



# Preparing for the US Treasury Clearing Mandate



July 2025

# SEC Clearing Mandate for UST transactions

On December 13, 2023, the US Securities and Exchange Commission (SEC) announced expanded clearing requirements for US Treasury (UST) cash and repo transactions that will be implemented in 2026 and 2027, respectively. We expect these enhanced clearing requirements to have significant implications for market participants that trade US Treasuries.

## What is it?

To reduce systemic risk, the SEC wants a significantly larger portion of US Treasury cash and repo activity to be centrally cleared through an SEC-designated Covered Clearing Agency (CCA). The Fixed Income Clearing Corporation (FICC) currently serves as the only CCA for repo transactions in the US Treasury market.

## What is required?

The CCAs must have policies and procedures in place requiring that direct members<sup>1</sup> clear UST cash and UST repo transactions to which they are a counterparty.

**The SEC wants a significantly larger portion of US Treasury cash and repo activity to be centrally cleared through an SEC-designated CCA.**

### <sup>1</sup>Exceptions:

- Certain repo transactions between a firm and its affiliates
- Certain sovereign entities (e.g., state/local governments, central banks, international financial institutions) are not in scope

## US Treasury clearing mandate timeline



### Announcement

**December 13, 2023**

SEC's first announcement of the UST Clearing Mandate



### UST cash trades

**December 31, 2026**

Mandatory implementation date for eligible UST cash trades to be cleared



### UST repo trades

**June 30, 2027**

Mandatory implementation date for UST-eligible repo trades to be cleared

## Eligibility



### Repo

**Eligible transactions** are defined as any repo or reverse repo trades collateralized by US Treasury securities to which a CCA direct member is a counterparty **(Includes any firm trading with a CCA direct member)**.



### Cash

**Eligible transactions** are defined as any secondary market purchases and sales of US Treasury securities between CCA direct members and registered brokers and dealers. **(Only includes buy-side firms when trading on an interdealer-brokerage platform with a CCA direct member)**.

### Key exceptions

Any **US Treasury security cash or repo transactions** involving:



- Central banks
- Sovereign entities
- International Financial Institutions
- State and Local Governments



## Implications

If you are a buy-side institution that is not a direct FICC member and you have uncleared UST cash or repo activity with:

- Other **direct FICC members** today, you may be able to keep your cash trades uncleared, but you will likely need to clear repo trades
- **Indirect (non-FICC) members** today, you may be able to keep your trades uncleared, however the uncleared space is expected to be significantly impacted by:

### Decreased counterparty optionality

- Most major banks/brokers are already FICC direct members today
- An increasing number of larger market participants are trending toward direct membership in alignment with the mandate

### Diminished liquidity

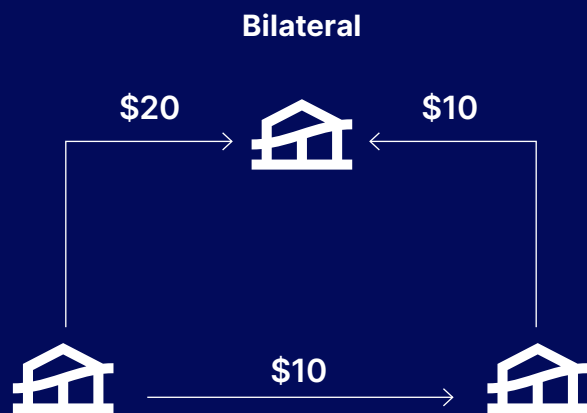
- Potential for material reduction in uncleared repo market activity as liquidity shifts into clearing

### Increased cost

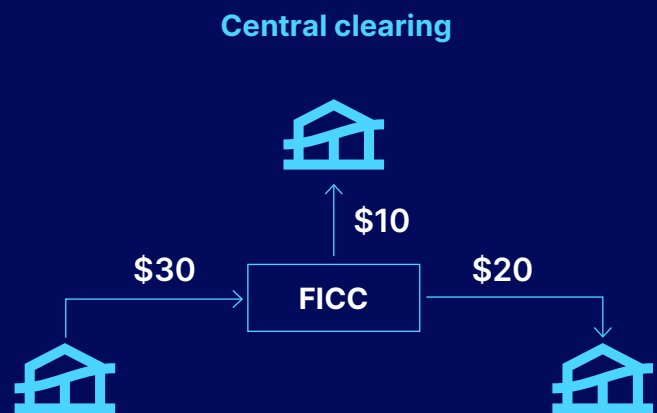
- Potential for uncleared spreads to widen as liquidity and counterparty optionality diminish. Moving trades to clearing also introduces incremental cost as the provider must cover margin and operating costs



# Other than the regulatory requirement, why clear transactions?



Due to the interconnectedness of the markets, if one party defaults, many other parties will be impacted due to non-performance of the trading obligations.



A Covered Clearing Agency (such as FICC) acts as a counterparty to all parties, netting down payment obligations across all the cleared contracts to one payment obligation per party, thus shielding non-defaulting market participants in the event of default.

## Key benefits of central clearing with FICC

### Counterparty strength

- FICC credit ratings as AA/A-1+ (S&P) and Aaa/P-1 (Moody's)<sup>2</sup>
- Specializing in the matching, clearing and netting of transactions in US Treasuries and agency debt securities

### Capacity and liquidity

- Access to highly liquid investments
- Facilitating members' ability to maximize the availability of balance sheet netting

### Risk mitigation

- Reduced counterparty credit risk weight under BASEL III
- FICC guarantees settlement for all matched trades
- Margin (clearing fund) posted by direct members on behalf of sponsored client
- Total daily settlement obligations of participants are greatly lowered as a result of netting

<sup>2</sup> Rating as of June 2025

# FICC access models

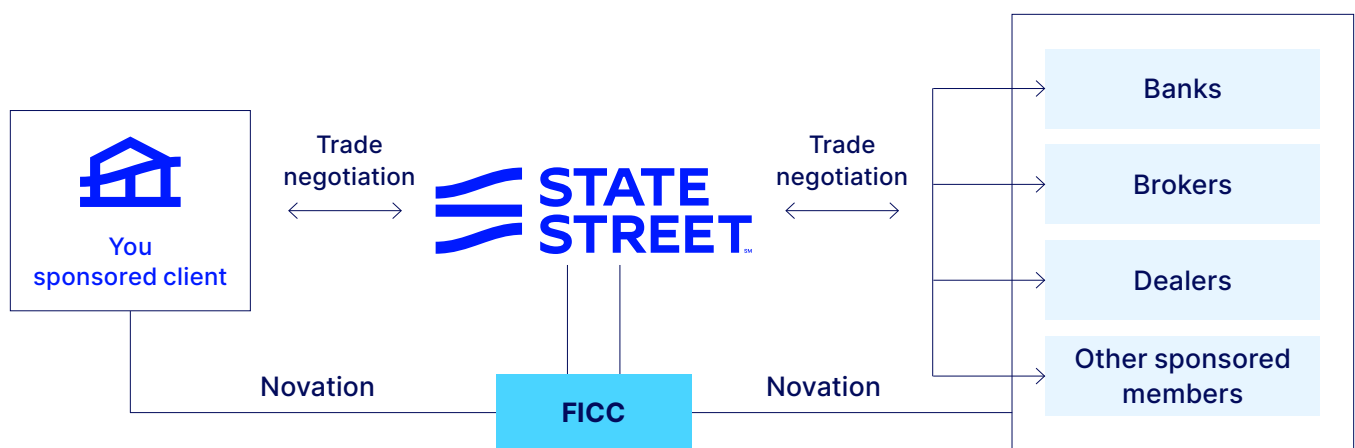
	Models	Description	Key considerations / Things to know
Indirect access	<b>Direct member</b>	Full FICC Government Securities Division membership	<ul style="list-style-type: none"> <li>• Strict eligibility requirements (i.e., entity type/capital)</li> <li>• Manage own clearing fund</li> <li>• Subject to loss mutualization</li> </ul> <p><b>Operational requirements:</b></p> <ul style="list-style-type: none"> <li>• System connectivity setup</li> <li>• Reporting obligations</li> <li>• Operational testing participation</li> </ul>
	<b>Sponsored member</b>	Under State Street's existing SMP model, access cleared repo directly with limited onboarding required. State Street streamlines access to cleared repo, handling processing with FICC and contribution of margin on your behalf.	<ul style="list-style-type: none"> <li>• Exposure to highly rated CCA, backed by default fund</li> <li>• Performance guaranteed to FICC</li> <li>• Simplicity of using an existing model</li> </ul>
	<b>Agented clearing "done-with"</b>	Under the new Agent Clearing Services (ACS) model, access cleared repo indirectly with limited onboarding required. State Street streamlines your access, handling processing with FICC and contribution of margin on your behalf.	<ul style="list-style-type: none"> <li>• Incremental capacity beyond SMP model</li> <li>• Flexibility to route some trades to "done away" under same model</li> <li>• Performance guaranteed to FICC</li> </ul>
	<b>Agented clearing "done-away"</b>	Under the ACS model, trade with any FICC member and route trades to State Street for centralized clearing. We streamline your access, handling processing with FICC. You contribute your own segregated margin or State Street can contribute on your behalf.	<ul style="list-style-type: none"> <li>• Maintain relationships with existing counterparties while still ensuring trades comply with mandate</li> <li>• Flexibility to route some trades to "done with" and tap into State Street's liquidity under same model</li> </ul>

**Note:** Firms can become direct members to clear their own trades, but terms for eligibility are strict and not all firms may qualify. Buy-side firms can instead access cleared repo via a variety of complementary indirect access models — wherein a direct member facilitates the clearing of their clients' trades.

**Note:** State Street currently does not offer all services outlined above as some aspects are under development and are subject to internal approvals; we cannot affirm at this time when or if we will be able to provide all aspects of the product in the future.

# Why choose State Street's sponsored member program?

State Street collaborated with FICC in 2005 to establish the first sponsored cleared repo offering and has maintained a market-leading position.



## Streamlined access model

Unlock the benefits of clearing without needing to satisfy full membership obligations. Execute limited standardized documentation to trade with State Street, who submits trades to FICC for clearing and handles clearing fund on your behalf.

## Liquid financing and investment outlet

Invest or borrow cash against US Treasury or Agency securities at flexible terms to achieve incremental gain or generate funding to support broader strategies.

## Risk management and credit intermediation

Transactions are collateralized with minimum haircut requirements; State Street guarantees your performance to FICC and is backed by balance sheet of market-leading custodian. Trades novate to FICC, meaning your ultimate exposure is to FICC, a highly rated central counterparty.

## Operational efficiency

State Street manages custodial, infrastructure and trade processing activity with FICC and integrates directly with your State Street custody, or third-party, accounts.

# Benefits of State Street's FICC sponsored member repo

## Bilateral vs. sponsored central clearing with FICC

	Uncleared bilateral repo	State Street FICC sponsored member repo
<b>Venue</b>	Portal, Bloomberg, phone	Portal, Bloomberg, phone
<b>Action</b>	Cash investment or financing	Cash investment or financing
<b>Liquidity</b>	Subject to individual broker capacity	Broad, centralized market-making availability
<b>Rates</b>	Negotiated directly with broker	Stable, competitive
<b>Trade processing/ Custodial services</b>	Managed by client	Handled by State Street
<b>Credit quality</b>	Broker's credit	FICC, (S&P Credit Rating of AA)
<b>Resiliency</b>	Subject to individual broker's risk management practices	<ul style="list-style-type: none"> <li>FICC and State Street guarantee of your transactions</li> <li>State Street contributes to clearing fund on your behalf</li> </ul>
<b>Compliant with SEC clearing mandate</b>	No <sup>3</sup>	Yes

<sup>3</sup>For transactions in eligible US Treasury securities where at least one counterparty is a FICC Direct Member.



# Frequently asked questions

## **1. Why is the SEC implementing these changes?**

Today, a significant portion of treasury funding and cash markets remains uncleared. A shift to central clearing is intended to reduce contagion risk posed by non-centrally cleared trades in event of default.

## **2. Is there a possibility that the implementation date of mandatory clearing requirements can be postponed?**

While there is a possibility, there has been significant momentum and investment of time/energy by market participants and infrastructure to prepare for the mandate.

## **3. If we (or our trading counterparties) are not a US entity, do we still need to adhere to these rules?**

The rules apply to all direct members of the FICC, even to non-US entities.

## **4. Do we need to have a custody account at State Street to participate in their Sponsored Member Repo (SMR) Program?**

No. A custody account at State Street is not required.

## **5. Are there any additional costs/fees to participate in State Street's SMR Program?**

No. The quotes provided from State Street on repo/reverse repo are inclusive of all costs.

## **6. Does State Street's SMR program support term transactions?**

Yes.

## **7. I operate mainly within Asian or European office hours. Do I need a US trading desk to transact in UST repos?**

No. State Street supports a global service model for repo execution and client servicing.

## **8. How long does it take to sign up and be onboarded?**

This depends on several factors (e.g., client commitment, the quantity of contested points). Generally speaking, if you accept our standard form, onboarding and setup typically takes one to two months.

## **9. Should we have multiple sponsoring agents?**

Just as there are pros and cons to appointing multiple brokers, using multiple sponsors has benefits as well as additional costs and complications.

For smaller counterparties, the structural challenges of adding a second or third sponsor can be prohibitive. Many prefer the ease of staying with a single sponsor relationship.

However, as liquidity is expected to pivot from uncleared to cleared trade activity, using multiple sponsors may not be a luxury limited to large counterparties, and it may become a necessity for all counterparties.

For more information regarding State Street  
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