**U.S. Treasury Clearing Survey**

**Introduction**

ISDA is conducting this survey of members and non-members to inform its position on ongoing efforts to incentivize and/or potentially require additional clearing of U.S. Treasury (UST) securities and repos. Through the questions below, ISDA is specifically looking for feedback regarding the legal, operational, regulatory (including market regulation and capital implications) and policy issues associated with UST clearing, with a focus on client clearing and how reforms in this market would impact the derivatives markets. We are also very interested in potential solutions to these issues and associated costs.

*ISDA expects to publish a paper discussing the results of this survey on an anonymized and aggregated basis but will not disclose the identity of any respondent or attribute any responses to specific respondents. Individual responses will only be accessible to ISDA representatives. Respondents will be described based on their entity type in response to the question below.*

*By participating in this survey, you agree not to use this process for any anticompetitive purpose, and further agree and warrant that you will not engage in any conduct that would cause any other party participating in this survey to be in violation of any competition or antitrust law or regulation. ISDA has taken and will continue to take safeguards and protections to ensure that the use of the results of this survey comply with applicable laws and regulations.*

**Please submit your responses to USTSurvey@isda.org by Friday, April 29, 2022.**

**Background**

In 2021, the Group of 30 (G30) Working Group on Treasury Market Liquidity published a paper on steps toward increased resilience in the UST market, which includes recommendations for clearing of all UST repos as well as UST securities executed on electronic interdealer trading platforms that offer anonymous trading. The CFTC Global Markets Advisory Committee (GMAC) and the Chicago Fed discussed these and similar recommendations at recent meetings. At the end of 2021, an interagency working group consisting of staff from the US Treasury, the FRB, the NY Fed, the SEC and the CFTC published a progress report on recent disruptions and potential reforms in the UST market. Among other things, the report noted that working group members are continuing to study recommendations for expanded central clearing of UST securities and repos and examined some of the costs and benefits of these recommendations. The report was also discussed at the U.S. Treasury Market Conference held shortly after publication of the paper. While not directly related to clearing, most recently the SEC proposed to expand Regulation ATS and Regulation SCI to alternative trading systems that trade government securities and repos on government securities.

The survey questions below are meant to focus on the following recommendations in the G30 paper and we encourage you to connect your answers to these recommendations to the extent applicable:

* **Recommendation 2:** All trades of Treasury securities and Treasury repos executed on electronic interdealer trading platforms that offer anonymous trading by interposing an interdealer broker between buyers and sellers should be centrally cleared.
* **Recommendation 3:** Treasury repos should be centrally cleared.
* **Recommendation 4:** Market participants and regulators should continue to study how dealer-to-client cash trades of Treasuries might best be centrally cleared, including via the sponsored clearing model, and assess the private and public policy cases for central clearing using whatever is the optimal model.
* **Recommendation 6:** Banking regulators should review how market intermediation is treated in existing regulation, with a view to identifying provisions that could be modified to avoid disincentivizing market intermediation, without weakening overall resilience of the banking system. In particular, U.S. banking regulators should take steps to ensure that risk-insensitive leverage ratios function as backstops to risk-based capital requirements rather than constraints that bind frequently.

The G30 paper notes that the benefits of wider central clearing of UST repos and cash include greater transparency of counterparty risks and counterparty risk management, reduction of counterparty credit and liquidity risks through netting of counterparty exposures and application of margin requirements and other risk mitigants, the creation of additional market-making capacity at all dealers as a result of recognition of the reduction of exposures achieved through multilateral netting, the enhancement of the competitive position of smaller bank-affiliated and independent dealers, and the facilitation of all-to-all trading, which can improve the quality of trade execution in normal market conditions and broaden and stabilize the supply of market liquidity under stress. It notes that the costs include higher costs in normal market conditions, including clearing fees and the costs of meeting generally higher margin requirements, the potential for principal trading firms (PTFs) and the large incumbent dealers to reduce their supply of liquidity in response to enhanced competition and costs associated with potential risk management failures by the central counterparty, which would increase with the expansion of central clearing. We encourage you to comment on these benefits and costs (as well as others) in your responses below.

For additional background, you may want to review the following:

* [G30: U.S. Treasury Markets *Steps Toward Increased Resilience*](https://group30.org/images/uploads/publications/G30_U.S_._Treasury_Markets-_Steps_Toward_Increased_Resilience__1.pdf)
* [CFTC GMAC Meeting (October 25, 2021) [see Panel 1: Treasury Market Structure and Recent Stresses and Panel 2: Clearing in the Treasury Market]](https://www.cftc.gov/PressRoom/Events/opaeventgmac102521)
* [Interagency Working Group: Recent Disruptions and Potential Reforms in the U.S. Treasury Market: A Staff Progress Report](https://home.treasury.gov/system/files/136/IAWG-Treasury-Report.pdf)
* [TMPG Updates for Working Groups on Clearing and Settlement Practices for Treasury SFTs, Treasury Market Data and Transparency](https://www.newyorkfed.org/medialibrary/Microsites/tmpg/files/PressRelease_110521.pdf)
* [SEC: Proposal to Expand Regulation ATS and Regulation SCI](https://www.sec.gov/news/press-release/2022-10)

**Questions**

**Entity type.** Please select one or, if multiple entity types are applicable to your firm, please select all those that apply and label your answers below based on the entity type applicable to each answer (or portion of an answer). Alternatively, please consider filling out two different versions of the survey.

Primary dealer

PTF

Hedge fund

Mutual fund

Other fund

Insurance company

Asset manager

Corporate

Interdealer broker (IDB)

Central counterparty

Other infrastructure provider

*Please note that ISDA will not disclose the names of responding firms to any external parties. All results will be shared on an aggregated and anonymized basis.*

In responding to the questions below, please use the following definitions of the different entity types:

**Dealer:** A regulated bank or broker-dealer that makes markets by trading for its own account in the interdealer market and by intermediating transactions to meet the needs of its clients.

**PTF:** An entity that is not regulated as a bank or broker-dealer and that trades directly for its own account.

**Client:** An entity that trades with dealers for its own account or as a fiduciary for its clients.

Please answer those questions that are applicable to your firm. You will note that most questions are duplicative across different markets. Please feel free to cross-reference responses that apply in multiple markets.

# **UST Repo Clearing**

[Client Model Questions](#_Client_Model)

[Principal – Interdealer Model Questions](#_Principal_–_Interdealer)

[Principal – PTF Model Questions](#_Principal_–_PTF)

# **UST Cash Clearing**

[Client Model Questions](#_Client_Model_1)

[Principal – Interdealer Model Questions](#_Principal_–_Interdealer_1)

[Principal – PTF Model Questions](#_Principal_–_PTF_1)

**UST Repo Clearing**

## **Client Model**

* + - **Benefits:** Would additional clearing of UST repo client transactions be beneficial? If so, who would benefit and what would the benefits be (e.g., enhanced financial stability, market accessibility, more efficient market structures, no/less price disparity, ability to offer longer dated repo transactions)? Could these benefits be achieved without additional clearing (e.g., with all-to-all trading)?

Enter your response

* + - **Costs:** What are the costs and risks of additional clearing of UST repo client transactions and how could they be mitigated (e.g., regulatory changes, additional clearing models, steps to avoid or mitigate specific risks, changes to operations and infrastructure)? Please also explain the costs of any potential mitigation and, if applicable, alternatives that would avoid these costs.

Enter your response here

* + - **Structure:** What are the key aspects of a functional UST repo client clearing model (e.g., cross-margining, ability of intermediaries to pass collateral received from the client to the CCP and/or manage it)? Can these be achieved via a model akin to the current sponsorship model at FICC or would a different model and/or different infrastructure be required or beneficial?

Enter your response here

* + - **Reforms:** What would be the most efficient and effective steps to additional clearing of UST repo client transactions? Please identify and discuss all steps that you believe should be taken, including the order in which they should be taken if you identify multiple steps.
      * Add incentives (explain specific incentives and who must act to provide them)
      * Remove disincentives (explain specific disincentives and who must act to remove them)
      * Impose a mandate (explain to whom and what transactions it should apply)
      * Implement structural changes (explain the changes, including whether they should apply to the UST repo client market and/or other related products or markets)

Enter your response here

* + - **Related Markets:** How would additional clearing of UST repo client transactions and/or reforms mentioned above impact the Treasury futures market and/or other derivatives markets?

Enter your response

## **Principal – Interdealer Model**

* + - **Reforms:** Would any reforms be helpful to the clearing infrastructure in the UST repo interdealer market? If so what reforms, what would be the related benefits and costs and to whom would they apply? Reforms need not be related to requiring or incentivizing additional clearing but could be related to enhancing existing clearing.

Enter your response here

* + - **Related Markets:** How would reforms mentioned above impact the Treasury futures market and/or other derivatives markets?

Enter your response here

## **Principal – PTF Model**

* + - **Reforms:** Would any reforms be helpful to the clearing infrastructure in the UST repo PTF market? If so what reforms, what would be the related benefits and costs and to whom would they apply? Reforms need not be related to requiring or incentivizing additional clearing but could be related to enhancing existing clearing.

Enter your response here

* + - **Related Markets:** How would reforms mentioned above impact the Treasury futures market and/or other derivatives markets?

Enter your response here

# **UST Cash Clearing**

## **Client Model**

* + - **Benefits:** Would additional clearing of UST cash client transactions be beneficial? If so, who would benefit and what would the benefits be (e.g., enhanced financial stability, market accessibility, more efficient market structures)? Could these benefits be achieved without additional clearing (e.g., with all-to-all trading)?

Enter your response here

* + - **Costs:** What are the costs and risks of additional clearing of UST cash client transactions and how could they be mitigated (e.g., regulatory changes, additional clearing models, steps to avoid or mitigate specific risks, changes to operations and infrastructure)? Please also explain the costs of any potential mitigation and, if applicable, alternatives that would avoid these costs.

Enter your response here

* + - **Structure:** What are the key aspects of a functional UST cash client clearing model (e.g., ability of intermediaries to pass collateral received from the client to the CCP and/or manage it, cross-margining)? Can these be achieved via an expansion of the current sponsorship model at FICC or would a different model and/or different infrastructure be required or beneficial?

Enter your response here

* + - **Reforms:** What would be the most efficient and effective steps to additional clearing of UST cash client transactions? Please identify and discuss all steps that you believe should be taken, including the order in which they should be taken if you identify multiple steps.
      * Add incentives (explain specific incentives and who must act to provide them)
      * Remove disincentives (explain specific disincentives and who must act to remove them)
      * Impose a mandate (explain to whom and what transactions it should apply)
      * Implement structural changes (explain the changes, including whether they should apply to the UST cash client market and/or other related products or markets)

Enter your response here

* + - **Related Markets:** How would additional clearing of UST cash client transactions and/or reforms mentioned above impact the Treasury futures market and/or other derivatives markets?

Enter your response here

## **Principal – Interdealer Model**

* + - **Reforms:** Would any reforms be helpful to the clearing infrastructure in the UST cash interdealer market? If so what reforms, and what would be the related benefits and costs? Reforms need not be related to requiring or incentivizing additional clearing but could be related to enhancing existing clearing.

Enter your response here

* + - **Related Markets:** How would reforms mentioned above impact the Treasury futures market and/or other derivatives markets?

Enter your response here

## **Principal – PTF Model**

* + - **Benefits:** Would additional clearing of UST cash PTF transactions be beneficial? If so, who would benefit and what would the benefits be (e.g., enhanced financial stability, market accessibility, more efficient market structures)? Could these benefits be achieved without additional clearing (e.g., with all-to-all trading)?

Enter your response here

* + - **Costs:** What are the costs and risks of additional clearing of UST cash PTF transactions and how could they be mitigated (e.g., regulatory changes, additional clearing models, steps to avoid or mitigate specific risks, changes to operations and infrastructure)? Please also explain the costs of any potential mitigation and, if applicable, alternatives that would avoid these costs.

Enter your response here

* + - **Structure:** What are the key aspects of a functional UST cash PTF clearing model? Can these be achieved via an expansion of the current sponsorship model at FICC or would a different model and/or different infrastructure be required or beneficial?

Enter your response here

* + - **Reforms:** What would be the most efficient and effective steps to additional clearing of UST cash PTF transactions? Please identify and discuss all steps that you believe should be taken, including the order in which they should be taken if you identify multiple steps.
      * Add incentives (explain specific incentives and who must act to provide them)
      * Remove disincentives (explain specific disincentives and who must act to remove them)
      * Impose a mandate (explain to whom and what transactions it should apply)
      * Implement structural changes (explain the changes, including whether they should apply to the UST cash PTF market and/or other related products or markets)

Enter your response here

* + - **Related Markets:** How would additional clearing of UST cash PTF transactions and/or reforms mentioned above impact the Treasury futures market and/or other derivatives markets?

Enter your response here