

Clear Target

Mandatory clearing of US Treasury securities is due to begin at the end of this year under rules finalised by the Securities and Exchange Commission in 2023. SEC commissioner Mark Uyeda talks to IQ about the benefits of clearing and the path to implementation

IQ: You've been a commissioner at the US Securities and Exchange Commission (SEC) for nearly four years, including a short stint as acting chairman at the start of 2025. What have been your main achievements and how did you support the transition to chairman Atkins?

Mark Uyeda (MU): Starting from day one of the second Trump administration, it was critical to address regulatory overreach from the previous administration. For instance, SEC guidance – called Staff Accounting Bulletin No. 121 – effectively limited any financial institution from providing custody for crypto assets, and that guidance was withdrawn. Another initiative was to reinvigorate stalled efforts to permit mutual funds to offer separate share classes in the form of an exchange-traded fund.

One significant action that the SEC undertook while I served as acting chairman was to revisit the compliance dates for the large number of rules issued by the prior

administration, which were often set with little thought about the burden on market participants having to comply with multiple rule changes at the same time. After receiving feedback, the SEC extended compliance dates for a number of rules. Importantly, the commission provided an additional year to implement the Treasury clearing mandate, moving the deadlines to December 31, 2026 for eligible cash market transactions and June 30, 2027 for eligible repo market transactions.

Each of these actions was intended to facilitate the transition to the incoming chairman in an orderly manner.

IQ: You were tasked by chairman Atkins to oversee the implementation of US Treasury clearing. How will clearing improve the resilience of the Treasury market?

MU: The US Treasury market is the deepest and most liquid government securities market

in the world – over \$1 trillion in Treasuries trade on average every single day, with over \$30 trillion outstanding. It is a market that underpins financial activity across domestic and global economies. However, it has experienced periods of disruption from time to time. One example occurred in early April 2025, when liquidity conditions deteriorated alongside an abrupt increase in market volatility. While this episode was short lived, such occurrences underscore this market's importance and how critical it is to bolster its resilience to future shocks.

The Department of the Treasury first recommended studying clearing and settlement arrangements as one means of improving resilience during President Trump's first term in office. A central counterparty can benefit the market by potentially improving transparency and reducing bilateral exposures. Additionally, the ability to use netting could free up additional cash for market participants, which, in turn, could help reduce liquidity strains. The SEC noted these

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benefits when it proposed rules requiring that certain secondary market transactions in Treasuries be cleared.

Today, we are in an implementation period. Chairman Atkins has asked me to take on the role of overseeing that process. It is a priority issue for the SEC and for me.

IQ: Introducing mandatory clearing in such a systemically important market will be a huge transition and the broader regulatory framework requires some adjustments to support and enable Treasury clearing – including crucial changes to the capital rules. What has the SEC done to ensure its

regulatory framework supports efficient clearing of Treasury transactions and what further changes may be needed?

MU: That is precisely why it was important for the SEC to extend the implementation period to have a smooth transition. The rules generally require that secondary market cash transactions in Treasuries, as well as repo and reverse repo transactions that have Treasury securities as collateral, be submitted for clearing. There are exceptions – such as for transactions in which one counterparty is a central bank, a sovereign entity, an international financial institution or a natural person – that are specified in the scope of the rules. But the rules have a broad reach, and questions began to emerge almost

immediately about how these rules would be implemented.

After I became acting SEC chairman in January 2025, it became apparent that the original compliance deadlines were unworkable. The SEC approved a one-year extension of the compliance deadlines for both cash and repo transactions, with the goal of providing time to resolve the questions that had been surfacing about implementation and enhancing market participants' ability to comply with the rules.

Market participants have been engaging with the SEC about areas where they believe clarity is needed. For example, one of these areas is extraterritoriality – the commission recently published a request for exemptive relief that proposes to limit the applicability of the trade submission requirement for transactions that occur entirely outside the US. Additionally, SEC staff have been providing guidance on issues like the scope of the clearing requirement in triparty repo transactions, the interplay with Exchange Act customer protection rules and accounting matters.

Our goal is to be transparent about what areas we are addressing. Regular updates in public statements and speeches are being provided, and the SEC website has a Treasury clearing dashboard page so the public can access the rules, staff guidance, updates and staff contact information in one place.

IQ: Ahead of implementation of the Treasury clearing mandate, the Fixed Income Clearing Corporation (FICC) and CME Group have developed a client portfolio margining solution to supplement their existing solution for clearing members. What did you consider when approving this additional service and what role will it play in delivering effective client clearing for this market?

MU: Historically, the SEC has supported and approved cross-margining at clearing agencies and recognised the potential benefits of cross-margining systems. These benefits include freeing up capital through reduced margin requirements, cutting clearing costs by integrating clearing functions, reducing clearing agency risk by centralising asset management and harmonising liquidation procedures. In addition, we understand →

→ that certain market participants view an expansion of cross-margining between Treasury cash and futures positions to be an important component of the transition to increased central clearing of US Treasury securities. With respect to the current proposal from FICC and CME Group, the commission has not concluded its consideration of the proposal.

IQ: Forthcoming crypto market structure regulation is likely to bring some crypto assets into clearing. Given the differences in the way crypto assets are traded and settled, how will the clearing infrastructure need to evolve? Where will you be focusing as this regulation is finalised and implemented?

MU: There are interesting possibilities in how tokenisation and new technologies can make our markets more efficient, including with respect to the clearing functions. The SEC's crypto task force and other staff have been working with market participants to develop paths forward that allow for crypto, tokenisation and other innovations to proliferate through thoughtfully regulated environments.

For the time being, our mandate to implement the Treasury clearing rule is distinct from these workstreams. The market for US Treasuries stands on its own in its importance to financial systems across the globe. Our clearing experts in the Division of Trading and Markets are working through questions from market participants to make sure that – as the compliance dates for clearing cash and repo Treasury transactions approach – market participants have what they need to keep these markets liquid and functioning smoothly.

IQ: Despite huge advances in technology, some parts of the derivatives market are still beset by inefficient, manually intensive processes. Where do you see the biggest opportunities for tokenisation and distributed ledger technology (DLT) to improve these processes?

MU: There is promise in how tokenisation and DLT might transform financial markets generally – and the derivatives market, in particular – by reducing inefficiencies.

Collateral management is one area of opportunity. Today, margin calls and asset transfers often involve multiple intermediaries and batch processing, which can delay settlement and tie up capital. Tokenising collateral could enable real-time, automated movement of assets, even outside traditional market hours, streamlining workflows and optimising capital allocation under stricter regulatory requirements.

Trade reporting is another example. Current reporting frameworks often require duplicative submissions and manual reconciliation. DLT could allow for standardised data collection and reporting across institutions, establishing a common language for market participants. This type of development would eliminate duplicative, inconsistent reporting and reduce manual reconciliation.

Realising these benefits will require broad industry adoption – across the sell side, buy side and custodians – with interoperability among networks. That is a significant coordination challenge, but it is worth pursuing. Chairman Atkins has indicated harmonisation efforts with the Commodity Futures Trading Commission are a priority for the SEC, so I'm optimistic we will see positive change in this area.

IQ: Where do you see the most compelling use cases for artificial intelligence (AI) in financial markets and supervision, and how do you expect this to evolve? What guardrails do you think are needed to make sure AI doesn't compromise the safety and stability of market functioning?

MU: The use of AI in financial markets is not a sudden, radical change – it's the latest iteration in a long history of technological transformation of our markets, from ticker tape to electronic networks. These innovations have consistently lowered capital costs and boosted market depth and liquidity.

Recent breakthroughs certainly expand the potential impact of AI, and we can see market participants applying it in various forms in areas like internal task automation, investor outreach and risk management, which has the potential to improve decision-making and operational efficiency. At the SEC, our AI task force has been exploring how we can leverage

AI capabilities to enhance our supervision of markets and other work.

The commission has long maintained a technology-neutral approach: our rules are designed to apply consistently regardless of the tools or systems firms choose to use. Guardrails are important, but they need to be dependent on context. No one wants regulation that quickly becomes outdated, with costs outweighing benefits. The particular technology, use case and deployment matter as we consider potential limitations that could be imposed on market participants. Right now, the focus should be on gathering relevant data and evidence to guide potential paths forward.

IQ: Finally, your term as a commissioner runs until 2028. What do you believe should be the SEC's main priorities during that time?

MU: The next few years will be incredibly exciting for this agency and our markets. We will have the chance to revitalise capital formation. This includes making public markets more attractive – streamlining initial public offering processes, reducing disclosure burdens and modernising reporting requirements, as well as exploring semiannual reporting and reduced compliance burdens for smaller issuers.

We also have an opportunity to benefit retail investors' retirement accounts by allowing them to have exposure to private market investments from which they've been historically locked out. Registered investment vehicles, such as target-date funds, which are designed for longer-term holding periods, can be a great way to do that. We can only enable that to happen, however, if we work with the Department of Labor to make lasting changes to our regulatory regime.

Of course, there are the innovations coming out of the digital assets space, which hold promise as well. We need to develop a clear, principles-based regulatory framework for digital assets. Having moved beyond the regulation-by-enforcement approach of the prior administration, we now have the chance to develop rulemaking that supports crypto, tokenisation and other innovations within regulated environments.

With all these opportunities ahead of us, I am honoured to serve as commissioner at this point in the SEC's history. 