

**ISDA Treasury Forum
June 11, 2026**

**Opening Remarks
Scott O'Malia, ISDA CEO**

Hello and welcome to the ISDA Treasury Forum. I'd like to start by thanking CME Group for working with us once again to make this event happen – we really appreciate your support.

I'm sure no one in this audience needs to be reminded that the US Treasury market is on the cusp of a seismic transition. The introduction of mandatory clearing will have far-reaching implications for anyone who transacts in this market. Since the Securities and Exchange Commission (SEC) finalized the rule in 2023, this event has provided a valuable forum for market participants and policymakers to discuss the road to implementation.

That road is now very short. In fact, there are just 203 days to go until the introduction of mandatory clearing for cash transactions on December 31, with repos set to follow at the end of June next year. Time is tight and we have to get this right.

Before getting to industry preparations, let's briefly consider the big picture.

The US Treasury market is the world's deepest and most liquid financial market, with outstanding issuance of more than \$30 trillion. Its primary purpose is to provide funding for the US government, but the reach of this market extends far beyond US borders. The yield on US Treasuries influences almost everything we interact with in our daily lives, from the borrowing rate on our mortgages to the price of food and gas. US Treasuries are also widely used as collateral, which is vital for the smooth functioning of the derivatives market. In short, the US Treasury market is the oil that keeps the wheels of global finance turning.

Given the systemic importance of US Treasuries, any change to the market structure needs to be implemented flawlessly from day one – there will be no second chances. That's what we all want to achieve, and it's why we're here today.

In these remarks, I'll review some of the key steps to achieve that flawless implementation. I'll also address the adjustments that are needed to the regulatory framework to maintain the efficiency of the Treasury market.

Industry preparation

As we enter the final stage of preparation, one thing has become abundantly clear – market participants are heavily engaged in this transition. Most firms are deeply committed to the success of Treasury clearing and are already well advanced in their preparations. They're also broadly supportive of the reforms, recognizing the need for resilience, liquidity and orderly market functioning.

But the implementation process is not one that firms can take lightly. As with other major market transitions – from the retirement of LIBOR to the rollout of non-cleared margin rules – successful implementation relies on diligent preparation and collaboration.

So, what still needs to be done?

Market participants should by now be up to speed with the different clearing models that will be available from the three approved central counterparties. That means understanding the obligations for clearing members and clients, and the arrangements for collateral segregation, accounting and netting. ISDA has published a comparison of the different clearing models, which can be used as a reference point to support implementation.

Next comes documentation, which must be tailored to support the different clearing models, rulebooks and client segregation solutions. The Securities Industry and Financial Markets Association (SIFMA) has been leading an industry working group to develop appropriate client documentation. Documentation for done-with transactions, in which clients execute and clear with the same entity, has been ready for some time. Documentation for done-away transactions, in which different entities are used for execution and clearing, has been more challenging but is now very close to completion.

With those templates nearly complete, firms must get on with the significant task of amending and updating their documentation with all their counterparties. For some market participants, this might run to thousands of separate negotiations – a massive lift that will require substantial time and resources ahead of the clearing deadlines. New legal agreements with counterparties and infrastructure providers also need to be properly tested to avoid operational issues when the clearing mandate takes effect.

Meanwhile, ISDA now co-owns the client clearing documents with SIFMA and is commissioning opinions in key jurisdictions outside the US to add the documentation to ISDA's existing global opinions framework. These opinions will confirm the enforceability of netting for client cleared repos – a key requirement for banks as they scale their clearing operations globally. Commissioning the opinions within ISDA's framework will ensure consistency and efficiency across markets.

The industry has come a long way since the rules were finalized in 2023. With 203 days to go, now is the time to double down on preparations to make sure no stone is left unturned. We have to be ready on time.

Regulatory framework

I'll now turn to the regulatory framework.

As it stands, the SEC rule requires all members of a clearing agency that clears US Treasury cash and repo transactions to clear by the designated deadlines. This will bring a large number of non-US entities into scope of the rules and there are concerns about imposing significant operational burdens for a relatively small number of trades.

The SEC has recently proposed to exempt transactions between two non-US entities that would otherwise be covered, with certain exceptions. ISDA is analyzing the proposal, as well as potential amendments to the interaffiliate clearing exemption.

We will continue to engage with regulators on these important issues as we seek appropriate solutions that maintain efficient access for all firms that rely on the US Treasury market, irrespective of their location.

Important progress has also been made on cross-margining, which is a vital component of cleared markets. By allowing firms to offset their margin requirements in a portfolio of Treasury cash, repo and futures transactions, cross-margining unlocks crucial efficiencies and ensures margin accurately reflects risk.

In April, the SEC and the Commodity Futures Trading Commission approved an exemptive order and proposed rule change to permit extension of the Fixed Income Clearing Corporation and CME Group cross-margining arrangement to clients. This is an important step forward in extending the substantial benefits of cross-margining to the broader market.

Vital as cross-margining may be, it is only one part of the puzzle – there also needs to be recognition of offsetting risks in the US capital framework. Under the standardized approach for counterparty credit risk (SA-CCR), banks must be able to realize the benefits of netting across repos and derivatives. Without this, they will be hit with inappropriately high capital requirements that will constrain their ability to provide liquidity in US Treasury markets.

The latest Basel III endgame proposal is a step in the right direction, permitting cross-product netting under SA-CCR for derivatives and repo transactions, including exposure between clearing members and their clients. This is an improvement on the original endgame proposal, but the methodology set out in the latest version is too conservative and lacks risk sensitivity. The problem centers on the maturity mismatch between derivatives and repos, which has been addressed with a blunt ratio that fails to capture the risk profile of a well-hedged portfolio.

ISDA has been working to develop a recommendation for a more appropriate methodology that properly aligns capital with risk. We simply have to get this right to maintain liquidity in the US Treasury market as the clearing mandate comes into effect. We'll expand on this next week when we submit our response to the Basel III endgame consultation, so watch this space.

Conclusion

I've talked in these remarks about some of the remaining steps that both market participants and regulators need to take to achieve that flawless implementation of Treasury clearing that we all want to see. As I said at the start, we only have 203 days remaining – that might seem like a lot, but it will go by in a flash. We've already done many of the hard yards to implement this rule successfully. Now, we need to sustain the momentum as we move towards the finish line.

ISDA will remain on hand to provide practical support and guidance on documentation, legal opinions and operational readiness, and we'll continue to work with regulators to ensure this leads to a safer, more resilient Treasury market, without compromising efficiency.

Thank you.