Crisil Coalition Greenwich

U.S. Treasury Clearing is Here—What You Need to Know

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Repo and U.S. Treasury clearing will increase in 2026. The SEC finally put forth, voted on and passed a final rule laying out their long-expected approach to mandatory clearing for this systemically important market after years of industry speculation and debate.

The SEC's fact sheet is quite helpful in understanding the final rule, but it still has a good amount of jargon. In plain English, here is what you need to know:

Treasury Clearing

All U.S. Treasury trades between members of FICC (see list here) and registered brokers-dealers (see list here) must be cleared. Also, any trades done via an interdealer broker that is a FICC member must also be cleared. This means that even non-dealers (i.e., principal trading firms) trading on those platforms would have to clear.

This mostly keeps the buy side out of the fray (i.e., hedge funds and asset managers). It will bring in some principal trading firms as some (although certainly not all) trade out of a broker-dealer entity, and many trade via interdealer platforms.

Repo Clearing

All repo and reverse repo trades that include U.S. Treasuries and involve a FICC member must be cleared. This mandate **will** bring in the buy side, given much of their repo trading occurs with the biggest dealers who are also clearing members.

Margin

This one gets a little more complicated, but the important point is that FICC will need to have clear policies and procedures to "calculate, collect and hold margin" for both members and non-members, with the margin held in separate accounts. In other words, bank and client margin cannot be comingled. This is similar to the futures and cleared swaps market and will likely move direct members to an FCM-like model.

Lastly, the SEC made a change to an existing rule that could reduce reserve requirements for clearing members. Something that could perhaps work as a carrot to clear more, rather than a stick.

Other Things to Know

Right now, DTCC-owned FICC is the only game in town for U.S. Treasury and repo clearing, so talk of “covered clearing agencies” in the SEC text is talking to them. That said, history has shown that clearing mandates can encourage the birth of new clearinghouses. Starting a new clearinghouse is, of course, a huge hill to climb. But Treasury and repo markets are equally huge and present big opportunities for those willing and able to climb.

Implementation Timeline

- **March 31, 2025:** Clearinghouses must have their policies, procedures, and access in compliance with the new rules. In other words, they have to be ready for the mandates even though the mandates haven’t kicked in yet.
- **December, 31: 2025:** The Treasury clearing mandate goes into effect as explained above.
- **June 30, 2026:** The repo clearing mandate goes into effect as explained above.

Our Thoughts

The clarity and path forward provided by the SEC is a positive step ahead. The repo clearing mandate will capture a significant portion of the market, including the buy side. The industry as a whole has expressed broad support for this approach over the past year. The Treasury clearing mandate left out “hedge funds” that were part of the original proposal, which we think was the right move to create a more palatable and obtainable final rule.

Some feel mandating the clearing of only interdealer trades disincentivizes trading in order book markets where benchmark prices are set and will keep dealers trading with clients directly and internalizing flow (matching orders between affiliates rather than in the open market). This could very well be true. However, in the interest of progress, the walk before you run approach will still be a big step forward.

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