



US Treasury Clearing Mandate

Answers to your FAQs

August 2025

Contents

Introduction	1
What is the SEC's central clearing mandate? What does it mean for the industry?	2
Who is affected by the mandate?	2
When does the mandate come into effect?	3
Why is the SEC mandating central clearing and what are the benefits?	4
What are the drawbacks to central clearing?	4
How can buy-side firms access clearing?	5
What should market participants do to prepare?	5
What are the potential risks of central clearing?	7
Will non-US market participants be affected?	7
Will bilateral transactions continue?	7
What is State Street doing to meet the SEC Central Clearing requirements?	7
Who should I reach out to with questions regarding the SEC Central Clearing Mandate?	7
Endnotes	8

Introduction

The United States Securities and Exchange Commission (SEC) has finalized rules that will significantly expand central clearing requirements for US Treasury cash and repo transactions. These reforms mark a pivotal shift in market infrastructure, aiming to enhance the resilience, transparency and efficiency of one of the world's most critical financial markets.

With phased implementation deadlines — December 31, 2026 for cash trades and June 30, 2027 for eligible repo transactions — the mandate will reshape how buy-side institutions access and manage Treasury markets.

This FAQ guide is designed to help our clients navigate the evolving clearing landscape. It outlines key dates, eligibility criteria, onboarding models and the benefits of central clearing through the Fixed Income Clearing Corporation (FICC). Whether you're evaluating access options or preparing for operational changes, our goal is to provide clarity and confidence as you transition to a centrally cleared environment.

State Street has been a pioneer in cleared repo since 2005, and our Sponsored Member Repo (SMR) program continues to offer streamlined access to FICC without requiring full membership. Through this program and our broader suite of solutions, we remain committed to supporting our clients with the tools, insights and expertise needed to navigate the new mandate.

What is the SEC's central clearing mandate? What does it mean for the industry?

The SEC's central clearing mandate will require a significantly larger portion of US Treasury securities transactions to be cleared through a central counterparty (CCP), for which at this time FICC is the only qualifying servicer. This applies to both cash trades and repurchase agreements (repos)¹ involving US Treasuries.

Central clearing reduces counterparty risk by making the CCP the counterparty to all trades, ensuring that if one party to the initial trade defaults, the CCP mitigates the impact on the broader market. Originally, the following deadlines were set forth by this mandate:

	Initial deadline	Revised deadline
FICC is required to expand its rulebook to improve covered clearing agencies' risk management practices, protection of client assets, and access to clearance and settlement services	March 31, 2025	September 30, 2025
Compliance to these guidelines by US Treasury cash transactions	December 31, 2025	December 31, 2026
Compliance to these guidelines for all US Treasury repurchase (repo) agreements	June 30, 2026	June 30, 2027

Who is affected by the mandate?

The mandate applies to direct participants of FICC, such as major banks and broker dealers, which generally have to shift their dealer-to-dealer cash activity and both dealer-to-dealer and dealer-to-client repo activity into clearing. The "clients" here, (traditional buy-side firms, including asset managers, hedge funds and pension funds), will also be impacted by this mandate.

While buy-side firms are not required to be direct participants of FICC and largely out of scope for cash trade activities,² they will likely need to clear their repo trades through indirect access models.

This means for US Treasury repos:

- If you are trading over the counter (OTC) bilaterally with direct members of FICC, you will no longer be able to trade with these members on an uncleared bilateral basis.
- If you are trading OTC bilaterally with indirect members, you can still trade with these counterparties on an uncleared bilateral basis. However, the scope for doing so may reduce significantly, as most major banks and brokers are already direct members or are looking to be, and liquidity in the over-the-counter repo market may dry up significantly.

There are a few exceptions, including repo transactions between a firm and its affiliates provided certain conditions are met, and repo transactions with certain sovereign entities such as state and local governments, central banks and international financial institutions.

When does the mandate come into effect?

The SEC rule became final in late 2023 and compliance dates were initially set in 2025 for cash transactions, and 2026 for repo transactions; however, these compliance dates have been delayed to 2026 and 2027, respectively.

Market participants should be aware of three important dates:

- **September 30, 2025:** FICC is required to expand its rulebook and access model changes to promote compliance and allow for broader access to clearing.
- **December 31, 2026:** Mandatory clearing begins for eligible US Treasury cash transactions, primarily affecting trades between sell-side institutions.
- **June 30, 2027:** Mandatory clearing begins for eligible US Treasury repo transactions. This phase is expected to have a more significant impact on the buy-side than the cash transaction phase.

Why is the SEC mandating central clearing and what are the benefits?

The SEC's stated goal is to reduce systemic risk and improve transparency in the US Treasury market.

Central clearing offers several generally agreed benefits, including:

- **Reduced counterparty risk:** FICC becomes the counterparty for all participants, mitigating the risk of default by any one participant.
- **Improved default management:** In the event of a default, losses are mutualized, mitigating the risk of market contagion.
- **Higher counterparty strength:** FICC is a highly reliable counterparty, with AA/A-1+ credit ratings from S&P and Aaa/P-1 from Moody's.
- **Improved capacity and liquidity:** Central clearing provides access to a highly liquid market and facilitates participants' ability to maximize balance sheet netting.
- **Improved transparency:** Central clearing means consistent reporting and risk management across trades.

What are the drawbacks to central clearing?

While central clearing has several benefits, there are some drawbacks, including:

- **Higher costs:** Central clearing comes with associated costs, primarily due to the requirement to post collateral with FICC. These additional costs will vary depending on the kind of clearing access a firm has.
- **Loss of liquidity in uncleared trading:** Liquidity will concentrate within the cleared space, making it more difficult for firms that prefer bilateral trading (to the extent permitted) to find counterparties outside of FICC.
- **Operational and legal changes:** Firms should work with their sponsors and/or clearing members to understand what, if any, updates to their legal documentation might be required in light of the clearing mandate and the FICC rule amendments.

How can buy-side firms access clearing?

Direct membership with the FICC tends to be restricted to large institutions, as it has capital and entity restrictions as to eligibility.

For buy-side firms, there are two main indirect access models currently offered by FICC:

- **Sponsored Membership Program (SMP):** This well-established program allows buy-side firms to access clearing through a sponsoring direct member, which clears trades on behalf of its clients. This indirect access model typically services on a "done with" trading basis, meaning the transaction is executed and cleared by a direct member facing its client as a counterparty.
- **Agent Clearing Service (ACS)³:** This newer model is more aligned to futures clearing, where the clearing member facilitates clearing of its clients' trades on an agency basis. This updated model is driving clearing members to enhance servicing to allow for done-away trading, where the trade execution is done with a direct member and separately submitted to a different direct member for clearing. This ultimately allows for centralization of clearing through one member while retaining multiple trading counterparties.

What should market participants do to prepare?

Determine whether your transactions in Treasury securities are subject to clearing requirements. You should consult with your own advisors when making this assessment. Even if your transactions in US Treasury securities are not subject to clearing requirements, you may wish to clear them voluntarily if they are eligible to be cleared.

Ensure that your legal documentation is in order. Key documents include:

- **Clearing Agreement:** This sets out the terms and conditions of the clearing arrangement between a clearing member and its customer and may cover both SMP and ACS, done-with trades and done-away trades and cash transactions and repo transactions. Sell-side firms may have their own customized forms. The Securities Industry and Financial Markets Association (SIFMA) has published a form of 2024 SIFMA Master Treasury Securities Clearing Agreement; done-with and related schedule and modules that may serve as a starting point for individual negotiations between clearing members and their customers to tailor the terms to their unique commercial, legal and operational positions and needs. SIFMA is in the process of developing corresponding documentation for done-away trades.

- **A global or master repurchase agreement** generally needs a separate trading agreement for every counterparty to the initial bilateral repurchase transaction.⁴
- **A sponsored membership agreement** is required for participants in the Sponsored Membership Program.

Consider the access models:

- Evaluate whether the Sponsored Membership Program or Agent Clearing Service is more suitable for your business. Clearing services akin to the Agent Clearing Service, such as Futures and Options clearing, are common in other markets, but for US Treasuries, the Sponsored Membership Program is far more common
- Choose the right sponsor

Consider margin requirements and options:

- Today, margin contributions to FICC are largely covered by clearing members for their clients activities — but in the future this could change.
- **Segregated Customer Margin:** For broker-dealers in particular, this new option to leverage 15c3-3 accounts at FICC would require clients to contribute on at least a 1:1 basis the margin requirements at FICC from their activities.
- **Haircuts vs. Margin:** Some clearing members might elect to cover their exposures and regulatory capital costs through a haircut on the repo transaction (common today), where others might opt to collect initial margin (IM) separately such as in the case of the Segregated Margin Model. There are significant operational and commercial impacts to both that should be considered.

Key considerations when selecting a sponsor include:

- **Capacity:** Ensure the sponsor has the capacity and flexibility to accommodate your trading patterns.
- **Creditworthiness:** As trades initially face the sponsor before novation to FICC, it is crucial to assess the sponsor's credit profile.
- **Operational expertise:** Work with a sponsor that is familiar with FICC's processes and can provide timely, local support.

What are the potential risks of central clearing?

While central clearing reduces counterparty risk, it does not eliminate this risk entirely. Instead, it consolidates counterparty risk within FICC. The risk is managed through a waterfall structure, where losses are mutualized among members and backed by margin contributions. The FICC makes its own capital contribution to the waterfall, meaning it has an interest that the process works appropriately.

Will non-US market participants be affected?

Yes. Non-US entities trading with FICC direct members will also need to centrally clear US Treasury transactions, regardless of where the Treasuries are held. There are no specific exemptions for cross-border trades, meaning global participants must comply with this new mandate.

Will bilateral transactions continue?

Yes, bilateral trading will still be possible for transactions that do not involve FICC direct members (e.g., trades with other indirect members or non-members). As noted above, there are a few exceptions to the US Treasury clearing mandate, including repo transactions between a firm and its affiliates provided certain conditions are met, and repo transactions with certain sovereign entities such as state and local governments, central banks and international financial institutions. However, as liquidity shifts towards the cleared space, spreads are likely to widen, adding to costs.

What is State Street doing to meet the SEC Central Clearing requirements?

State Street is closely aligned with FICC and industry working groups as the mandate unfolds to help shape and fully understand the implications for us and our clients. We are updating our offering in alignment with FICC to ensure that our client's activity meets the mandate deadlines - and that clients have access to the new access model optionality associated with the mandate.

Who should I reach out to with questions regarding the SEC Central Clearing Mandate?

For more information, please contact:

SSGMFinSolSalesandCM@StateStreet.com

Endnotes

1. Includes both repurchase transactions and reverse repurchase transactions.
2. Cash market transactions which require central clearing: a purchase or sale between a direct participant and (A) any counterparty, if the direct participant brings together multiple buyers using a trading facility and is a counterparty to both a buyer and a seller in two separate transactions, or (B) a registered broker dealer, government securities broker, or government securities dealer, with certain exceptions.
3. Although a version of this access model existed in the past, its use was very limited and the newer model, which is pending various FICC rule amendments, will be substantially different.
4. Multiple principals can be covered by the same master agreement if an agent such as investment manager enters into the agreement on behalf of each of its principals.

Disclaimers and Important Risk Information [2025.01]

This communication is provided only to professional clients or eligible counterparties or their equivalent by State Street Bank and Trust Company or, where applicable and permissible, its bank and non-bank affiliates ("State Street"). State Street Bank and Trust Company is authorized and regulated by the Federal Reserve Board, registered with the Commodity Futures Trading Commission as a Swap Dealer, and is a member of the National Futures Association. State Street Bank International GmbH ("SSBI") is regulated by the European Central Bank ("ECB"), the German Federal Financial Supervisory Authority ("BaFin") and the Deutsche Bundesbank. Details about the extent of SSBI's regulation by the ECB, the BaFin and Deutsche Bundesbank are available from us on request. Products and services described herein may not be available in all jurisdictions or through all State Street entities. Activities described herein may be conducted from offshore. Information provided is of a general nature only and has not been reviewed by any regulatory authority.

This communication is intended for general marketing purposes, and the information contained herein has not been prepared in accordance with legal requirements designed to promote the independence of investment research. It is for clients to determine whether they are permitted to receive research of any nature. Market commentary provided by trading desks is not investment research. This communication is not intended to suggest or recommend any transaction, investment, or investment strategy, does not constitute investment research, nor does it purport to be comprehensive or intended to replace the exercise of an investor's own careful independent review and judgment regarding any investment decision.

This communication is not intended for retail clients, nor for distribution to, and may not be relied upon by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to applicable law or regulation. This communication or any portion hereof may not be reprinted, sold or redistributed without the prior written consent of State Street. This communication and the information herein does not constitute investment, legal, or tax advice and is not a solicitation to buy or sell securities or any financial instrument nor is it intended to constitute a binding contractual arrangement or commitment by State Street of any kind. The information provided does not take into account any particular investment objectives, strategies, investment horizon or tax status.

The views expressed herein are the views of State Street as of the date specified and are subject to change, without notice, based on market and other conditions. The information provided herein has been obtained from sources believed to be reliable at the time of publication, nonetheless, we make no representations or assurances that the information is complete or accurate, and you should not place any reliance on said information. State Street hereby disclaims any warranty and all liability, whether arising in contract, tort or otherwise, for any losses, liabilities, damages, expenses or costs, either direct, indirect, consequential, special, or punitive, arising from or in connection with any use of this document and/or the information herein.

State Street may from time to time, as principal or agent, for its own account or for those of its clients, have positions in and/or actively trade in financial instruments or other products identical to or economically related to those discussed in this communication. State Street may have a commercial relationship with issuers of financial instruments or other products discussed in this communication.

This communication may contain information deemed to be forward-looking statements. These statements are based on assumptions, analyses and expectations of State Street in light of its experience and perception of historical trends, current conditions, expected future developments and other factors it believes appropriate under the circumstances. All information is subject to change without notice.

Participating in trading any financial instrument, including but not limited to foreign exchange, equities, futures, fixed income or derivative instruments, or investments in non-liquid or emerging markets, or digital assets, or participating in securities lending, repurchase transactions or other collateral services present risks, which may include but are not limited to counterparty, collateral, investment loss, tax, and accounting risks. Where applicable, returns may increase or decrease as a result of currency fluctuations. Derivatives may be more volatile than the underlying instruments. Certain foreign exchange business, including spot and certain forward transactions, may not be regulated in all jurisdictions. Past performance is no guarantee of future results.

Financing Solutions Disclaimer Supplement [2025.01]

Australia: This communication is provided to wholesale clients by State Street Bank and Trust Company (Australian Business Number 70 062 819 630, Australian Financial Services License 239679).

Hong Kong: The activities described herein are undertaken by State Street Bank and Trust Company/State Street Securities Hong Kong Limited, and this communication is intended for distribution to professional investors only (as defined in the Securities and Futures Ordinance).

Japan: This communication is being distributed in Japan by State Street Trust and Banking Co., Ltd. ("SSTB"). SSTB is regulated by the Financial Services Agency of Japan ("FSA"). SSTB is licensed under Article 4 of Banking Act and is registered as Registered Financial Institution with the FSA as Kanto Zaimu-kyokucho (Tokin) No. 648 under Article 33-2 of Financial Instruments and Exchange Act, and also is a member firm of Japan Securities Dealers Association and Japan Investment Advisers Association.

Singapore: This communication is made available in Singapore by State Street Bank Trust Company, Singapore Branch ("SSBTS"), which has been granted a wholesale bank license by the Monetary Authority of Singapore. SSBTS is also an exempt capital markets services licensee under the Securities and Futures Act 2001 and an exempted financial adviser under the Financial Advisers Act 2001 ("FAA") for certain regulated activities which SSBTS has notified MAS. In Singapore, this communication is only distributed to accredited, institutional investors as defined in the FAA and its regulations. Note that SSBTS is exempt from Sections 36 and 45 of the FAA. When this communication is distributed to overseas investors as defined in the FAA, note that SSBTS is exempt from Sections 26(1)(c), 34, 36, 45, 47 and 48 of the FAA. This advertisement has not been reviewed by the Monetary Authority of Singapore.

United Kingdom: State Street Bank and Trust Company is authorised and regulated by the Federal Reserve Board of the United States, authorised by the Prudential Regulation Authority ("PRA") and subject to regulation by the Financial Conduct Authority and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request.

Please contact your State Street representative for further information.

To learn how State Street looks after your personal data, visit: <https://www.statestreet.com/utility/privacy-notice.html>.

©2025 State Street Corporation and/or its applicable third party licensor. All rights reserved.

AdTrax: 8274645.1.1.GBL.

Expiration date: August 12, 2026



State Street Corporation
One Congress Street, Boston, MA 02114-2016
www.statestreet.com