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U.S. TREASURY CLEARING: SEC MANDATE AND MARKET CONSIDERATIONS

The Securities and Exchange Commission has adopted new central clearing requirements applicable to a substantial portion of repurchase transactions on, as well as certain purchases and sales of, U.S. Treasury securities. This significant change to the U.S. Treasury market will occur over a period of phased compliance dates that will continue through June of 2027. This article provides an overview of the rule and the existing and proposed clearing models for U.S. Treasury transactions, and identifies several critical issues for market participants to consider in their implementation and compliance initiatives in the remaining time before the compliance dates.

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EXECUTIVE SUMMARY

As the largest and most liquid sovereign debt market, the U.S. Treasury (“UST”) market serves a fundamental role in the functioning of the global financial system.¹ Following significant disruptions in the UST market over the past decade, the Securities and Exchange Commission (the “SEC”) adopted new rules² that will, among other things, require the central clearing of the

vast bulk of repurchase transactions (“repos”) on USTs as well as a variety of purchases and sales (“cash transactions”) of USTs (such requirement, the “UST Clearing Mandate”). In connection with the UST Clearing Mandate, the SEC also adopted amendments to the broker-dealer (“BD”) Customer Protection Rule under section 15(c)(3)(A) of the Securities Exchange Act of 1934 (the “Exchange Act”) to allow BDs to record a debit in the SEC Rule 15c3-3a reserve formulas for certain margin collected from customers and on-posted to a registered clearing agency that provides central counterparty services for Treasury transactions (a “Treasury CCP”, and such amendment, the “15c3-3 Amendment”).³ The purpose of this amendment is to facilitate the ability of Treasury CCP direct participants (also known as “clearing members”) that are BDs to

¹ SIFMA.org, *US Treasury Market Statistics* (May 1, 2025), available at <https://www.sifma.org/resources/research/statistics/us-treasury-securities-statistics/>.

² Standards for Covered Clearing Agencies for U.S. Treasury Securities and Application of the Broker Dealer Customer Protection Rule With Respect to U.S. Treasury Securities, 89 Fed. Reg. 2714 (Jan. 16, 2024).

³ 89 Fed. Reg. 2714, 2760 (Jan. 16, 2024).

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