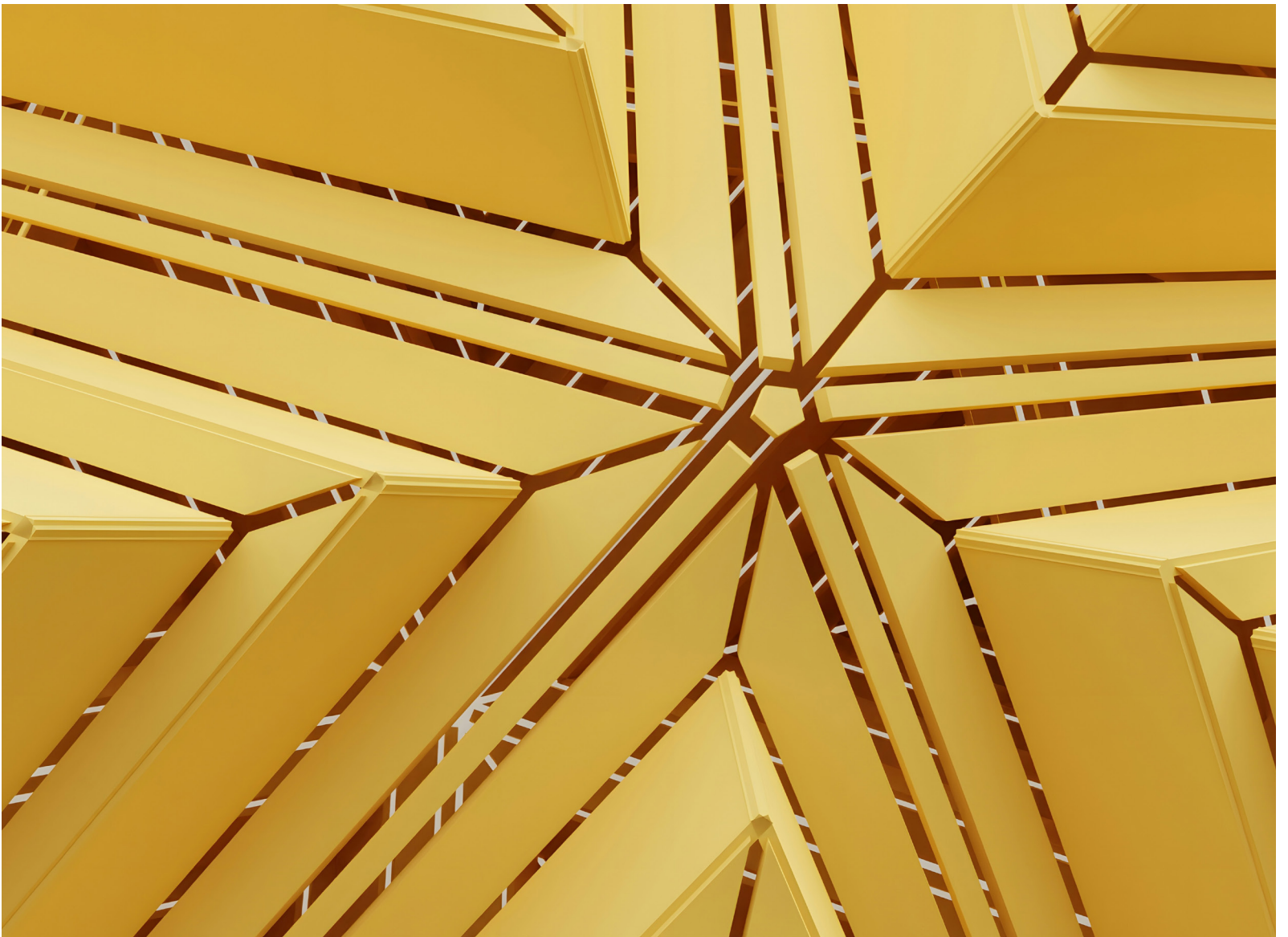


Risk

Awards

2026 **WINNER**



Clearing house of the year
Depository Trust & Clearing Corporation

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Depository Trust & Clearing Corporation

When the US Securities and Exchange Commission finalised a clearing mandate for US Treasuries cash and repo trades in December 2023, market participants fretted about inadequate capacity. Only one clearing house offered the service – the Fixed Income Clearing Corporation, part of the Depository Trust and Clearing Corporation (DTCC). Partly in response to those concerns, in early 2025 the SEC postponed the start date for the clearing mandate by a year, to end-2026 for cash trades and mid-2027 for repo. But this did not prompt FICC to rest on its laurels, or rely on its status as the only operational clearing house for UST trades.

Instead, in expectation of much higher clearing volumes as the mandate approaches, the central counterparty (CCP) has been laser-focused on growing its capabilities to maximise margin efficiencies for firms. In doing so, it has earned clients' praise and built their trust.

The government securities division of FICC saw a peak volume of \$12.66 trillion in cleared transactions on October 31, 2025, the highest ever, up from \$10 trillion just over a year earlier (September 2024). FICC's sponsored service also reached a new peak on October 31, clearing \$2.69 trillion, compared with \$1.7 trillion in September 2024.

The fact that so much volume is being cleared on a voluntary basis well ahead of the mandate deadline is a testament to the market's preference for FICC's classic sponsored access model. Even so, the CCP raised its game this year, as it brought in a host of innovations that are expected to offer useful alternatives to sponsored access. FICC is pulling further ahead while would-be competitors have yet to launch their offerings.

Laura Klimpel, DTCC's head of fixed income and financing solutions, says the growth in the sponsored service has reflected an inclusion of new clearers choosing the sponsored model for the first time, in addition to those that have increased their existing sponsored volumes. The same players who already serve the classic sponsored clearing model are also looking to move some of the volume into FICC's new options.

"It's a mix. There are some intermediaries that want to have sponsored access as a capability – let's say they haven't been a clearer in FICC before, but they know they have clients they want to ensure they don't lose business with in connection with UST clearing," says Klimpel. "We also have a large slate of agent clearers that are futures commission merchants, repo desks, prime brokers and correspondent clearers."

FICC currently has 40 sponsors and 19 agent clearers live, with many new firms in the pipeline. Since additional models are of interest to companies that already clear through the sponsored service, FICC

anticipates clearing patterns will also shift by the time the mandate deadline approaches.

New model army

As *Risk.net* has previously reported, different desks of the same banks may not agree on the same clearing model. FCMs are used to the agent clearing role they play in derivatives markets, whereas repo desks prefer the sponsored clearing model that naturally allows them to package clearing with financing. These diverging approaches have prevented clearing members from pulling a trigger on one UST clearing strategy.

Investors and clearing banks tell *Risk.net* FICC has listened to the needs of different industry players such as repo desks, asset managers and FCMs, looking for ways to square the circle of conflicting expectations.

"On the back of the mandate, we and the rest of the Street pushed FICC to tweak models to make them more commercially viable," says an executive at one large clearing bank active at FICC. "They have done a good job listening to concerns around costs of clearing and some of the liquidity-related impacts of having to move the entire franchise into the clearing world." The bank aims to use some of the new clearing models developed by FICC. These include net margining for the agent model, a sponsored collateral-in-lieu model and an agent tri-party offering. It appears the market has welcomed these alternatives with open arms. Klimpel thinks net margining – with the dealer posting – will create demand for the "done with" agent model that could compete with the existing "done with" sponsored offering.

"What's exciting is that we are going to see a significant evolution for all the types of players – it's going to create an opportunity for everyone," Klimpel says. "We are going to see some repo desks, which are classic large sponsors, migrate some business into the agent clearing business."

In the sponsored service, the dealer will hand a haircut – say two cents on the dollar – to the money market fund (MMF) that is acting as repo lender. But because the service is a gross margin model, the dealer will also need to post two cents of margin on behalf of a hedge fund borrower on the other side of the transaction. In the agent clearing service, the netting is significantly more attractive.

"If the agent clearer posts margin, [FICC] can net that margin, so instead of four cents to the CCP, they could be posting near zero because we will be able to offset the money fund from the hedge fund position," says Klimpel. "The haircut will still be posted to the money fund, but FICC margin will be netted down to near zero."

\$12.66 trillion

Peak volume of cleared transactions in FICC's government securities division on October 31

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Laura Klimpel, DTCC

The collateral-in-lieu concept is another way to smoothe the impact of SEC requirements for MMFs to charge haircuts on bonds posted to them by repo borrowers. For US Treasury repos, dealers typically post securities to the MMF’s tri-party custodian worth 102% of the value of the cash received. When the trade is cleared, the dealer must also separately post margin to FICC to cover the market risk of the position, resulting in double margining.

To address this issue, FICC’s model will allow MMFs to grant the clearing house a lien over the collateral posted to their tri-party accounts. The lien, which would be exercisable only if the MMF defaults, effectively frees dealers from having to guarantee the performance of their counterparties. The model is expected to receive SEC approval in December this year.

“FICC has done some really good work over the past 12 months, adopting market clearing capabilities that just didn’t exist for the last couple of decades,” says the executive at the large clearing bank. “It has been extraordinarily proactive in working through meaningful operational changes, legal changes and advocacy efforts to get those models to come to fruition.”

An executive at a large buy-side firm is also impressed. They intend to be an early adopter of collateral-in-lieu to solve the double margining problem.

“FICC really came to us about what we need to do to grow the business so that it doesn’t disrupt market functioning,” they say.

Agents of change

When the SEC announced its mandate at the end of 2023, clearing members that operate FCMs naturally turned their thoughts to the classic done-away agent clearing model prevalent in derivatives markets. This model is relatively light on capital requirements – a key advantage for the FCM itself. FICC has worked tirelessly with the industry to develop a positive accounting treatment that will enable done away trades in the context of the UST market.

The Securities Industry and Financial Markets Association had formed a working group to reach an industry-wide opinion on whether the

agent clearing service proposed by FICC would definitely avoid clearing members being classified as a principal – and therefore subject to higher capital requirements. An affirmative opinion, supported by a legal assessment from Cleary Gottlieb and published on September 11, gives members more confidence that FICC would become the principal for client trades novated to the CCP.

This confirmation that a clearing member can act as an agent, rather than a principal, substantially eases the balance sheet burden. In turn, this should make it more economically viable for members to offer US Treasuries clearing for so-called done-away trades executed by other brokers. Many clearing members had been reluctant to provide this service without the accounting treatment.

This is not the only development FICC has in store for the market around agent clearing. It has enabled a tri-party agent structure for done-away clearing as well, to bring diversification to the market. This model is also expected to receive SEC approval and go live in December 2025.

“I think we will see both done with and done away. Classic repo desks will likely intermediate between cash givers and collateral providers,” says Klimpel. “I have been talking to firms who intend to do done away in tri-party – that doesn’t happen today.”

Next steps

The CCP has maintained the pace of its preparations despite the delay to the mandate. The SEC chose not to postpone a March 2025 requirement for Treasuries clearing houses to deliver margin separation, and FICC met the deadline. FICC also implemented a rule change to fulfil conditions set out in Note H to SEC rule 15c3-3a. This allows broker-dealers to use client debits to reduce margin paid into client segregated accounts provided certain conditions are met – including the CCP calculating a separate margin amount for each client of a broker-dealer. The SEC confirmed in August 2025 that the Note H conditions have now been met.



“We introduced a voluntary margin segregation regime for customers willing to post margin when they and their intermediaries are looking for a debit in the 15c3-3a formula,” says Klimpel. “The SEC gave approval for the broker-dealer to take a debit if the margin is held in segregated accounts [and] we have seen players open segregated margin accounts for that reason.”

Another critical area of development is the cross-margin programme between cash and repo Treasuries trades at FICC and Treasury futures at CME. At present, this is available only for house accounts, but client accounts will soon enjoy the same benefit. To take advantage of margin offsets, clients have to opt for FICC’s segregated sponsored or agent models, which the clearing house made live in 2024. Formal approval from the regulators for this programme is expected at the end of the year or in early 2026.

One other significant project FICC will immerse itself in during 2026 is the crucial issue of creating a default fund that is separated from initial margin – a hot topic with users at the moment. Most CCPs separate the two lines of defence to improve the handling of margin calls, avoid loss mutualisation on initial margin and maintain robust risk management practices.

“It’s very clear from our perspective that having that type of ring-fencing is going to be critical for market participants as they bring additional activity into central clearing,” says Klimpel. “We are aware of the industry’s desire to separate, and it is an active initiative at FICC.” ■