ISDA® Safe, Efficient Markets

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Reshaping the US Treasury Market: The Transition to Mandatory Central Clearing

EXECUTIVE SUMMARY

US Treasury securities sit at the heart of global financial markets and serve as one of the primary forms of high-quality collateral across derivatives and securities financing markets. The transition to mandatory central clearing of US Treasuries therefore has implications beyond Treasury cash and repo markets, affecting collateral management and the cost of hedging.

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This paper examines the transition to mandatory central clearing of US Treasuries, covering the policy objectives underlying the reforms and the evolving market structure, including trends in clearing adoption and client participation. It also addresses application of the mandate to market participants, the clearing ecosystem and access models, margin and capital considerations, the connection to derivatives markets, and the documentation and operational steps required for efficient implementation.

The transition is already reshaping the market. Average daily sponsored cleared repo volumes, used as a proxy to monitor client participation in central clearing, increased by 249% between May 2023 and July 2026, reaching $2.4 trillion, and its share of total cleared repo volume increased from 21% to 31%. The increase in sponsored activity indicates that central clearing is expanding beyond the traditional dealer-to-dealer market. The clearing ecosystem is also changing, with new clearing providers, access models and service offerings emerging in anticipation of the mandate.

ISDA's latest margin survey found that leading market participants collected a record $1.6 trillion of initial margin (IM) and variation margin (VM) for their non-cleared derivatives exposures at the end of 2025, with government securities representing the largest category of IM received. The central role of Treasury securities in derivatives collateral and financing markets therefore means that changes in Treasury clearing may have implications for collateral availability, funding conditions and the economics of risk management.

BACKGROUND AND POLICY CONTEXT

In December 2023, the US Securities and Exchange Commission (SEC) adopted final rules to introduce mandatory central clearing in the US Treasury market. Under the new framework, covered clearing agencies (CCAs) that provide central counterparty services for US Treasury securities must require their direct participants to submit eligible cash and repo transactions for central clearing[1].

The rules apply to all repo and reverse repo agreements collateralized by US Treasury securities in which a direct participant of a CCA is a counterparty. This extends the mandate to a broad set of market participants, including registered investment companies and other buy-side firms. Certain exclusions apply, including transactions with state and local governments, other clearing organizations, central banks, sovereign entities, international financial institutions and certain interaffiliate transactions.

For cash Treasury transactions, the mandate applies if the counterparty is a registered broker-dealer or a government securities broker or dealer, and for transactions executed via interdealer brokers.

Together, these requirements represent a significant expansion of central clearing in the US Treasury market. At the time of adoption, the SEC estimated that 70%-80% of the Treasury funding market and at least 80% of cash Treasury transactions were not centrally cleared[2].

> By reducing exposures through multilateral netting, central clearing could free up dealer balance sheets and allow intermediaries to support a greater volume of Treasury market activity

The SEC stated that the reforms are intended to protect investors, reduce risk and increase operational efficiency, with central clearing expected to reduce counterparty credit risk, improve transparency on settlement risk to regulators and market participants, and strengthen market resilience[3].

A further expected benefit is the potential to expand market capacity. By reducing exposures through multilateral netting, central clearing could free up dealer balance sheets and allow intermediaries to support a greater volume of Treasury market activity, particularly during periods of stress[4]. The rules form part of a wider official-sector effort to strengthen the structure and resilience of the US Treasury market following severe liquidity disruption during March 2020[5].

Episodes of elevated volatility, including significant market stress in April 2025[6] and renewed volatility in early 2026 linked to geopolitical developments in the Middle East[7], have reinforced the importance of robust market infrastructure and the ability of intermediaries to support trading and financing during periods of stress.

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1 Standards for Covered Clearing Agencies for US Treasury Securities and Application of the Broker-Dealer Customer Protection Rule with Respect to US Treasury Securities, Securities and Exchange Commission (SEC), www.sec.gov/files/rules/final/2023/34-99149.pdf

2 Statement on Final Rules Regarding Treasury Clearing, SEC chair Gary Gensler, www.sec.gov/newsroom/speeches-statements/gensler-statement-treasury-clearing-121323

3 SEC Adopts Rules to Improve Risk Management in Clearance and Settlement and Facilitate Additional Central Clearing for the US Treasury Market, www.sec.gov/newsroom/press-releases/2023-247

4 Central Clearing Will Re-shape the US Treasury Market: Reassembly Required, BNY, www.bny.com/assets/corporate/documents/pdf/insights/central-clearing-us-treasury-market-reassembly-required.pdf

5 Recent Disruptions and Potential Reforms in the US Treasury Market: A Staff Progress Report. Federal Reserve Bank of New York, www.newyorkfed.org/newsevents/news/markets/2021/20211108

6 How Has Treasury Market Liquidity Fared in 2025? Federal Reserve Bank of New York, Liberty Street Economics, https://libertystreeteconomics.newyorkfed.org/2025/11/how-has-treasury-market-liquidity-fared-in-2025/

7 The Treasury Market's Iran Problem, MSCI, www.msci.com/research-and-insights/quick-take/the-treasury-markets-iran-problem

TRENDS IN TREASURY REPO CLEARING ADOPTION

Historically, central clearing in the Treasury repo market was concentrated among direct clearing members, with many clients continuing to transact outside central clearing. Recent activity suggests this structure is beginning to change.

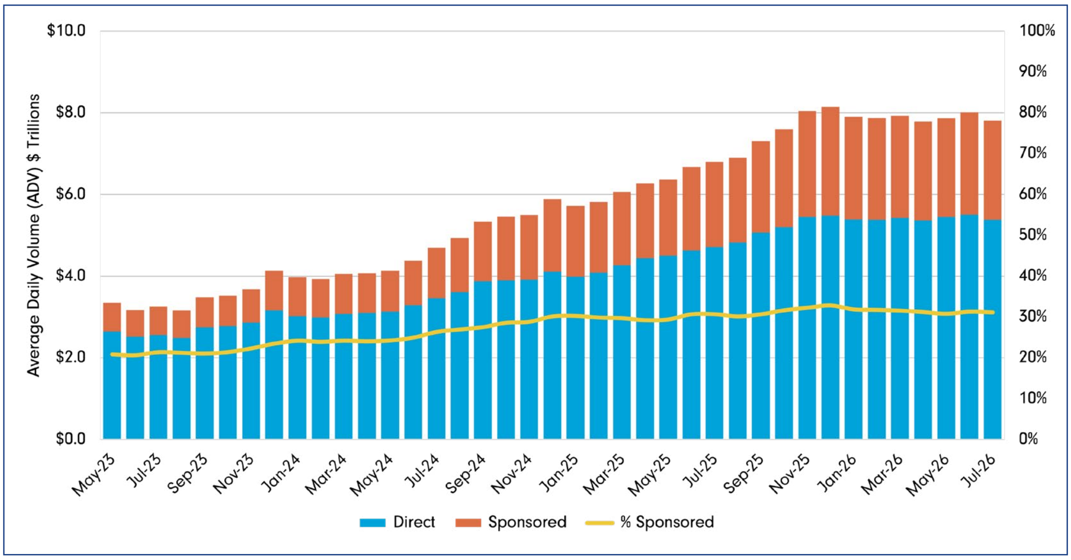
The US Office of Financial Research estimates that around 45% of average daily Treasury repo outstanding was centrally cleared during the first eight months of 2025. Adjusting for volumes that would be exempt or excluded, such as interaffiliate trades and repos with embedded optionality, approximately 58% of repo transactions that would be captured by the mandate were already being cleared[8]. A large share of in-scope activity has therefore moved to clearing ahead of the deadline – although the remainder represents a substantial volume of trades still to be cleared.

Total cleared repo volume reached $7.8 trillion in average daily volume in July 2026, more than double the $3.3 trillion recorded in May 2023. Within this total, sponsored and direct activity have grown at very different rates. Sponsored cleared repo volumes have risen by 249% to $2.4 trillion since May 2023, while direct cleared activity has grown by 103% to $5.4 trillion. As a result, sponsored activity represented 31.1% of total cleared repo volume in July 2026, up from 20.8% in May 2023 (see Chart 1).

Total cleared repo volume reached $7.8 trillion in average daily volume in July 2026, more than double the $3.3 trillion recorded in May 2023

Sponsored volumes serve as a useful proxy for client participation in clearing, which is a key objective of the mandate. A growing share of cleared activity is therefore occurring through client clearing arrangements. This suggests that central clearing is extending beyond the traditional dealer-to-dealer market to a broader range of participants.

Chart 1: Cleared Repo Activity by Direct and Sponsored Volumes



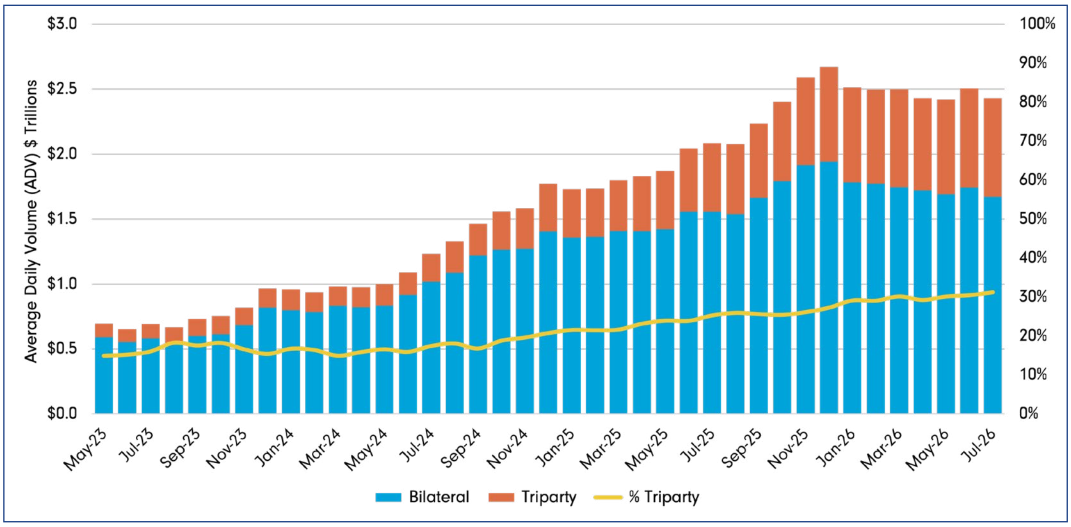
Source: ISDA-Actrix US Treasury Repo Market Clearing Indicators[9]

[8] Central Clearing Implementation, Treasury Borrowing Advisory Committee (TBAC), https://home.treasury.gov/system/files/221/TBACCharge1Q22026.pdf

[9] ISDA and Actrix launched the ISDA-Actrix US Treasury Repo Market Clearing Indicators to track the adoption of central clearing in the Treasury repo market. The indicators provide a transparent and publicly available measure of clearing activity and client participation: www.isda.org/2026/09/15/isda-actrix-us-treasury-repo-market-clearing-indicators-july-2026/

Within sponsored clearing, triparty volumes[10] have risen by more than 600% since May 2023 (from a relatively low starting base), reaching $0.8 trillion by July 2026 (see Chart 2). Sponsored bilateral clearing grew by 182%, but from a much larger base. At $1.7 trillion in July 2026, it grew by more than triparty volumes in dollar terms and remained the larger channel.

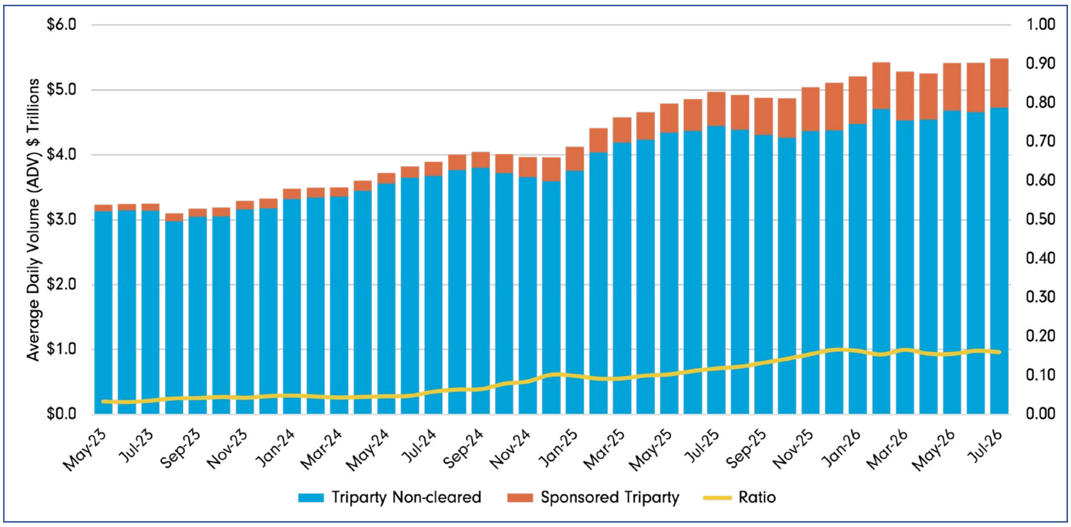
Chart 2: Cleared Sponsored Repo Activity by Bilateral and Triparty Volumes



Source: ISDA-Actrix US Treasury Repo Market Clearing Indicators

Despite the rapid growth in sponsored clearing, a large amount of repo activity still takes place outside central clearing. This in part reflects an increase in non-cleared triparty volumes, which rose from $3.1 trillion to $4.7 trillion between May 2023 and July 2026. Given the higher rate of growth in sponsored cleared triparty activity, however, the ratio of this segment to non-cleared volumes increased from 0.033 to 0.160 (see Chart 3).

Chart 3: Sponsored Cleared Triparty Repo Relative to Triparty Non-cleared Repo



Source: ISDA-Actrix US Treasury Repo Market Clearing Indicators

[10] Triparty clearing uses a third-party agent to manage collateral settlement between the two counterparties, distinguishing it from bilateral sponsored clearing, where the counterparties settle directly

TRENDS IN CASH TREASURY CLEARING ADOPTION

The cash Treasury market is split roughly equally between interdealer broker platforms and dealer-to-customer trades[11]. On the interdealer side, dealers once traded mostly with one another and both legs of those trades were cleared. Today, principal trading firms make up about half of that activity. Most principal trading firms are not Fixed Income Clearing Corporation (FICC) members, so their trades generally remain non-cleared. Dealer-to-customer trades are also largely not cleared.

Most of the cash Treasury market is still non-cleared. According to the Treasury Borrowing Advisory Committee (TBAC), cash activity potentially subject to clearing has grown meaningfully over the past several years, with average daily volumes on interdealer broker platforms reaching approximately $550 billion in 2025, nearly 20% higher than the year before.

REMAINING STEPS FOR IMPLEMENTATION

The treatment of interaffiliate transactions has been a recurring focus of industry engagement with the SEC. The final rule excludes certain interaffiliate repo activity from the clearing mandate, but the current exemption is narrow in scope[12]. In practice, the exemption is available only to a limited category of affiliates, and those entities must centrally clear all their outward-facing repo transactions.

In April 2026, the SEC published a request for exemptive relief for public comment. This proposes to expand the set of affiliates eligible for the exemption and introduces a tailored activity-based threshold for certain non-US affiliate transactions[13].

This issue is particularly relevant for large dealer groups and internationally active banking organizations, which frequently use affiliated entities for internal funding, inventory management and risk transfer. Many institutions depend on interaffiliate repo activity for internal liquidity, treasury and collateral management. If these transactions are required to be centrally cleared, firms may face additional margin, capital and operational costs without a corresponding reduction in external counterparty risk.

Cross-border scope is another major area of continued advocacy. The Treasury market is global, and many non-US institutions participate through a range of legal entities, including foreign bank branches, broker-dealer affiliates and offshore investment vehicles.

Applying the SEC's mandate to offshore transactions may raise operational and regulatory challenges for certain non-US entities. In April 2026, the SEC asked for comment on a request for exemptive relief for certain transactions between non-US entities, which highlighted regulatory and operational impediments in certain jurisdictions outside the US[14].

Industry views on the extraterritorial issue are not uniform. Some market participants have cautioned that exempting offshore transactions between non-US parties could divide the market if not applied narrowly and consistently across all non-US entities.

[11] Developments in Central Clearing in the US Treasury Market, TBAC, https://home.treasury.gov/system/files/221/TBACCharge2Q12025.pdf

[12] Standards for Covered Clearing Agencies for US Treasury Securities, SEC Release No. 34-99149, www.sec.gov/files/rules/final/2023/34-99149.pdf

[13] Notice of Request for Exemptive Relief, File No. S7-2026-11, 91 Fed. Reg. 21533, www.govinfo.gov/content/pkg/FR-2026-04-22/pdf/2026-07775.pdf

[14] Notice of Request for Exemptive Relief, File No. S7-2026-07, 91 Fed. Reg. 12030, www.govinfo.gov/content/pkg/FR-2026-03-11/pdf/2026-04781.pdf

In August 2026, the SEC provided a further update on both requests, stating that it is evaluating an approach that would address the two requests together in a single order, noting that they overlap for global institutions operating across multiple jurisdictions and legal entities[15].

Several operational questions also remain open. SEC staff have indicated they are continuing to work on the treatment of failed trades, which market participants have identified as a priority for their preparations.

THE EVOLVING CLEARING ECOSYSTEM

The transition to mandatory Treasury clearing is taking place within a rapidly evolving clearing ecosystem. Central clearing of US Treasury transactions has historically been concentrated at the Depository Trust and Clearing Corporation's (DTCC) FICC, which has long served as the only central counterparty (CCP) for Treasury cash and repo transactions.

The clearing landscape is now becoming more competitive. CME Securities Clearing received SEC approval to provide clearing services for US Treasury cash and repo transactions in December 2025[16]. ICE Clear Credit also received SEC approval in February 2026 and launched its US Treasury cash clearing service, with repo clearing expected to follow[17].

Additional clearing providers may expand market choice, encourage innovation in service models and pricing and offer different modes of access for indirect participants

Greater competition may bring important benefits. Additional clearing providers may expand market choice, encourage innovation in service models and pricing and offer different modes of access for indirect participants. A multi-CCP structure may also reduce dependence on a single infrastructure provider.

At the same time, the TBAC has highlighted several risks associated with a multi-CCP environment[18]. For example, fragmentation of activity across multiple clearing venues may reduce netting efficiency. If activity becomes split across multiple CCPs without interoperability or effective offset mechanisms, margin requirements, funding needs, default fund contributions and balance sheet usage may increase relative to a more concentrated clearing structure. Liquidity fragmentation is a related concern, as reduced liquidity in individual clearing pools could affect price formation and market depth.

Alongside the evolving CCP landscape, access to clearing is a critical practical consideration. For many market participants, particularly buy-side firms, the key question is not simply which CCPs are available, but how clearing can be accessed and on what terms. The choice of access model can materially affect onboarding timelines, legal documentation, collateral arrangements, portability and overall clearing economics.

[15] Update on the SEC's Work Toward Treasury Clearing Implementation, August 2026, www.sec.gov/newsroom/speeches-statements/uyeda-statement-update-secs-work-toward-treasury-clearing-implementation-080726-update-secs-work-toward-treasury-clearing-implementation-august-2026

[16] CME Securities Clearing, Inc.; Order Granting an Application for Registration as a Clearing Agency Under Section 17A of the Securities Exchange Act of 1934, www.sec.gov/files/rules/other/2025/34-104281.pdf

[17] ICE Clear Credit LLC; Order Granting an Application for Registration as a Clearing Agency Under Section 17A of the Securities Exchange Act of 1934, www.sec.gov/files/rules/other/2026/34-104762.pdf

[18] Developments in Central Clearing in the US Treasury Market, https://home.treasury.gov/system/files/221/TBACCharge2Q12025.pdf

ISDA has published a comparison of the principal clearing models available for Treasury cash, repo and derivatives transactions[19]. The analysis highlights differences in legal structure, account segregation, collateral treatment, portability and operational workflows across the various models. As the clearing ecosystem evolves and new CCPs enter the market, this work provides a common framework for evaluating alternative approaches to clearing access.

Main Routes to Treasury Clearing

Direct Clearing Membership

Under this model, a firm becomes a direct participant of the CCP and clears Treasury transactions in its own name. Direct membership provides the greatest level of control over clearing and collateral management, but requires firms to meet membership, operational and financial requirements that may be impractical for many market participants[20].

Sponsored Clearing

Under sponsored clearing, a non-member participant accesses central clearing through a sponsoring clearing member. The sponsor facilitates the client's access to the CCP and the client's transactions are centrally cleared. Sponsored clearing has become an important access route for buy-side firms, particularly in the Treasury repo market.

Agent Clearing

Under an agent clearing model, a clearing intermediary facilitates access to the CCP on behalf of the client. Compared with sponsored clearing, these models may offer greater flexibility in how clients access liquidity and clearing services, but can involve different legal, operational and collateral arrangements.

Sponsored clearing has historically been the primary access route for many buy-side participants in the Treasury market, particularly in repo. As implementation progresses, market participants are evaluating alternative client clearing models and execution workflows, with differences in legal structure, collateral treatment, onboarding requirements and commercial economics influencing how these models are used.

Each of the new CCPs has set up its own access structure. CME Securities Clearing distinguishes between members that clear directly and users that clear through a member[21]. ICE Clear Credit draws a similar line between Treasury participants and the non-participant parties that clear through them[22]. Both broadly mirror the direct and sponsored client routes already in use.

Execution workflows are also continuing to evolve. In particular, the distinction between done-with and done-away clearing remains commercially important, shaping how clients access liquidity, structure their clearing relationships and manage operational workflows.

[19] ISDA Clearing Model Comparison, www.isda.org/2025/10/10/isda-clearing-model-comparison/

[20] Fixed Income Clearing Corporation Government Securities Division Rulebook, www.dtcc.com/~/media/Files/Downloads/legal/rules/ficc_gov_rules.pdf

[21] CME Securities Clearing, Inc.; Order Granting an Application for Registration as a Clearing Agency under Section 17A of the Securities Exchange Act of 1934, www.sec.gov/files/rules/other/2025/34-104281.pdf

[22] ICE Clear Credit LLC; Order Granting an Application for Registration as a Clearing Agency under Section 17A of the Securities Exchange Act of 1934, www.sec.gov/files/rules/other/2026/34-104762.pdf

Done-with and Done-away Clearing

Done-with Clearing

In a done-with model, the executing counterparty also provides clearing access. For example, a client may execute a Treasury repo transaction with a dealer that also serves as its clearing intermediary (ie, sponsor or agent). This can simplify execution and post-trade workflows, but may offer less flexibility in how clients separate trading and clearing relationships because the client must have a clearing relationship with all its executing counterparties.

Done-away Clearing

In a done-away model, execution and clearing are separated. A client executes a transaction with one counterparty but clears through a different clearing intermediary. This may provide greater flexibility by allowing clients to separate liquidity access from clearing arrangements, but can involve greater operational complexity, additional documentation and coordination across multiple parties[23].

Collateral practices are also changing. Under the sponsored clearing model, sponsoring members have typically posted margin to the CCP on behalf of their clients. Under the segregated account structures being introduced under the mandate, clients are expected to post collateral themselves in a wider range of circumstances. How this shift affects the way clients choose to access clearing remains unclear.

One example of new services is FICC's Collateral-in-Lieu service, approved by the SEC in December 2025[24]. Under the facility, FICC takes a lien on the underlying repo collateral that remains at the custodian, in lieu of requiring the sponsoring member to post separate margin on the participant's behalf. This addresses the double margining issue in sponsored repo, where the dealer posts a haircut to the cash investor to satisfy overcollateralization requirements and the sponsoring member also posts margin to FICC on the same trade. By eliminating this duplication, the service is intended to improve the economics of sponsored clearing for cash investors like money market funds[25].

FICC has also enhanced its Agent Clearing Service (ACS), under which an agent clearing member clears on behalf of clients through a non-segregated omnibus account[26]. One enhancement is calculating margin on a net basis across clients, which can improve efficiency.

The key question for market participants is not simply whether clients have access to clearing, but whether the resulting market structure can deliver sufficient capacity, efficiency and resilience as cleared volumes increase. The margin economics and capital treatment of cleared positions will be central to that outcome.

[23] US Treasury and Repo Clearing: Done-Away Model Design Considerations, Securities Industry and Financial Markets Association (SIFMA), www.sifma.org/resources/guides-playbooks/done-away-model-design-considerations/

[24] Exchange Act Release No. 34-104374, www.sec.gov/files/rules/sro/ficc/2025/34-104374a.pdf

[25] DTCC's FICC and BNY Launch Collateral-in-Lieu Service, www.bny.com/corporate/global/en/about-us/newsroom/press-release/dtccs-ficc-and-bny-launch-collateral-in-lieu-service-via-bnys-global-collateral-platform.html

[26] FICC Government Securities Division Rulebook, www.dtcc.com/~/media/Files/Downloads/legal/rules/ficc_gov_rules.pdf

MARGIN, CAPITAL AND MARKET CAPACITY

The shift from bilateral to centrally cleared activity carries significant implications for margin requirements, capital costs and market capacity. In bilateral markets, margining practices vary widely across counterparties and transaction types. Central clearing requires direct participants to post IM to the CCA and meet daily variation margin calls as positions are marked to market.

A 2024 DTCC survey of sell-side institutions, including all major primary dealers, estimated that expanded Treasury repo and buy- and sell-side clearing activity would increase aggregate margin requirements by approximately $58.4 billion, of which around $27 billion would represent segregated indirect participant margin[27].

Cross-Margining Between FICC and CME

Cross-margining allows offsetting positions across related products to be recognized, reducing the combined margin required from market participants. The related products could be cleared at two different CCPs.

FICC and CME have maintained a cross-margining arrangement for proprietary clearing member accounts since 2004, with significant enhancements implemented in January 2024. The arrangement covers Treasury cash, repo and interest rate futures positions and currently generates approximately $1 billion in daily risk offsets across the two clearing houses[28].

On April 15, 2026, the SEC and Commodity Futures Trading Commission approved an expansion of the arrangement to end-user clients of dually registered broker-dealers and futures commission merchants that are common members of both FICC and CME. Clients with offsetting positions in US Treasury securities and interest rate futures, including those running Treasury cash-futures basis positions, can benefit from reduced margin requirements across both clearing houses.

Central clearing also offers balance sheet benefits due to netting, as novating trades to a CCP allows offsetting positions to be settled on a net rather than gross basis. The scale of this benefit depends on the composition of dealer trading activity and is most pronounced during periods of high trading volume, when gross settlement obligations would otherwise be largest.

Broker-dealer customer protection rules are another important consideration. The SEC amended Rule 15c3-3 to allow broker-dealers to include a debit in the customer protection reserve formula for customer margin posted to a qualified clearing agency, subject to certain conditions. This reduces the amount of cash or securities that broker-dealers must otherwise segregate.

This matters because the economics of client clearing depend heavily on whether dealers can efficiently intermediate segregated client margin. SEC staff subsequently issued FAQs in August 2025 providing further guidance on how broker-dealers should implement these amendments in preparation for the compliance dates[29].

[27] The US Treasury Clearing Mandate: An Industry Pulse Check, Depository Trust & Clearing Corporation, www.dtcc.com/-/media/WhitePapers/Treasury-Clearing-Mandate.pdf

[28] DTCC and CME Group Receive Regulatory Approvals to Launch Expanded US Treasury Cross-Margining Arrangement for End-User Clients, www.cmegroup.com/media-room/press-releases/2026/4/16/dtcc_and_cme_groupreceiveregulatoryapprovalstolaunchexpandedustr.html

[29] Frequently Asked Questions – Treasury Clearing and Rule 15c3-3a, SEC, www.sec.gov/rules-regulations/staff-guidance/trading-markets-frequently-asked-questions/frequently-asked-questions-treasury-clearing-rule-15c3-3a

> A key issue is whether the efficiencies from cross-margining programs are properly reflected in bank capital requirements for counterparty credit risk

Beyond margin, the interaction between Treasury clearing and the broader capital framework has been a central concern for the industry. A key issue is whether the efficiencies from cross-margining programs are properly reflected in bank capital requirements for counterparty credit risk.

On March 19, 2026, the Federal Reserve, Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency published a revised Basel III proposal[30], which permits banks to recognize cross-product netting arrangements with their clients for derivatives and repos under the standardized approach for counterparty credit risk (SA-CCR). Regulators also excluded the client-facing leg of cleared trades from the credit valuation adjustment (CVA) framework and removed clearing activity from the surcharge calculation for global systemically important banks (G-SIBs).

On March 19, 2026, the Federal Reserve, Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency published a revised Basel III proposal , which permits banks to recognize cross-product netting arrangements with their clients for derivatives and repos under the standardized approach for counterparty credit risk (SA-CCR). Regulators also excluded the client-facing leg of cleared trades from the credit valuation adjustment (CVA) framework and removed clearing activity from the surcharge calculation for global systemically important banks (G-SIBs).

These modifications significantly mitigate issues related to client clearing in the prior proposals. However, further calibration work remains necessary on the recognition of cross-product netting. The proposed formula scales netting recognition by a maturity ratio, but because repos are typically much shorter dated than derivatives, even fully offsetting positions would see exposure at default reduced by only 8%-16% relative to the current rule[31].

If cross-margining programs result in reduced margin, the proposed formula can produce a higher capital charge than the equivalent unmargined trade. The scope of the regime is also narrow, excluding eligible margin loans and transactions between the clearing member and the CCA, even though qualifying cross-product netting reduces risk in those contexts as well.

In a joint response to the proposal, ISDA and other trade associations recommended that a hedge coverage ratio be incorporated into the SA-CCR calculation. This would calibrate the netting benefit according to how well the repos in a portfolio hedge the derivatives, aligning capital with the actual risk of the portfolio[32].

Separately, the supplementary leverage ratio (SLR) has been modified to make the methodology less punitive but remains an area of great importance and close monitoring is warranted. The SLR acts as a non-risk-sensitive measure that can become binding during periods of market stress, potentially causing banks to reduce Treasury market intermediation when it is most needed. With US Treasury issuance set to grow significantly in the coming years, the risk of the SLR becoming a binding constraint on banks' ability to provide intermediation services in the Treasury market has been a concern for the industry.

[30] Banking Agencies Release Basel III Endgame Proposals, Sullivan & Cromwell, www.sullcrom.com/insights/memo/2026/March/Banking-Agencies-Release-Basel-III-GSIB-Surcharge-Revised-Standardized-Approach-Proposals

[31] Next Steps on a Much Improved Basel III Endgame, ISDA, www.isda.org/2026/03/30/next-steps-on-a-much-improved-basel-iii-endgame

[32] ISDA, SIFMA, IIF Respond to 2026 US Basel III Proposal, www.isda.org/2026/06/18/isda-sifma-iif-respond-to-2026-us-basel-iii-proposal

In November 2025, the federal banking agencies finalized a recalibration of the enhanced SLR (eSLR), which became effective on April 1, 2026. Industry participants supported the recalibration as a welcome first step in restoring the eSLR to its intended role as a backstop to risk-based capital requirements, while advocating for further refinements to leverage capital requirements, such as explicit confirmation of the agencies' authority to exclude US Treasuries and Federal Reserve deposits from leverage ratio calculations in exceptional macroeconomic circumstances[33].

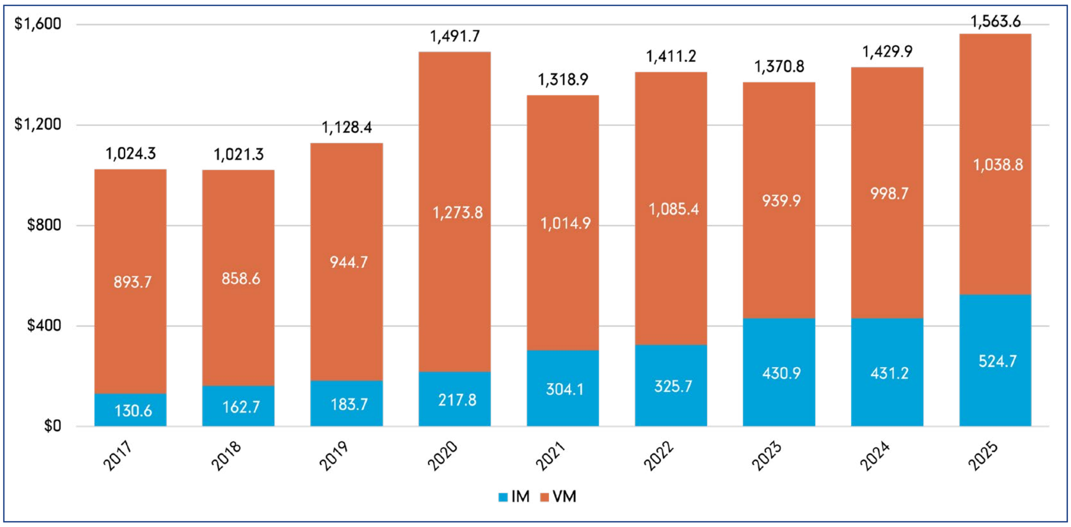
The interaction between central clearing, capital requirements and market capacity has become a central policy consideration. Policymakers and market participants are increasingly focused on whether the regulatory framework appropriately balances financial resilience with the need to maintain sufficient intermediation capacity. The ability of dealers and clearing members to support higher clearing volumes without undue balance sheet constraints will play an important role in determining whether the expected benefits of the clearing mandate are fully realized.

TREASURY CLEARING AND DERIVATIVES MARKETS

The Treasury clearing mandate reaches beyond the cash and repo markets. Treasury securities are one of the primary sources of high-quality collateral across the financial system and are widely used to support derivatives and securities financing activity. For derivatives markets, mandatory Treasury clearing may have implications for collateral management and the cost of hedging.

The relationship between Treasury and derivatives markets has become increasingly important as margin requirements have grown. ISDA's latest margin survey found that leading derivatives market participants collected a record $1.6 trillion of IM and VM against their non-cleared derivatives exposures at year-end 2025, including $524.7 billion of IM and $1.0 trillion of VM (see Chart 4)[34] . IM has increased more than fourfold since 2017.

Chart 4: Total Collateral Received by Survey Participants (US$ billions)



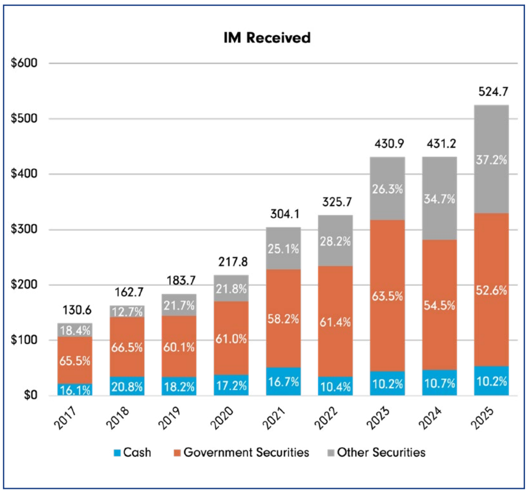
Source: ISDA Margin Survey

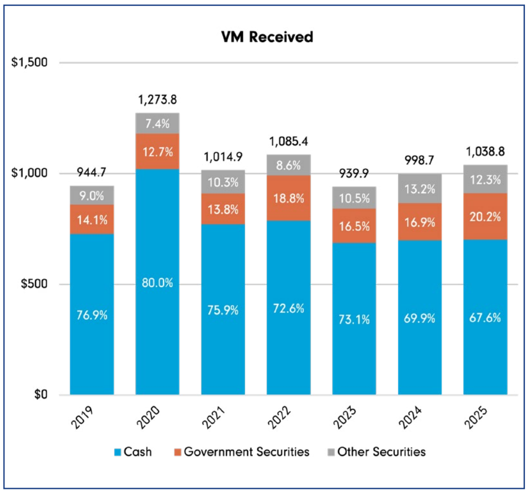
[33] Joint Comment Letter on Enhanced Supplementary Leverage Ratio Reforms, ISDA, SIFMA and FIA, www.isda.org/2025/08/26/joint-letter-on-enhanced-supplementary-leverage-ratio-reforms

[34] ISDA Margin Survey Year-end 2025, www.isda.org/a/nl6iE/ISDA-Margin-Survey-Year-end-2025.pdf

Government securities represent the largest category of IM received, representing 52.6% of the total versus 10.2% of cash and 37.2% of other securities (see Charts 5 and 6). Government securities also accounted for more than 20% of VM received.

Charts 5 and 6: Composition of Total IM and VM Received (US$ billions)

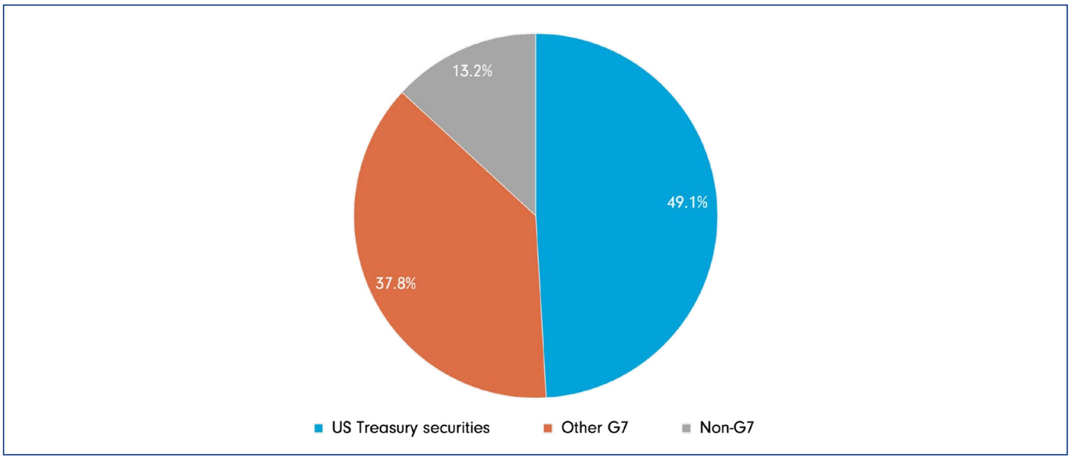




Source: ISDA Margin Survey

US Treasury securities accounted for 49.1% of government securities received as IM in 2025, while other G-7 sovereign debt represented 37.8% and non-G-7 government securities made up 13.2%[35] (see Chart 7).

Chart 7: Composition of Government Securities Received for Total IM



Source: ISDA Margin Survey

The market for cleared derivatives shows a similar reliance on government securities for collateral. IM required for cleared interest rate derivatives and single-name and index credit default swaps at major CCPs totaled $423.5 billion at the end of 2025. Based on ISDA estimates, approximately 32% was posted in cash, with the remainder comprising government bonds and other securities[36].

[35] Not all survey participants reported a breakdown of securities by type. The percentages are calculated based on available submissions, representing approximately 70% of total initial margin received

[36] ISDA Margin Survey Year-end 2025, ISDA, www.isda.org/a/nl6iE/ISDA-Margin-Survey-Year-end-2025.pdf

The extensive use of Treasury securities as derivatives collateral means changes in Treasury market structure may have implications beyond Treasury cash and repo markets, particularly for collateral management, funding activities and the cost of hedging.

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Treasury securities posted as derivatives collateral are often the same securities used in repo and other Treasury financing transactions. As a larger share of Treasury cash and repo activity moves into central clearing, market participants may need to consider operational and economic impacts related to collateral allocation.

The interaction between margin requirements and collateral availability is a particular area of focus. Margin requirements for both cleared and non-cleared derivatives are risk sensitive and tend to rise during periods of market stress, precisely when Treasury securities may be harder to source or finance. If a larger share of Treasury collateral becomes tied up in margin obligations, this could reduce the amount of readily available collateral for other uses, compounding funding pressure during periods of stress[37].

The Treasury cash-futures basis trade provides another example of the connection between Treasury clearing and other market segments. Basis strategies typically involve a long position in Treasury securities financed through the repo market and an offsetting short position in Treasury futures. Because the trade relies on both Treasury financing and derivatives markets, changes in clearing arrangements, financing conditions and margin requirements may affect its economics and attractiveness[38].

The expansion of central clearing may influence basis activity in several ways. Increased clearing of Treasury cash and repo transactions could improve netting efficiency and support more efficient financing of Treasury positions. Cross-margining programs that recognize offsets in Treasury futures and cash positions could be especially valuable for basis trades, as they allow margin to be calculated across both legs of the strategy rather than separately. At the same time, changes in margin requirements, capital treatment and collateral allocation may affect the cost of maintaining basis positions.

Hedging strategies may be affected as well. Banks, asset managers, insurance companies and pension funds use interest rate swaps, Treasury futures and cash Treasury positions to manage interest rate risk. Because these strategies often rely on Treasury collateral and repo financing, changes in collateral allocation, funding conditions or margin requirements may influence the cost of maintaining hedged positions. This may be particularly relevant for strategies that span securities and derivatives markets, where the economics depend on the interaction of financing costs, margin requirements and capital treatment.

[37] Collateral and Liquidity Efficiency in the Derivatives Market: Navigating Risk in a Fragile Ecosystem, ISDA, www.isda.org/a/TbfgE/Collateral-and-Liquidity-Efficiency-in-the-Derivatives-Market.pdf

[38] How the US Treasury Futures Market and the Basis Trade Could Be Affected by the Treasury Clearing Mandate: Part 1—A Primer, Federal Reserve Bank of Chicago, www.chicagofed.org/publications/chicago-fed-letter/2026/516

DOCUMENTATION AND OPERATIONAL REQUIREMENTS

Mandatory Treasury clearing requires substantial legal and operational work. It reaches beyond dealers and clearing members to buy-side firms, trading venues and custodians. On the legal side, firms need to negotiate new clearing documentation and obtain the netting opinions that support it. Operationally, they need to establish relationships with clearing members, connect to CCPs and adapt their collateral processes.

Standardized agreements for client clearing are being developed through buy- and sell-side working groups. Standard documentation for the done-with model, where the same intermediary executes and clears, has been published[39].

A report published in December 2025 set out foundational design elements for done-away clearing across different execution methods[40], with done-away documentation now nearing completion.

Although substantial progress has been made, documentation and onboarding have been identified by market participants as significant implementation tasks before the compliance dates. The TBAC notes that clearing solutions may not be fully available across all participant types, jurisdictions and execution channels at the same time, making continued industry coordination and testing important as implementation proceeds[41].

ISDA now co-owns the client clearing documentation with the Securities Industry and Financial Markets Association and is commissioning legal opinions in key jurisdictions outside the US to incorporate the documentation into its global opinions framework

Dealers also need supporting netting opinions to obtain efficient capital treatment for cleared positions. ISDA now co-owns the client clearing documentation with the Securities Industry and Financial Markets Association and is commissioning legal opinions in key jurisdictions outside the US to incorporate the documentation into its global opinions framework.

These opinions assess the enforceability of close-out netting and related provisions under the client clearing documentation. Legal certainty about the treatment of client cleared repos is particularly important for internationally active firms and for institutions seeking to recognize netting benefits for regulatory capital purposes[42].

In addition, firms need to consider the operational steps necessary to meet compliance deadlines. Accounts must be set up with each clearing member. Firms also need processes to identify in-scope transactions, classify counterparties, apply the relevant scope and exemption determinations and submit eligible trades within the required time frames.

The repo market lacks some of the clearing infrastructure that currently exists in the derivatives market. For example, the middleware that compares and affirms trade terms and routes matched trades to the CCP is well established for derivatives but is still being developed for repos[43].

[39] Treasury Clearing Documentation, SIFMA, www.sifma.org/resources/market-practices-model-documentation/treasury-clearing-documentation

[40] Done-Away Model Design Considerations, SIFMA, www.sifma.org/resources/guides-playbooks/done-away-model-design-considerations

[41] Central Clearing Implementation, TBAC, https://home.treasury.gov/system/files/221/TBACCharge1Q22026.pdf

[42] ISDA Treasury Forum: Scott O'Malia Opening Remarks, www.isda.org/2026/06/11/isda-treasury-forum-scott-omalia-opening-remarks-2/

[43] Developments in Central Clearing in the US Treasury Market, TBAC, home.treasury.gov/system/files/221/TBACCharge2Q12025.pdf

Clearing also reshapes day-to-day collateral and liquidity management. Firms must build processes to meet CCP margin calls, handle collateral eligibility and substitution and manage intraday liquidity, while clearing members must also collect, fund and segregate client margin.

The scale of this work means planning cannot wait until the compliance deadlines. Amending documentation with counterparties may run to thousands of negotiations. New legal agreements must be tested to avoid operational issues once clearing begins[44]. How much of this work is completed ahead of the deadlines will shape how smoothly participants make the transition.

CONCLUSION

The Treasury clearing mandate is among the most significant structural changes to the US Treasury market in decades. By extending central clearing well beyond the dealer-to-dealer market, it seeks to reduce counterparty and settlement risk, improve transparency and strengthen resilience. It also aims to increase market capacity by improving netting efficiency and reducing the balance sheet resources needed to intermediate Treasury activity.

> Margin requirements, cross-margining and the capital treatment of cleared transactions will shape how willing and able intermediaries are to provide clearing and support higher volumes

The transition is already reshaping the market. Sponsored clearing has grown sharply, new clearing providers have been approved and participants have built new access models and service offerings. Yet substantial volumes of Treasury cash and repo activity remain to be cleared and much of the transition lies ahead.

The economics of clearing will be central to the outcome. Margin requirements, cross-margining and the capital treatment of cleared transactions will shape how willing and able intermediaries are to provide clearing and support higher volumes. Efficient access models and economically viable client clearing will be needed for the mandate to meet its objectives.

The mandate's reach extends beyond the cash and repo markets. Treasury securities serve as collateral across derivatives and securities financing markets, so changes in how they are cleared may flow through to collateral allocation and hedging activity more widely.

[44] ISDA Treasury Forum: Scott O'Malia Opening Remarks, www.isda.org/2026/06/11/isda-treasury-forum-scott-omalia-opening-remarks-2/

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FOR QUESTIONS ON ISDA RESEARCH, PLEASE CONTACT:

Olga Roman
Head of Research
oroman@isda.org

Melissa Yu
Assistant Director of Research
hyu@isda.org

ABOUT ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has more than 1,000 member institutions from 79 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's website: www.isda.org. Follow us on LinkedIn, and YouTube.