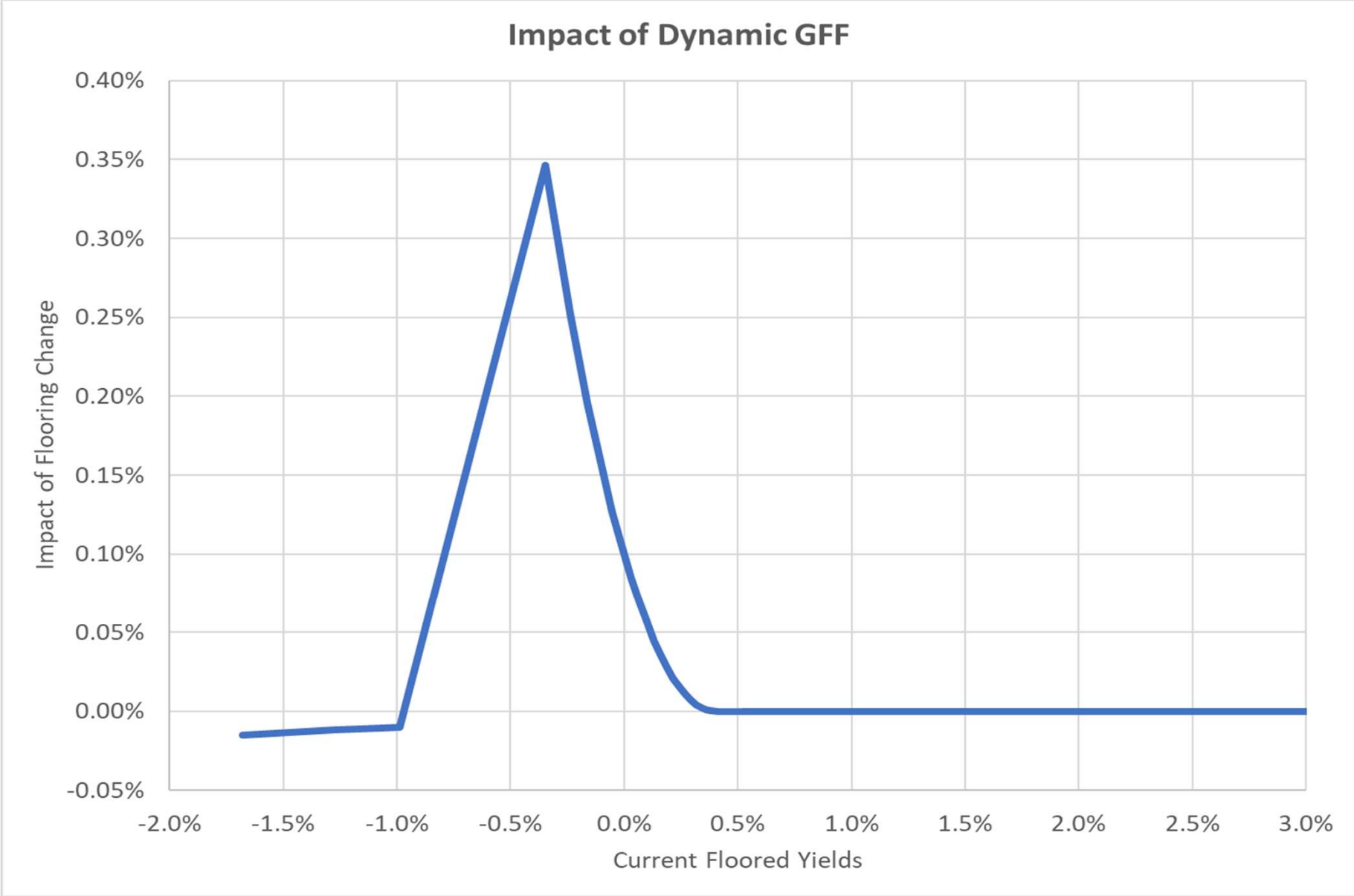
Historical Data – 20-Year Yields



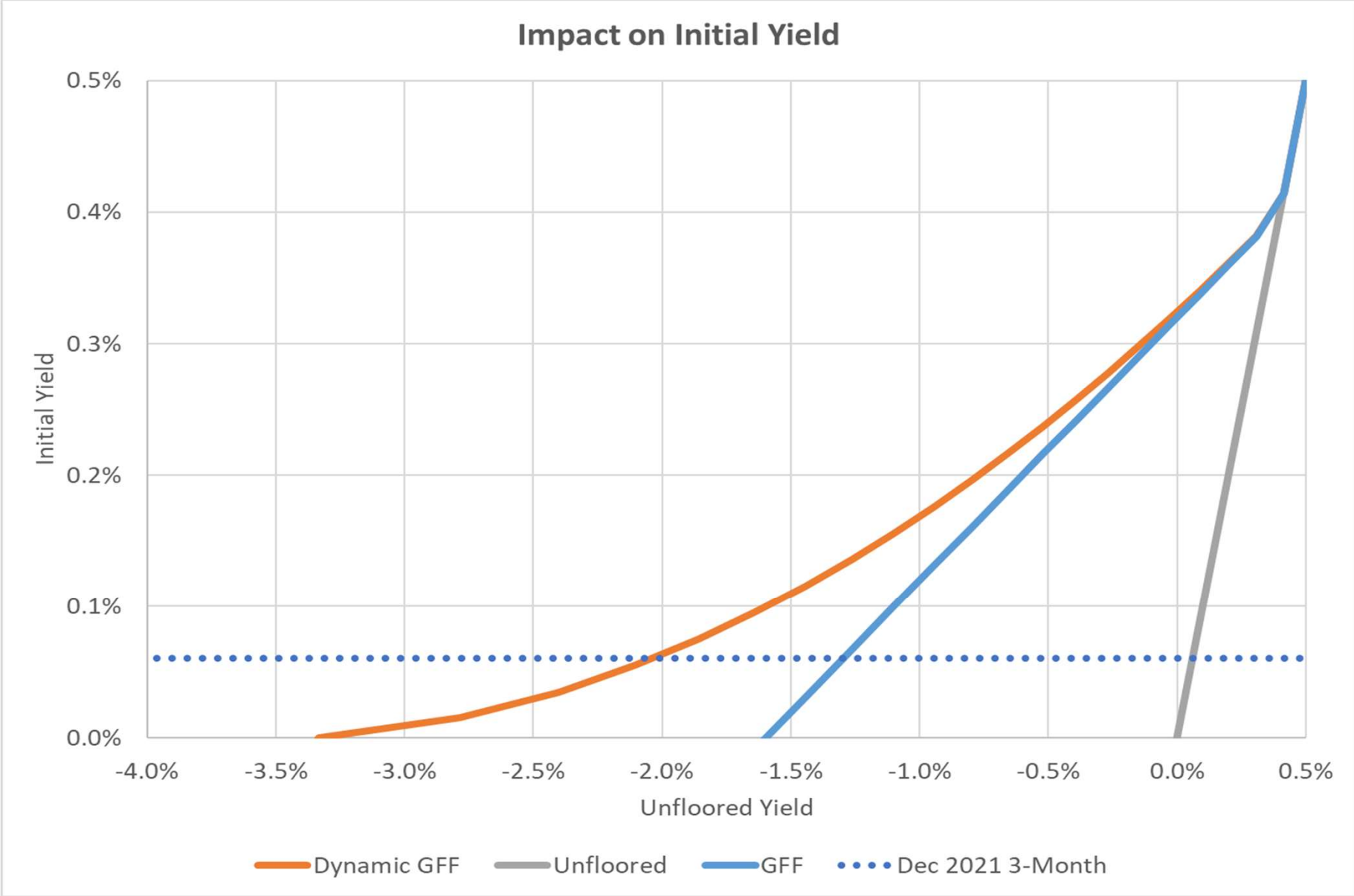
Impact of Geometric Averaging



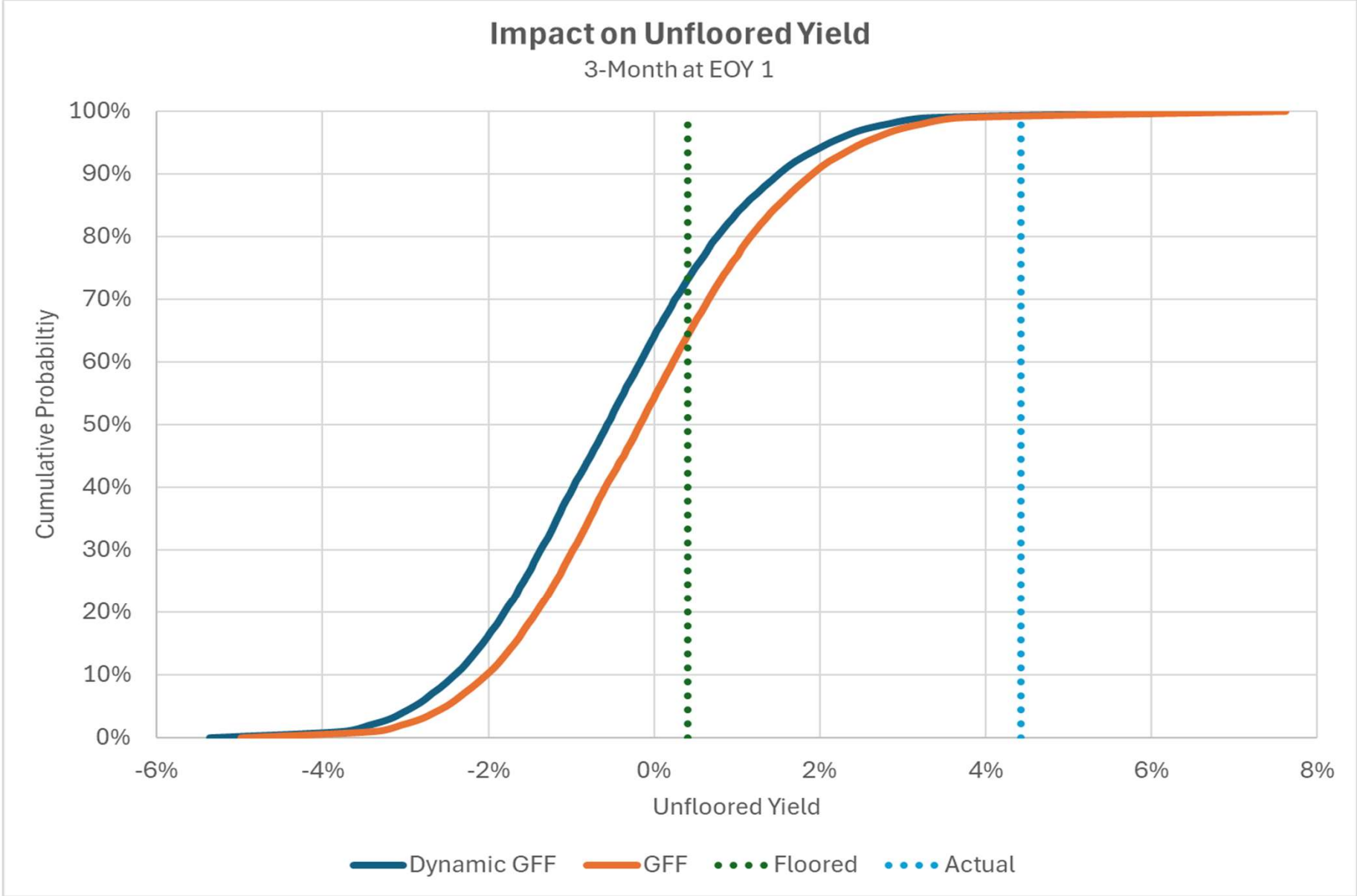
Impact of Dynamic Flooring



Impact of Dynamic Flooring – Dec 2021



Impact of Dynamic Flooring – Dec 2021



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