

Martin Lawrence (The VX)

Welcome to today's session on the transition to mandatory clearing of US Treasury Securities. My name is Martin Lawrence. I represent the Value Exchange and I'd like to put a big thank you to all of you for joining us. To put the context of today's topic into perspective, the US Treasury market remains the largest and most liquid sovereign debt market in the world with approximately \$30 trillion worth of marketable debt outstanding. An average trading volume on a daily basis can reach as high as \$1 trillion per day and over for cash trading. While in the repo market, collateralized by treasuries, of course, can exceed 4 trillion daily. Now, despite this scale, only a minority of these transactions are centrally cleared today. Estimates suggest somewhere in the ballpark of 30% of transactions are cleared through central counterparties. And so as we talk about mandatory clearing, we're talking about a structural shift that could bring trillions of dollars more in daily trading flow into central clearing arrangements. Which is clearly a very significant change for risk management, for capital management, for operational processes across the industry. And so very fortunately to unpack all of that. I'm delighted today to be joined by a panel. We have Steve Byron from SIFMA. We have Brian Diskon from DTCC, we have Mark Dicala from Broadridge, and we have Nate Werfel from BMY. So thank you, gents, all for being here today. We I'm just going to share my screen quickly. So I want to talk to you a little bit about a survey that we ran together as a group. But before doing so, just a tiny bit of housekeeping. Please feel free to submit any questions you have throughout using the Q&A panel at the bottom. We will do as best we can to address as many of them as we can before we get to the end of the session. As you can see on the screen that I'm sharing, there is a QR code at the bottom left. Now that QR code will take you straight to the key findings of the research that we did as a group together, understanding the readiness for US Treasury clearing. And these are just a few of the highlights of them. So US Treasury clearing is still very much a North American topic. Once we move outside of North America, the level of understanding on the activity, client types that are in scope, etc., starts to become smaller. That's one of the things we're looking to address with the group today. There's also a shared expectation that mandatory clearing will raise capital and treasury costs, with some 38% believing their margin will increase by more than 25%. At the same time, readiness depends heavily on the clarity around CCP operating models and system changes with 88% of respondents telling us that they cannot finalise preparation until they have that clarity. And so Brian here is going to give us some clarifications and some and some guidance on the FIC models. Almost half of the respondents said that there's some remaining rules that they need to have clarified to stay on track, otherwise they risk falling behind. Um but having said all of that, um And while there clearly is a lot of work still to be done, a healthy 47% of firms are very confident of being ready in time, with a further 41% being somewhat confident. And so I think that's a really positive number of firms when it comes to their preparedness today. And all of those factors we've just talked about are going to have a significant impact on how the industry starts to prepare over the next 12 to 18 months. And With that context in mind, I really wanted to just start with a very quick audience poll. So Yusani, if you could quickly pop up the

audience poll So I just wanted to get an idea from the people that we have here today. We have a large number of you on whether or not you are directly impacted by the transition to mandatory clearing of US Treasury Security. So You have three options. Yes, that's why I'm here. Not directly, but I'm very interested in the topic. Or I don't know, please help me to understand the scope. You'll see kind of why we're asking that question in a moment, but it kind of leads with a lot of conversations I've had around the industry, which some people are struggling to understand if they are impacted or not. So Iosune, maybe if you could just show us the response to that and then Steve, um I'm basically going to hand straight over to you if that's okay. And what I'd love it if you could do is to kind of ground us in some of the fundamentals, taking us through, you know, what's in, who's in, and why this matters. Okay, so not too many who aren't aware, but Steve, perhaps still you can go through that that's good news, and in line with the survey results.

Steve Byron (SIFMA)

So, hi everybody, I'm Steve Byron, Managing Director, Head of Technology Operations and Resiliency here at CIFMA. And thank you all for participating in today's webinar. Treasury clearing has been and remains one of our top priorities here at CIFMA, and we appreciate the partnership of Bank of New York, Broadridge, DTCC, and the value exchange on this event and on the survey. We thought it would be helpful, as Martin said, just to provide an overview of the scope of the SEC US Treasury Clearing Regulation. So let me start with a little bit of background The Treasury Clearing mandate stems from the SEC's December 23 rule amendments under Rule 17-22, which is aimed at transforming the \$30 trillion US Treasury market. As we know, the US Treasury market is the world's deepest and most liquid market and underpins global finance, serving as a benchmark for pricing, hedging, and Federal Reserve policy implementation. The core goal of the SEC regulation is to mandate central clearing through covered clearing agencies or CCAs, where a central current party or CCP Acts is the buyer to every seller and the seller to every buyer, which reduces systematic and counterparty risk. The benefits of central clearing include netting efficiencies, orderly defaults, better transparency for regulators, and increased market resiliency. The SEC rule applies to eligible secondary market transactions involving U. S. Treasury securities for cash trades. It covers purchases, sales, between CCA direct participants and registered broker dealers, government securities dealers and brokers, or transactions done via IBDs IDBs. The scope of Treasury repo clearing is broader. Essentially it will cover all Treasury repo as done with members of a CCA with very limited exceptions. The rule imposes requirements on the CCAs providing central counterparty services for Treasury Securities Currently, FIC is the sole CCA, but these requirements will apply to any incoming CCA registrants. And as we know, ICE and CME will be launching their product offerings in the coming year with the CME rulebook already being approved. The rule requires CCAs for Treasury Securities to have reasonably designed written policies and procedures that require mandatory clearing of eligible secondary market transactions by a registered CCA Any CCA will be

required to ensure that it has appropriate means to facilitate access to clearance and settlement services of all eligible transactions CCAs are required to update their rulebooks based on the revised clearing access models and rules in accordance with the SEC rule. Entities in scope include US and non-US banks, broker dealers, asset management, head funds, and pension funds. Foreign banks would now qualify for clearing membership equivalents. So let's turn a little to the timeline. As most of you will know, the original effective dates of the rule was set for 2025, 2026, but the SEC extended the deadlines in February of last year due to industry requests for more prep time. So now, cash trades must clear by the end of this year, December 31st, and reposed by June 30th, 2027. Unlike the T plus 1 transition that took place in 2024, this will not be a big bang go live and firms can move to the new clearing model as and when they are ready. I wanted to turn for a moment just to the work that CIFMA has been doing on Treasury Clearing and highlight a few milestones. In the fall of 2024, CIFMA released a US Treasury Clearing Considerations report which lays out in detail the steps industry participants can take to increase readiness. In December 2025, We delivered the Dunaway Implementation Guide, which provides our members, industry, utilities, and trading venues with a set of requirements needed to support US Treasury Dunaway activity. This was the culmination of over six months worth of work across buy-side, sell side, and clearing firms and was a major delivery for us and the industry. We have also published standard done with model documentation to create efficiencies in the onboarding of entities, not in the clearing ecosystem today. And we're currently working on developing Dunaway documentation for use by the industry. We'll also be ramping up our industry outreach on Treasury Clearing in the coming months, so please keep an eye out for future webinars and other materials. And with that, I'll hand back over to Martin and we can get the panel discussion going.

Martin Lawrence (The VX)

Thank you, Steve. That was very insightful. And hopefully Give some really great guidance to everyone who's here to understand exactly what's the scope and what CIFMA have been doing over the last uh short time to help uh the industry progress. Moving on a little bit, I wanted to kind of bring back to what firms are actually doing today. So kind of Brian, Nate, Mark, I'm going to come to each of you on this one. Maybe if you could just start with A quick introduction into who you are, but then just sharing, you know, what your organizations are working on um to ensure both you and your clients are positioned well for the change. And I'm just gonna go as you ordered you are on my screen. So Mark, if you go first.

Mark Pekala (Broadridge)

Sure. Hi, everybody. Happy to be here. Mark Pekala. I uh I help lead and drive the fixed income initiatives of Broadbridge on the capital market side. So again, happy to be here today So for starters, for those of you not familiar too much with the Broadbridge scope, we process roughly 70% of the streets fixed income activity from a post-trade perspective through our engines. That said two engines in particular, Impact and Shadow, have been predominantly the gateways that our clients leveraged. to clear activity through FIC. So we've been clearing activity for decades. It's nothing new, but of course it was always on a broker-to-broker basis, right? So to put things in perspective for the changes that are happening, just to double down on what was just alluded to by Steve, you know, we are on this in this hybrid state where we do have clients obviously leveraging at fixed access models today. So things are already in flight to adopt into the new world where you're clearing those dealer-to-client trades that ordinarily would never be cleared in the old world. But again, in the old world, all you had to worry about if you were a middle office person was, oh, did my dealer-to-dealer flow go to FICC to clear And did my dealer to client activity, did I confirm the allocation structure? Did I submit it to the Bank of New York as an example to clear up, to settle rather? And that was all you had to really worry about. Now the paradigm shift Focuses on how to manage that new world because to use round numbers, in the old world it was what, roughly 70 to 80% of the activity went X clearing. The whole scope of the mandate is to not get all of that scope to be cleared because there are some exceptions, but you're going to get a significant uptick from that 20 to 30 percent. cleared today or in the old world to be cleared so it's gonna uptick significantly and that's what the the big change here is invasively for everybody to uh navigate as we move forward but on our side what we've been able to do is working with strong partnerships with the FICC and the Bank of New York to enable clients to access these uh uh to access these access models. Uh starting with the sponsor programs that the FICC had, you know, years ago. So it was obviously more optional then to have access to sponsored repo as an example or sponsored GC. But again, we had uh several clients that took advantage of those of those programs. And then spring forward to December of 2023, when it got ratified and it became a regulation, obviously we saw a significant uptick in adoption to those access models. More sponsored repo, more sponsored GC, sponsored outright adoption became a thing again that we were able to work with clients to uh to enable those functionalities. Then of course the agent clearing service, which FIC rebranded from the old Prime Brokerage model to be for agent clearing purposes, more adoption of those models. Again, both flavors, done with, moving into the done away. So both aspects that we were able to configure to get clients live with. And of course, last year We were able to get clients ready for that first milest milestone of sorts, which was that separation of house and customer margin flows. So that was really the first dabbling into this as we all evolved into this new world We were able to get clients going with that change that happened. And then we again, this is an evolution. That's the key the key word here. This is an evolution because more access models come to the to the market in terms of fruition. collateral in Lou was just uh went live uh last month so uh the Broadbridge side we had our first client go live which was a large The Tier 1 Global Bank went live technically in December. So we look forward to more clients getting enabled with

that as this year evolves because there have many, many benefits that they can reap with CIL, which I'm sure Brian's going to allude to a little bit later. But again, this year the focus is getting our clients ready for what's next, what's coming down the pike in terms of December readiness for outright. And again, the subsequent year in June for repos. So all those client discussions we've held historically, we're doubling down. Everyone's busy, obviously ourselves included. Our advisory services or consulting arm is very engaged with our client base to give them the wherewithal to get ready as well. But uh I'll end it on this, what uh is really taking place now, two things. Uh one thing is a popular misnomer where uh certain clients believe, and this Martin kind of transcends into the stats that you showed a little bit earlier. We have this misnomer in the industry where clients will believe that some clients will believe that, oh, uh my treasury activity settles through EuroClear or another depot, maybe ClearStream. non-traditional, obviously the majority settle through uh through uh domestic uh depositories here i. e. the bank of new york but um uh that uh navigation has been critical for us to make clients aware that those activities are in scope And again, on the Broadbridge side, we have clients using our international platform, Gloss, to settle certain transactions in the Treasury market that go through the Bank of New York, but there are no clearance capabilities there. Same thing on our BPS application, which clients use predominantly for listed equity transactions. Clients do trade and process Treasury transactions through that platform as well. But again, no clearance capabilities. So what we've done is we've developed a standalone agnostic module that adapts to BPS. It will adapt to GLOSS to get clients connectivity that they need to the FICC. So we're getting clients ready for that. Lastly, we are getting clients ready to take advantage of the FIC CME cross-margin capabilities. Clients are going to require a new FIC account that again, Broadbridge will configure for them. uh as we evolve into this year. So a lot of work to do in a short amount of time. Thanks, Mark.

Martin Lawrence (The VX)

So you guys have been uh you've been very busy, so that's great. Nay, onto your side at BMY again, maybe just share a little bit about what you've been doing as a firm, how you've been helping your clients for their for their pre preparation.

Nate Wuerffel (BNY)

Absolutely. Thanks, Martin, and thanks to everybody for joining this webinar. I'm Nate Werfel. I'm the Global Head of Market Structure for BNY. I'm also the product head for our global collateral platform. Um and I I guess I would start just by saying that BNY has a very long history in the US government securities market. We actually made the first loan to the US government um after the Revolutionary War in 1789 and You know, we've had this long-standing role in the market as the

primary settlement agent. Uh we custody over a third of all treasuries here, and we have the largest single um collateral management platform where you can do financing of treasury securities in our tri-party uh global collateral platform. And you know, one of the things that the survey you mentioned highlighted is that you've got 47% of market participants who are feeling very confident they'll hit the deadlines And one of the reasons for that is we're seeing this growing activity that is centrally cleared. On our global collateral platform, we're now up to \$800 billion in cleared tri-party repo. And that's quadrupled since the rule was finalized in December of 2023. So that's a very positive sign. In terms of the things that we think about to help our clients and uh get ready for this rule. You know, we think it's almost a responsibility for us to be involved and help clients smoothly implement the transition We've got sort of four categories of offerings. One is that we want to make sure that you can get access to clearing. We have a global clearing platform that's one of the leading correspondent clearing entities in the cash market We also are one of the top financing counterparties. So if you want to do repo financing, we have one of the top centrally cleared repo desks today. If you want to manage your collateral through centrally cleared trades, that can happen on our global collateral platform, which is really plugging in, you know, all the CCPs are plugging into that global collateral platform where there's \$7 trillion of financing and liquidity activity, much of which is within U. S. Treasuries. And then lastly in the margin space, we know that this rule is going to require more from market participants in terms of margin and managing that margin. And we want to be able to help Clients do that through our global collateral platform. So clearing, financing, collateral management, and margin are all big areas of focus for us to try and really smooth that transition into clearing.

Martin Lawrence (The VX)

Thank you, Nate. And lastly, but no means leastly, Brian, again, from your side, from GTCC, from FIC, a little bit about what you guys have been up to helping clients over the last few months.

Brian Disken (DTCC)

Yes. Thank you, Martin. And uh thank you everyone for joining today and having me on today's call. My name is Brian Diskin. I'm the head of Treasury Product for DTCC. Uh and I'm responsible for making sure that uh FIC makes all the the necessary changes in order to comply with the treasure clearing rule as well as develop new capabilities for our membership uh and the marketplace in general that are going to be more capital efficient uh and margin friendly uh for our membership And so just to sort of put some things in perspective, we've been talking about volumes a little bit, but just to give you an idea, in September of 2022, when the SEC first announced its plans for the Treasury Clearing rule FIC itself was clearing about four point five trillion dollars in treasuries a day and about

two hundred and eighty-eight billion in the sponsored service. In this past December, right, we went from 4.5 trillion in September of 2022 to an average of eleven point eight trillion dollars a day clearing through FICC uh for US Treasuries. That's 163% increase since the SEC uh announced uh the rule. In addition to sponsor service um in December we did two point six trillion Which is an 829% increase in the sponsored service since the announcement of the Treasury Clearing Rule. Also in December, we hit a new record of \$13.2 trillion in overall activity. And for all cleared activity through our sponsored service and our agent clearing service, at year end we cleared over \$3 trillion alone through our client clearing models. So um, you know, adoption, early adoption for treasury clearing is underway and has been underway, and we have seen uh slow and steady growth in our in our products and services In December alone, we launched some new services and capabilities. We enhanced uh sponsored GC to be able to process Dunaway transactions. We also launched the Agent Clearing Triparty Service, which will act in a similar way as sponsored GC, however net margining capability of the agent clearing service will be available uh for those tri-party transactions. Um and sponsor GC collateral and loo, which Mark had mentioned at the top. And and I'll talk a little bit more about this when I go through the access models. But this is a very important product offering that we've been hearing a lot of interest in. And we did see uh a trade go live before year end and and we're hopeful that we're going to be seeing more activity uh in the first quarter. For 2026, we're going to be focusing on uh the CME, the fixed CME end user cross-margining. uh rule filing. Those rules are have been submitted uh and are pending regulatory approval. We're going to be working on um the Dunaway workflow for cash trades. We've established uh how that workflow uh will be and how it will be uh processed through the interdealer broker platforms. We'll be offering an optional locked-in capability for Dunaway transactions so that FCMs and and end user clients can have their transactions submitted into clearing uh off of an IDB platform on a locked in basis. We're also working on our Dunaway repo workflows. We've been spending a lot of time with the industry solidifying how that workflow will look. uh and how it will operate. Um and also lastly, I mean we're constantly working with market participants to help them prepare for December and June. We are always talking about our our models, uh walking people through how they operate, uh how they could be utilized for their specific firms. One very important thing that that we've learned o over the last several months is that there's not a one size fits all and that each firm has its own requirements. and home business priorities. Uh and not all um services uh are are going to meet the needs of individual clients So people will be picking and choosing what are the optimal services that provide for for themselves from a capital efficiency standpoint, from a cost standpoint, and also from a client onboarding uh perspective as well. So that's going to be our focus for the remainder of the year.

Martin Lawrence (The VX)

Thanks, Brian. I want to, if I can, flip back on to another topic that came up quite heavily in the in the survey, which was where we asked around a number of clarifications or um rule clarifications

Which firms are still waiting on. There was a number of clarifications we talked about. I think around 71% of respondents to the survey said that They needed clarifications across all of these rules by the end of 2026 without otherwise at the risk of significantly hampering their ability to prepare. Um things like intrafiliar activity, new clearing entities, mechanism for credit checks for dunaway activity, voice trade pre-matching. Maybe Nate, if I could start with you, I'd like to explore kind of where you think clarity is still needed and how that is going to affect kind of preparation timelines.

Nate Wuerffel (BNY)

Yeah, absolutely, Martin. Um, you know, I think one of the things to point out here is that uh in a lot of cases the the rule is pretty clear about what needs to be done. And I think the additional clarity that is being sought by market participants is really around um how to implement that rule in practice. And so some of it is actually market clarity, like what is the what is the marketplace going to do to address the way that the rule is written. I do think you've identified some of the key areas. Interaffiliate transactions and repo. You know, global firms have a lot of interaffiliate activity that they're conducting. They're doing repo with different legal entities And then they're facing their customers doing repo. And the rule was pretty clear that they they don't want uh they don't want CCP members to be avoiding clearing by doing their repo out of non-CCP member affiliates. And so they wrote the rule in such a way that it really pulls that stuff into scope. Uh, you know, through uh SIFMA, there's been industry comments around this portion of the rule to give a little bit more flexibility on the interaffiliate issue. So that you don't have to clear inter-affiliate trades, but you can still do up to maybe let's say 10% of your repo book on a non-centrally cleared basis. I think that would be useful flexibility because it would allow firms to focus on getting the vast majority of their activity into clearing and not be focused on I'm trying to clear this last mile and it's 10% it's small part of my activity and it's with far-flown customers who are difficult to get into clearing. So I think it would be great to see some additional flexibility from the SEC. I think we're likely to get that. You know, we can't be for For sure, but we're likely to get some flexibility depending on how the SEC thinks about um treating that portion of the rule. That's one issue. You mentioned credit checks for dunaway activity, especially in the cash market Cash market operates at super high speed, so you have to have certainty around those trades. So if there's some sort of credit check process there, it needs to work at that high speed. And others might want to talk more about this, but that's important. Getting the new clearing entities up and running. So FIC is well established. And as Brian was mentioning, we're rolling out lots of great new products with FIC. Other clearing entities are also looking to get established. So I think market participants are wanting to see those. And then maybe just the last thing I'll mention is sometimes there's comments about the extraterritoriality of the rule And that I think is the view being expressed that it's hard to implement this rule on a global basis, but it is a global rule The treasury market is a global market and you want the treasury market to function in a fair and consistent and a level way so that wherever you're accessing it that the same set

of rules apply. And so I think it's very important that we not start to carve out little pieces of the treasury market that where the rule doesn't apply. That's why I particularly like this interaffiliate flexibility. It can do can uh uh apply really consistent rules, but give some flexibility around that without start starting to carve up the treasure treasury market and its liquidity.

Martin Lawrence (The VX)

Thanks, Nate. Steve, anything that you would add to that just around some of the clarifications that may still be needed from your view and what you know what SIFMA are working through?

Steve Byron (SIFMA)

Yeah, look, I I think I think uh I think Nate covered it covered it well. I'd say that it was interesting because just the timing of this this survey we think when it went out in sort of you know September, October last year um with results coming back in November, December. I think we've got we've got clap some clarity on on things like what the industry would like credit checks to look like. So that was an important part of the SIFMA work that we did and delivered in December in terms of laying out that framework in terms of how the industry would like the credit checks to work. And to Nate's point needs to be low latency So that that roadmap is out there in in terms of what the requirements are. It has to be built, right? And firms will have to You know, decide you know how they're going to plug into that, but but if actually I feel like that barrier has now been removed. Um the interaffiliate activity remains remains open and obviously as you have new CCAs coming online uh there may be additional areas that need to that need to be worked through as a as an industry um as as those rules are are published.

Martin Lawrence (The VX)

Thanks, Steve. One of the the major areas which people obviously keep talking around when it comes to clarifications and I think this the the choosing the right um access model is is a is a big is a is a big aspect for for firms. And so Brian, I know you touched a little bit on already on some of the different access models offered at FIC. Could I get you to maybe just give a quick quick summary around the access models that that you do have? And you know, some of the considerations for those models, like why would people pick those models over another one? Is it around improved margin? Is it improved operational capabilities, et cetera?

Brian Disken (DTCC)

I think so we have two basic uh client clearing models. We have our traditional sponsored service uh and we have our agent clearing service, uh which went live uh in March of this year. The main distinction between the two, in the sponsored service, the indirect participant on boards as a sponsored member of GSD, meaning that they're a limited purpose member of the clearinghouse. In the agent clearing service, the indirect participant onboards as an executing firm customer at GST and is not a member of the clearinghouse. That's one distinction. Okay? The second distinction between the two services is margin uh capabilities. In the sponsored service. Sponsored service is a gross margin product, meaning we look at client portfolios individually, assess a margin amount And we collect the gross margin associated with each client's activity within a sponsored member's omnibus account. In the agent clearing service, right, we allow for net margining, where client portfolios can offset one another from a margin perspective. And thereby bring down the margin requirement of the agent clearer. Now, not everything is one-to-one, right? So we'll go back to the sponsored service. So the sponsored service supports We've been hearing about Done With, Dunaway, right? Sponsored service as always supported for DVP, Done With and Done Away activity. The Agent Clearing Service also supports done with and done away activity. Sponsored Service has a tri-party product, Sponsored GC. Right. Again, uh that is has been predominantly done with activity, but in December of this year, part of our rule filing changes and work with the the Bank of New York and Nate and his team. We have now enabled the sponsored GC service to support Dunaway activity. So that's now available for sponsored GC. Agent Clearing Triparty is a mirror of the sponsored GC service. So again, we worked with Nate and his team to develop how the Agent Clearing Triparty service would operate. From a transaction flow and trade processing standpoint, the two are identical. Trades come into FICC, the transactions come into Bank of New York The transactions settle at the Bank of New York, and then when the trade settles at the Bank of U New York and that is communicated to FIC, the transaction then novates to FICC Both services allow for done with and done away activity as well. And the agent clearing service allows again for net margining of the tri-party activity, but also it can net margin against the ACS DVP activity as well. Both services offer client segregation. um of margin. So that's where the client will be posting margin. When a sponsor elects to open up a segregated margin account That margin will be calculated individually. Um the margin uh is it posting is responsibility of the client And FIC will segregate where that margin is held and protect it for that client. The Agent Clearing Service also offers client segregation But what comes with client segregation on the agent clearing service is now that margin cannot be netted with other clients positions, right? Segregation is your your collecting and assessing margin at the client portfolio level and you're segregating it and protecting it uh for and and behalf of the client What we also developed this year and implemented in December is the collateral Lou service, and this is exclusive to sponsored GC. The collateral and loose service, uh, and again working very closely with Nate and his team around how we can structure this product for there to be No margin posted needed for the c for the client side of the transaction. So this eliminates the so-called double margining where a sponsor has to post margin for both its side of the transaction and the client side of the transaction. Now for

sponsor GC, the dealer still has to post margin for his side of the of the transaction, plus a haircut that's on the transact on the trade as well. But the margin necessary to be collected for the client is not collected. And in place of collecting margin, FIC has a lien on the assets. Right? So that in the event of default, FIC has rights over those assets to settle the transaction. FIC would always be looking to settle the transaction. uh a sponsored GC collateral loop transaction rather than liquidate. Thanks, Barton. Nate, I don't know if there's anything from your perspective you'd want to add to CIL. Sorry, Martin. Right on.

Nate Wuerffel (BNY)

Yeah, I would just I mean first of all, I uh um Brian, as you've highlighted, it's been a strong partnership to develop these new models. And I really think When you think about the magnitude of what needs to move into clearing, we've talked about this, you know, there were estimates early on that there was some \$4 trillion of activity, daily activity that needs to be centrally cleared. Hopefully that's been going down because we've been seeing clearing go up. But to do that requires two really big resources, right? One is margin and the other is capital because this requires margin to be posted to the CCP. But when you also, when you clear transaction of your client, You are also guaranteeing that client's performance to the CCT, CCP. And that carries with it RWA and capital costs associated with it. And actually when we've looked at that, You know, margin could be for a dealer, let's say two to three basis points of cost. That's significant. If you're capital constrained and RWA constrained, that could even be eight to ten basis points of cost And collateral new in particular seeks to eliminate a big chunk of those costs. First of all, it can reduce to zero the margin for the client. um side of the transaction with let's say a money fund in most most instances, getting rid of that double margining problem. But the other thing it does is it doesn't require you to guarantee that client into clearing. And so for the dealer who's clearing that client trade. they no longer have that RWA capital exposure of the guarantee and the margin that they've posted to the CCP. That's a big savings. And so the whole the whole game here right now is to how can we meet this met deadline but do it in the most capital and margin efficient way that's still safe because the reason you have these things is to protect yourself. against these uh scenarios where there's a lot of stress and there's a a potential default. Um and I think that that's the real beauty of collateral new It does both margin and it gets rid of the capital cost guarantee. And then agent clearing, it's very very effective at reducing margin on both sides of a repo trade, both the collateral provider and the collateral receiver. So that netting is very powerful though it does not have the same capital savings that collateral new has. So these are two great models that are out there. You can do them outside of TriParty in the case of ACS and sponsor DVP or in TriParty with Collateral New And as I said before, we're seeing a lot of growth in triparty, and I think collateral new will probably be something that attracts a lot of activity because it's so much more efficient to try and conduct that clearing.

Martin Lawrence (The VX)

No, actually it was really good you you did that because that kind of covered my next question anyway, which is which is all around kind of um capital cost and and margin requirements. So maybe Mark I'll I'll come over to you next if I can, just thinking about it more from uh operational challenges and practical layer. A number of things that came up in the survey that people had concerns around, documentation, back office processes, technology changes Dunaway clearing. Um what do you see as the biggest obstacles to kind of um merging operationally at the moment

Mark Pekala (Broadridge)

Well, I think I think if you look at the challenges today, and again, some of this could have been exemplified in the survey results as you mentioned earlier, but if you would have taken that survey or given that survey to participants a year ago I bet it would have been a night and day type of portrait, right? Because a lot of things did get clarified, a lot of things did get answered in the industry. But again, there are challenges obviously that remain. And I think the main one to me is is timing. I mean we're we're we're you know approaching the soon the end of January right I mean the first milestone for transactional readiness is is less than uh 11 months away really when it comes to it Because summertime is slow for many firms, as we know, with vacation period. End of year, people have code freezes, they don't take deployments of new functionalities. So So I mean the readiness is really is is key in terms of that runway that keeps shrinking as every day goes by. So I think to me that's really the main uh uh challenge we have. Uh and of course it's a good problem to have, but all these uh access models. um uh that are uh giving clients optionality to comply but also to get those benefits for uh margin relief capabilities as we heard with CIL and and and things of that nature. But but also um uh uh the magnitude of the change, the magnitude of the client base that we all share together, uh getting everyone deployed, getting those decisions made by the client base. That's really the thing I'm trying to get to in terms of the challenge. Many clients are mature and they've come to us with what they want in terms of deployments. Other clients are just starting to have that awareness and urgency, that sense of urgency, right? Because again, if I were a betting man, I wouldn't bet that this is going to be extended again. That's not what I would bet on, believe me. but I think some people might uh incorrectly be taking that side of the of the wager here, right? So there's no indication that anything is going to be extended again. So really it's readiness Time is of the essence and decision-making, expedient and timely decision-making to help us help you

Martin Lawrence (The VX)

Yeah, thanks for that. I'm just a little bit conscious of time. Somehow we've uh we've been talking away and we've got towards the end of the session already. Um just for those of you that know, um Those of you that added Q&A, thanks so much for that. What I'll do, um where you've left your details, we'll reply to you directly. Where not, but what we'll do is we'll publish the answers out to people. But what I would like to do is I'd I'd like to ask the panel uh all the same question, but try and keep it to one sentence or so where you possibly can. But essentially just what does good look like in 2026 when it comes to preparation, you know For you in one sentence, what does good look like? And maybe Brian, I'll start with you as you're first on my screen again.

Brian Disken (DTCC)

So preparation, right? Ask questions. Do the evaluations that you need to do. Look at your business models. What is the best way to bring in your activity into clearing if it's not coming in today? What's the most capital-efficient way? to bring in that activity. And if you have questions for FICC, please reach out to us. We'd be happy to to answer as many questions as we can to help you in your journey. Thank you, Brian.

Martin Lawrence (The VX)

Steve?

Steve Byron (SIFMA)

Yeah, I mean look, I think that there is obviously 11 months to go until the cash deadline goes live. There is a lot of existing material out there. So if you are still in the process of assessing your readiness and what does need to change, I would highly recommend you looking at the the SIPMA Treasury Clearing website, which has all of our implementation reports, which lays out a pathway to go live. I know that FIC has a has a has a huge amount of documentation available as well um there but that's certainly a good starting point in terms of if you are still at the assessment stage and not in build stage to to to start that process as soon as possible

Martin Lawrence (The VX)

Thanks, Dave. And Mark?

Mark Pekala (Broadridge)

Obviously picking and making sure you have your access models of choice so that you can be uh ready when the time comes. Also understanding the new entrance into the market for clearance as we know CME and ICE, we have capabilities to help clients and many of those discussions are taking place now to allow connectivity to those CCAs as terms of new entrants go. But also really doing that data lineage or following the bouncing ball in terms of where treasuries are transacted in your own internal infrastructure. We're getting several uh discussions being held at this point in time where uh firms realize that they have treasury activity in another bespoke uh engine away from away from us and and that maybe does not have uh clearance capabilities associated with it. So then they're asking us for assistance, which is great. But again, get ahead of those types of things now because it's a little late in the game and the quicker the better.

Martin Lawrence (The VX)

Thank you, Mark. And sorry for coming to you last night, but Your view?

Nate Wuerffel (BNY)

Yeah, I mean I'll start with a preface, which is that I agree we should not be banking on there being a delay, a further delay or an extension of the rule. You know, the industry asked for a year. the SEC granted a year. And so I think we should be expecting that we need to be ready by the end of this year for cash and the end of June of 2027 for repo markets. And with that said, I would say You know, you need to know where you're doing treasury trades that are in scope. You need to run the math. Look at the margin and the capital. It's important to look at the capital costs of clearing. and then figure out the best model and run with it now because you'll be able to make adjustments in the future, but there's not a lot of time. So you need to get up and running on models that can support you. And so you're not last in line for legal technology resources, counterparty relationships. You know, you need to get moving now.

Martin Lawrence (The VX)

Thank you. And honestly, that's all we have time for today. I hope the discussion has been useful. It's helped to clarify to some of you What is certainly a complex and fast moving change for the market? Mandatory clearing, of course, is just one external driver requiring change at the moment. There's lots else. in the world with T plus one in Europe, with tokenization, with asset servicing automation, 23. 5. And with that in mind, we are running a campaign with Broadridge called Making Every Dollar Dollar Count. We've put this the link to the survey in the chat. We'd really love to hear from you on this survey around how you're prioritizing transformational spend in your organization. Um

I'd like to say a huge thank you to Steve, Brian, Mark, Nate for being so open and detailed in your perspectives. Um the level of operation, and strategic change required for mandatory clearing is significant and conversations like this clearly essential in moving the industry forward together. We will make the recording uh available uh to everybody after this session. Um if you'd also like to access any of the other information we have on treasury clearing feel free to find it on our website And that's all. Thank you everyone again for joining. Thanks for the engagement. Thanks for the questions. And I hope you enjoy the rest of your day. Thank you.