

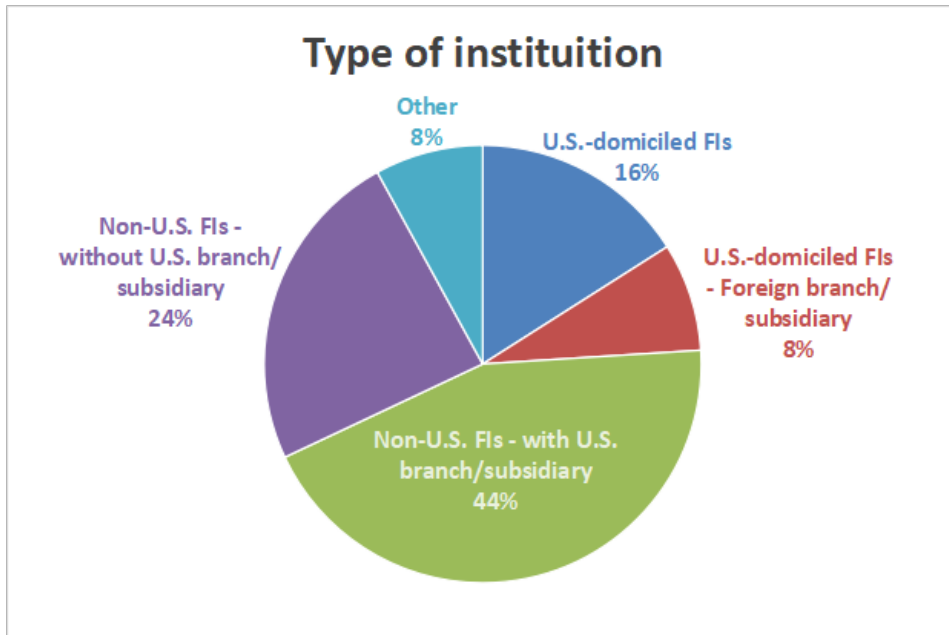
2025 ICMA Survey on SEC mandatory clearing for UST

Results summary

Survey Summary

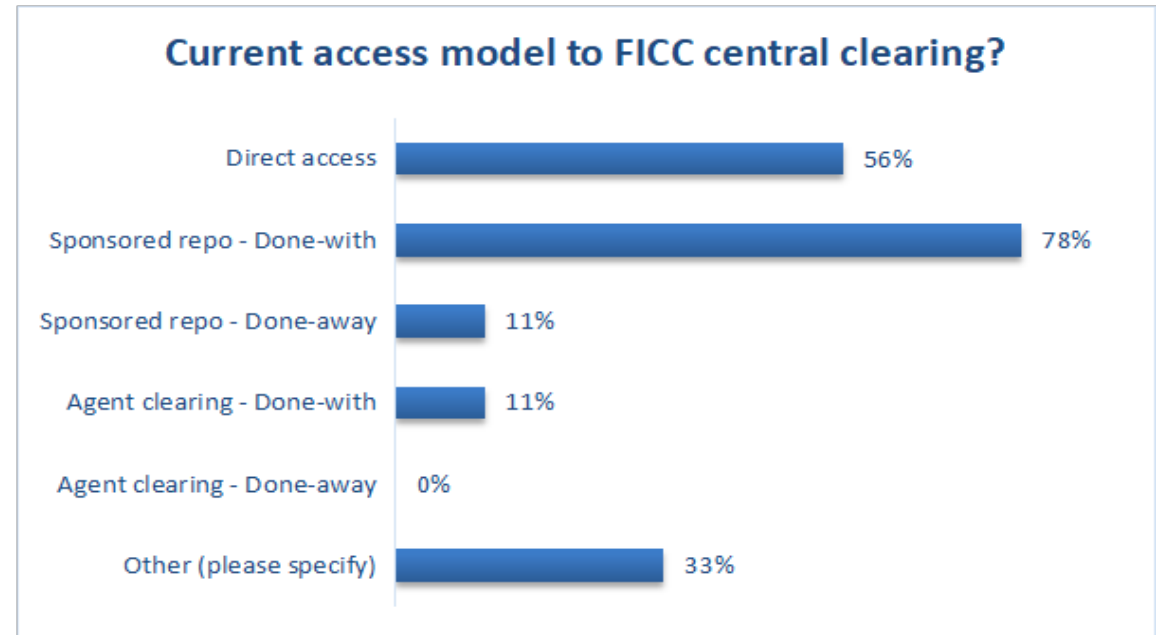
1. Respondent profile

- **26** responses received in total (23 sell-side, 1 buy-side, 1 ICSD, 1 Fintech).
- Out of which, 58% of the entities are not direct participants of the FICC, even within their wider group structure.
- Over 40% of the respondents are non-U.S. FIs with a U.S. nexus.

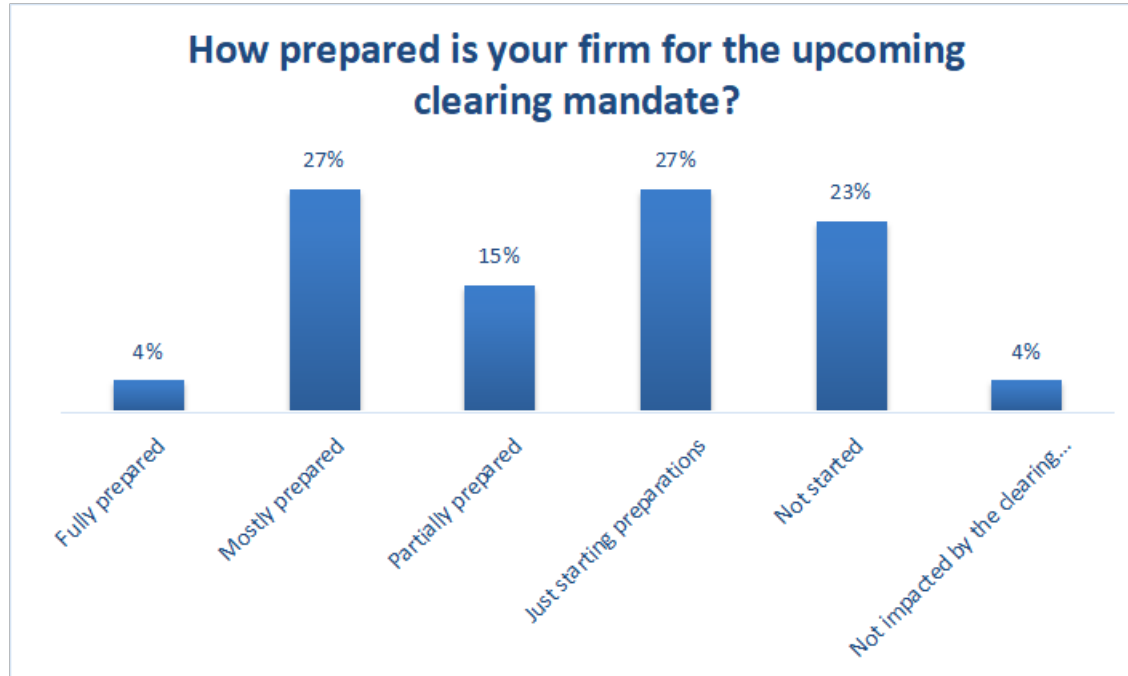


2. Transactional Scope

- 88% of respondents trade UST repos.
- Over half of respondents trade through both OTC and trading venues, while nearly 40% trade only OTC.
- Currently, 56% of respondents are not centrally cleared through FICC. For those that are, the distribution of access models is shown below.



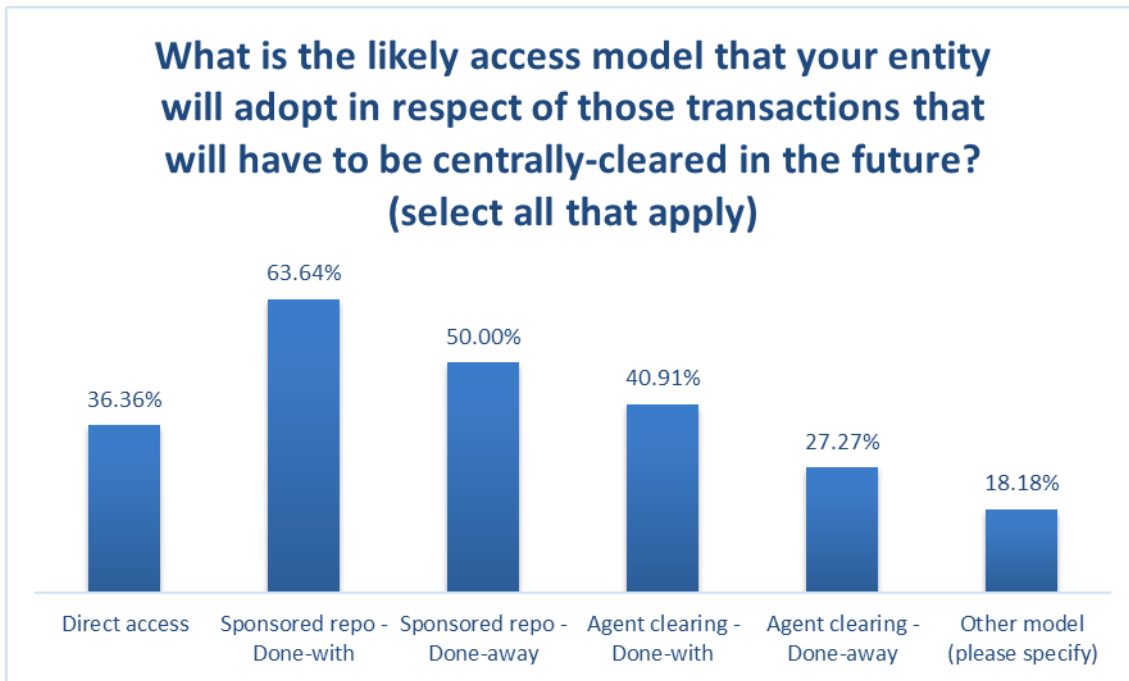
3. Awareness and preparedness



- Half of the respondents are either just starting preparations for the mandate or have not started. 27% indicated that they are mostly prepared.
- One respondent noted that they will stop trading UST once the mandate comes into force.

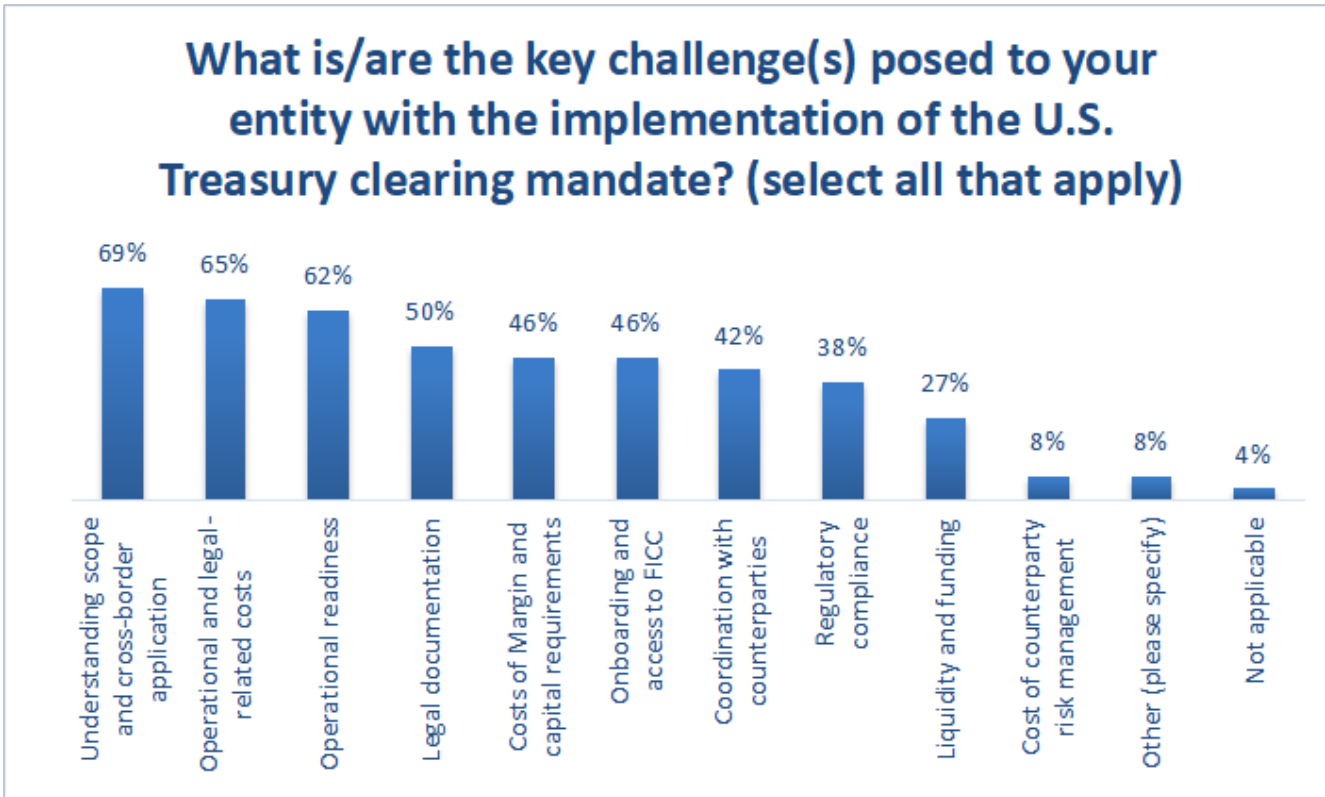
- All respondents are aware of the extraterritorial impact of the mandate, though a few noted uncertainty around the extent of its application. Scope clarification has also been highlighted including triparty repo treatment.
- 73% of respondents consider the inter-affiliate exemption useful, while some argued that the current rule defeats the purpose and does not really constitute an exemption. One firm also noted that clearing all branch trades through the parent entity may create time-zone challenges and increase cross-border collateral movements, adding operational burden for firms and clients.
- Some also noted that the inter-affiliate exemption should be further broadened – an area the SEC is currently considering.

4. Mode of access



- 85% of the respondents expect at least some trades to migrate to the cleared space under the mandate. Many highlighted the strong indirect effects, particularly being brought into scope through U.S. counterparties or FICC netting members.
- The top selected access model is sponsored ‘done-with’, followed by sponsored ‘done-away’ and agency ‘done-with’. Several respondents have yet to determine their approach.
- ‘Collateral-in-lieu’ mentioned by some respondents.
- Respondents who provided reasons generally highlighted the need to balance business volume, cost, and operational requirements. Direct FICC membership was viewed as unnecessary given the scale of business, making the sponsored model an easier and more flexible option. Some noted they would prefer agent clearing if offered due to wider counterparty choice.

4. Key challenges / Market risks



- Operational and legal-related costs, understanding scope and cross-broader application, and overall operational readiness are the top challenges that have been identified.
- Additional comments highlighted practical constraints, such as onboarding, legal documentation processes and operational setup.
- APAC-based institutions also flagged challenges arising from time-zone differences and limited 24/5 back-office coverage, making same-day settlement in US time zone difficult.

4. Key challenges / Market risks (Cont.)



- Margin impact remains uncertain for most respondents (72%), with 12% expecting a 10–25% rise.
- Majority expect costs to be partially passed on to clients (32%) or are not sure (44%).
- 65% respondents indicated that the mandate could create a two-tier market. Some expect liquidity to concentrate in the cleared space, while some anticipate firms may bypass mandatory clearing by shifting to pure OTC trading and the clearing requirements may weaken Treasuries’ function as a cash proxy in bilateral markets.
- 58% believe this could result in pricing discrepancies.
- Over half noted concentration risk due to limited number of clearing brokers.

5. Implications for GMRA

- 64% of the respondents expect some implications to GMRA. Additional comments provided include:
- Documentation updates needed: for example, to include annexes or modifications to reflect the obligations of mandatory clearing.
- Side letters could provide legal certainty regarding counterparty clearing obligations.
- Counterparty adoption challenges: Many prefer MRA over GMRA; ICMA support is suggested to promote GMRA as the standard.
- The SIFMA template can be tailored for GMRA use by electing UK law and making limited reference adjustments.

6. Further Industry Actions

Regulatory guidance would be most useful:

- **Scope and applicability:** Need for clear guidance on the overall impact of the rules, including detailed clarification of extraterritorial scope and inter-affiliate arrangements.
- **Operational support:** guidance on direct membership; public lists of government security broker-dealers; clarity on submission timelines for globally executed trades given FICC’s limited operating hours.
- **Regulatory flexibility:** Request for temporary measures for gradual migration, along with continued updates and communications from regulators.
- **Market infrastructure:** Facilitation of cross-margining between securities and futures, clarity on the treatment of failed trades or clearing-agency outages.

