

May 29, 2026

Submitted Electronically

Ms. Vanessa A. Countryman

Secretary

Securities and Exchange Commission

100 F Street NE

Washington, DC 20549–1090

Re: Notice of Request for Exemptive Relief, Pursuant to Section 36(a) of the Securities Exchange Act of 1934, from Certain Aspects of Rule 17ad-22(e)(18)(iv) of the Securities Exchange Act of 1934 and Request for Comment [Release No. 34-105262; File No. S7-2026-11]

Dear Ms. Countryman:

The International Swaps and Derivatives Association, Inc. (“ISDA”)¹ appreciates the opportunity to comment on the Securities and Exchange Commission (“SEC” or “Commission”) notice of request for exemptive relief related to the inter-affiliate exception under the SEC’s U.S. Treasury clearing rule (the “Treasury Clearing Rule”).² The inter-affiliate exception is intended to allow affiliated groups to continue using inter-affiliate Treasury repo transactions for inter-group liquidity and risk transfers without a clearing requirement. In

¹ Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 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.

² Sec. & Exch. Comm’n, Notice of Request for Exemptive Relief, Pursuant to Section 36(a) of the Securities Exchange Act of 1934, from Certain Aspects of Rule 17ad-22(e)(18)(iv) of the Securities Exchange Act of 1934 and Request for Comment (April 17, 2026), *available at* <https://www.sec.gov/files/rules/exorders/2026/34-105262.pdf> (“SEC Notice of Request for Exemptive Relief”)

practice, however, the current conditions—particularly the requirement that the affiliated counterparty itself be a bank, broker-dealer, futures commission merchant, or foreign equivalent (the “**Regulated Entity Condition**”), together with the requirement that the affiliated counterparty centrally clear all of its outward-facing Treasury repo transactions (the “**Outward-Facing Condition**”)—significantly limit the availability of the exception for group structures with the same core economic and risk characteristics as those the exception is intended to accommodate.

When mandatory clearing is unnecessarily extended to intragroup transactions, it consumes balance sheet and clearing capacity and makes clearing more costly and operationally harder overall. The current conditions require modifications to ensure the exception operates as intended.

Specifically, ISDA believes that the inter-affiliate exception should exempt from mandatory clearing any Treasury repo transaction between a direct participant and an affiliate that is under common control with, and consolidated for financial reporting purposes with, that direct participant — regardless of whether the affiliate is itself a bank, broker-dealer, FCM, or foreign equivalent. Additionally, the requirement in the existing exception for affiliated counterparties to clear all of their other outward-facing repos should continue to apply generally; however, non-U.S. affiliates trading with non-U.S. counterparties should not be required to clear their outward-facing transactions up to a measured 10% threshold, calibrated against the firm's aggregate cleared Treasury repo activity. Separately, the exception should also cover transactions between a private fund (or private fund family) and its wholly owned captive clearing subsidiary that is a direct participant of a Treasury covered clearing agency.

Taken together, the recommendations would preserve the ability of large financial institutions to use intragroup Treasury repo as a tool of treasury, liquidity, and collateral management, expand practical access to central clearing for private funds and private fund families that rely on captive clearing subsidiary structures, and accommodate the legitimate funding needs of non-U.S. affiliates and the non-U.S. counterparties that transact with them. In ISDA's view, granting this relief would be necessary and appropriate in the public interest and consistent with the protection of investors. These recommendations are also consistent with advocacy advanced by other trade associations in related submissions to the Commission.³

³ See Managed Funds Ass’n, Letter to Sec. & Exch. Comm’n (Dec. 18, 2024), <https://www.mfaalts.org/letter/mfa-requests-sec-for-targeted-exemptive-relief-to-the-inter-affiliate-exception-in-the-treasury-clearing-rule/>; Sec. Indus. & Fin. Mkts. Ass’n, Letter Sec. & Exch. Comm’n (Apr. 10, 2026), <https://www.sifma.org/advocacy/letters/request-for-exemptive-relief-from-the-clearing-rule-for-certain-inter-affiliate-transactions>. We also understand that SIFMA AMG intends to submit similar comments.

Remove the Regulated Entity Condition to Allow All Affiliates to Rely on the Exception

Instead of the Regulated Entity Condition, the Commission should expand the inter-affiliate exception to any affiliate of a direct participant that is under common control with, and consolidated for financial reporting purposes with, the direct participant, subject to the other conditions in the exception. Large financial institutions rely on intragroup Treasury repo transactions to manage liquidity, collateral, and capital across a range of affiliated entities, including top-tier and intermediate holding companies, swap dealers, and non-customer-facing entities that are not themselves banks, broker-dealers, or futures commission merchants. Subjecting those transactions to a clearing requirement does not address any external counterparty risk, but instead, would impose material frictions on routine treasury and liquidity management activity, and consume balance sheet capacity that would otherwise support client and market-facing clearing activity.

Allow Certain Private Funds and their Subsidiaries to Rely on the Exception

The Commission should also extend the exception to Treasury repo transactions between a private fund, or a private fund family,⁴ and its wholly owned captive clearing subsidiary that is a direct participant of an SEC-registered clearing agency if the other conditions of the exception are satisfied (i.e., common majority ownership, accounting consolidation, and outward-facing clearing).

A common practice for private funds is to create their own subsidiary that is a direct participant of a clearing agency in order to conduct its Treasury repo and reverse repo trades through this subsidiary, which then submits those trades to the clearing house via matching back-to-back transactions with non-affiliated counterparties. This subsidiary essentially acts as a pass-through, giving the fund both the economic and operational benefits of central clearing, including access to the clearing agency's netting, margin efficiencies, and default management structure, without reliance on non-affiliated netting members of the covered clearing agency.

A private fund that creates this structure is affiliated with its subsidiary in the same way that broker-dealers or banks have affiliated entities. These are precisely the relationships that the inter-affiliate exception is designed to cover.

⁴ Any relief for captive clearing structures should extend not only to a single private fund but also to private fund families managed by a single investment adviser or a group of affiliated investment advisers. We note that the policy considerations are the same whether the captive clearing subsidiary is wholly owned by one fund or by multiple funds within the same advisory complex.

Measured Relief for Certain Non-U.S. Affiliate Activity

The Commission should provide targeted relief from the Outward-Facing Condition for Treasury repo transactions between non-U.S. affiliates of a direct participant and non-U.S. counterparties, including between two non-U.S. affiliates, subject to appropriate quantitative safeguards. As a practical matter, many non-U.S. counterparties do not engage in U.S. Treasury repo activity at a level that makes onboarding to a Treasury covered clearing agency economically or operationally feasible. Absent relief, non-U.S. affiliates would either be forced to clear internal treasury, liquidity, and collateral transactions with the direct participant—eliminating the practical value of the inter-affiliate exception—or reduce their participation in U.S. Treasury repo activity with non-U.S. counterparties. ISDA therefore supports the proposed 10% threshold as it would provide a workable safeguard against evasion while allowing the exception to serve its intended function for bona fide non-U.S. treasury, liquidity, and collateral management activity.⁵

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⁵ See SEC Notice of Request for Exemptive Relief, <https://www.sec.gov/files/rules/exorders/2026/34-105262.pdf>, at 9-11.

These recommendations would materially improve the practical availability of the inter-affiliate exception and support the orderly implementation of the Treasury clearing mandate, each of which is consistent with the Commission's objectives.

ISDA and its members appreciate the Commission's continued engagement on the implementation of the Treasury clearing rules and stand ready to assist the Commission and its staff as these issues are further considered. Please do not hesitate to contact Ann Battle (abattle@isda.org), or Nicolette Cone (ncone@isda.org), should you have any questions.

Sincerely,



Katherine Darras
General Counsel
International Swaps and Derivatives Association, Inc. (ISDA)