DTCC

JULY 2024

The U.S. Treasury Clearing Mandate: An Industry Pulse Check

A DTCC WHITE PAPER TO THE INDUSTRY

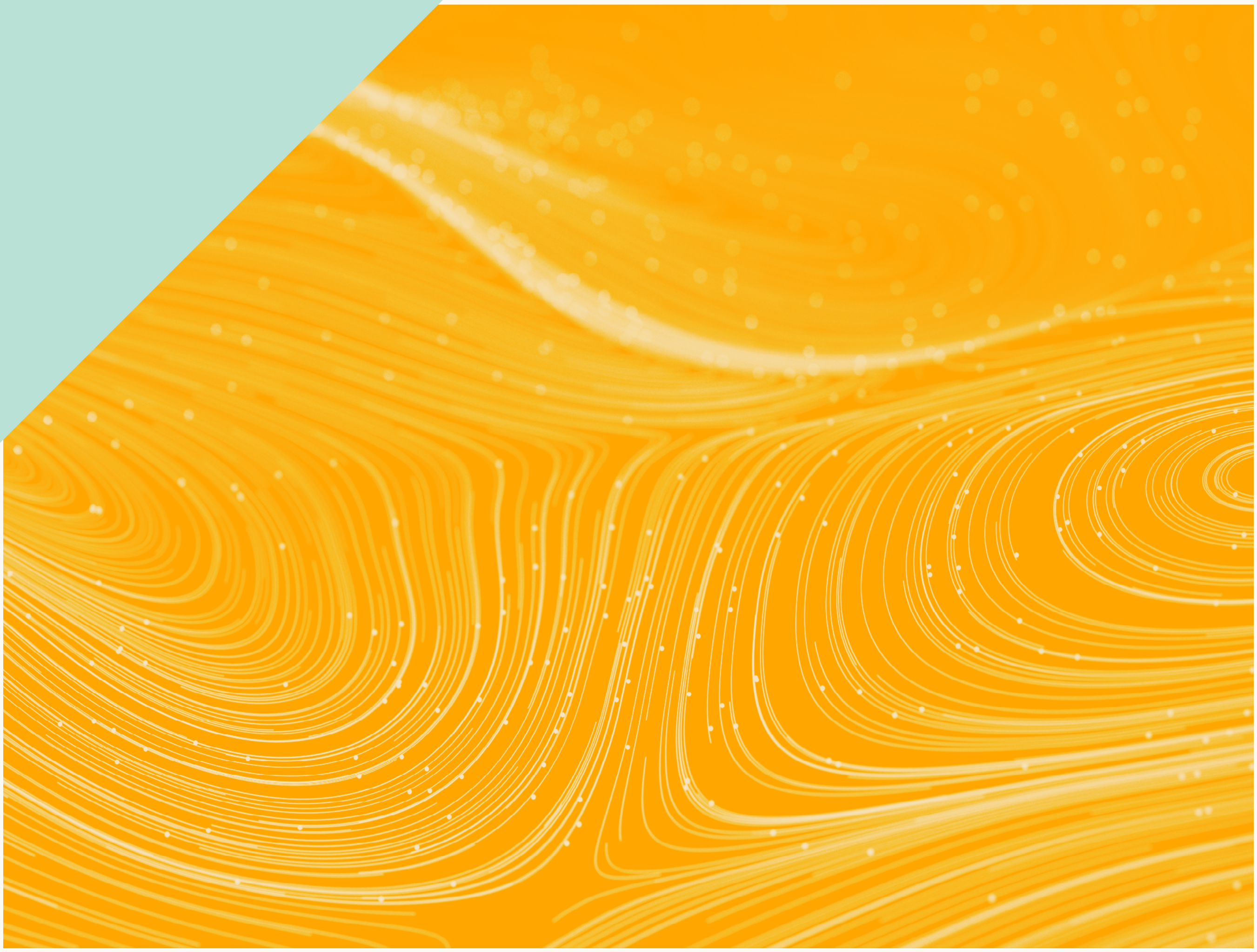


Table of Contents:

Executive Summary

DTCC's Fixed Income Clearing Corporation (FICC) conducted a voluntary 12-question survey in April of 2024 and received responses from 83 sell-side institutions, which are all full Netting Members of the Government Securities Division (GSD) of FICC – inclusive of all the major primary dealers. The purpose of the survey was to further support the industry's collective understanding of the implications of the SEC's Final Rule to expand central clearing activity in the U.S. Treasury Market, including the trade submission, access model and margin segregation requirements the Rule requires that FICC adopts into the GSD Rules (referred to herein as the "Treasury Clearing Mandate").[1] Specifically, the survey is intended to provide a more refined estimate of the increased volume of transactions required to be submitted for central clearing, the planned usage of FICC's various access models, and other important aspects of how margin and liquidity risk management resources may be impacted.

SURVEY SAMPLE SET:

- All 167 GSD Netting Members were polled voluntarily, receiving 83 responses
- The 83 responses represent 68 unique firm complexes varying in business type and size
- Most primary dealers responded to the survey
- 53 respondents indicated they intend to intermediate indirect participant activity

Both the quantitative survey data and qualitative comments from respondents – combined with cleared Treasury activity data that FICC has available today – provide a unique opportunity to better inform market participants and the public sector on the anticipated impacts. The survey, and this resulting report, supports FICC's objective for full transparency into the scope of this effort as we evaluate the potential implications of the SEC's Treasury Clearing Mandate. Analyzing this data revealed interesting new information and a shift in some of the previous estimates that were formed when FICC conducted a similar **survey in 2Q 2023** prior to the Treasury Clearing Mandate being finalized (referred to herein as the "2023 FICC Treasury Clearing Survey").[2]

Key Takeaways

1. **Treasury Clearing Volume:** FICC's daily Treasury Clearing activity is expected to increase by more than $4TN.
2. **Access Models:** The Sponsored Service continues to be the preferred approach at this time; however survey respondents showed an increased interest in usage of the Agent Clearing Member (ACM) Service. Account set up and indirect participant onboarding has started in advance of the Treasury Clearing Mandate go-live dates. FICC will continue to facilitate a smooth transition.
3. **Done-Away Clearing:** There is growing evidence for the adoption of a done-away clearing model for indirect participants.
4. **Margin:** Treasury Repo and Buy/Sell activity estimates indicate an increase in aggregate margin (VaR) for the respondents' portfolios of approximately $58.4BN, with approximately $27BN (or 46%) of the aggregate incremental VaR representing segregated indirect participant margin.
5. **Liquidity:** Responses to the survey indicate a potential maximum daily liquidity need of $84.5BN, which would point to a total CCLF size of $109.9BN under current parameters and the outlined assumptions. Since 2021, the CCLF facility has ranged between $71.0BN and $128.4BN.
6. **Affiliate Clearing:** Majority of respondents are planning to choose indirect access for their affiliates.

[1] On December 13, 2023, the U.S. SEC adopted a Final Rule to require central clearing of certain secondary market transactions involving U.S. Treasury securities. The stated purpose of the rule is to protect investors, reduce risk and increase operational efficiency.

[2] "Looking to the Horizon: Assessing a Potential Expansion of U.S. Treasury Central Clearing" (September 2023) - https://www.dtcc.com/-/media/Files/Downloads/White-Papers/Accessing-Potential-Expansion-US-Treasury-Clearing-White-Paper.pdf

With the expansion of central clearing of U.S. Treasury activity on the horizon, FICC stands at the center of a momentous transformation of market structure. Since the SEC Treasury Clearing Mandate was originally proposed, FICC has actively engaged and led its membership and the broader community of Treasury market participants in evaluating the implications of the Rule through our white papers, surveys, dedicated microsite, webinars, and biweekly industry-wide office hours. FICC also has regular engagement with both buy-side and sell-side institutions of various sizes and profiles as well as with their respective trade associations and industry working groups. This survey represents another step in DTCC's continued dedication to supporting the industry through this transformation by providing data to help illuminate the implications of the Treasury Clearing Mandate. As we grow nearer to the go-live dates, we expect the industry's understanding of the Rule and its implications will increase.

Key Takeaways

1. Treasury Clearing Volume

KEY TAKEAWAY: FICC'S DAILY TREASURY CLEARING ACTIVITY IS EXPECTED TO INCREASE BY MORE THAN $4TN.

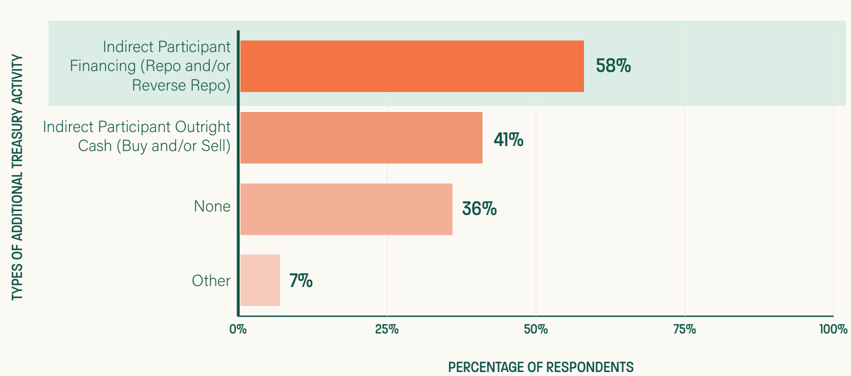
As of June 2024, FICC processes an average of over **$7.5TN a day across all GSD activity**.

Survey data suggests that clearing volumes are expected to rise by more than US$4TN in daily incremental indirect participant Treasury activity. The new estimate is up from the original estimate of US$1.63TN from the 2023 FICC Treasury Clearing Survey, likely due to the market gaining a clearer understanding of the full scope of the now final Rule.

There is also a possibility that on top of the forecasted aggregate $11.5TN in daily volume that is already participating in central clearing or will be required to do so under the SEC's Treasury Clearing Rule, voluntary clearing (i.e., market participants opting to clear exempted activity) will also continue to increase. An increase in optional clearing could be due to commercial considerations such as gaining increased yield due to the capital benefits of centrally clearing the otherwise exempted activity or reaping the benefits of reduced clearing costs from risk offsets across cleared portfolios.

Of note, 58% of respondents forecasted that the additional clearing activity will be driven by indirect participant Repo activity clearing, which is consistent with the scope of the final Treasury Clearing Mandate.

Q4: What types of addtional Treasury activity will the Netting Member clear through FICC after implementation of the Treasury clearing requirements? Please select all responses below that apply

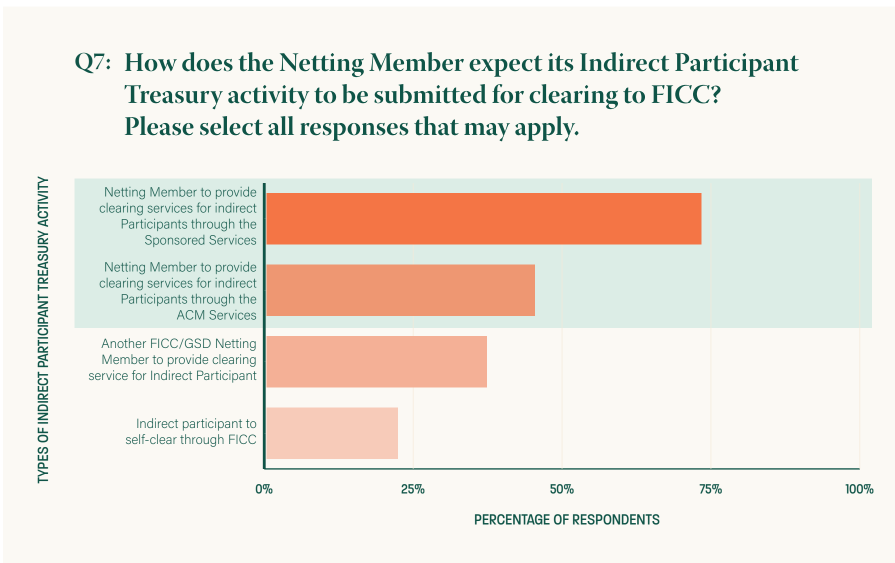


FICC is built for capacity, and as preparations are made for clearing activity under the Treasury Clearing Mandate, we will continually test our throughput and resilience to ensure seamless execution as volumes increase.

2. Access Models

KEY TAKEAWAY: THE SPONSORED MODEL CONTINUES TO BE THE PREFERRED APPROACH AT THIS TIME, HOWEVER SURVEY RESPONDENTS SHOWED AN INCREASED INTEREST IN USAGE OF THE ACM MODEL

74% of respondents that plan to intermediate indirect participant activity expect to provide clearing through FICC's Sponsored Service, while 43% of intermediary respondents indicated they would likely do so via the ACM Service (*see below, where respondents were able to select all that apply*). In the results of our 2023 Treasury Clearing Survey, conducted before the Treasury Clearing Mandate was finalized, ~77% of firms were "not familiar" or only "somewhat familiar" with the Prime Broker Clearing and Correspondent Clearing Services access models that FICC is proposing to rebrand as the ACM Service. The 43% of intermediary respondents to this most recent survey that indicated they'll leverage the ACM Service represents a significant increase in interest in this model and in the market's understanding of the benefits of using it.



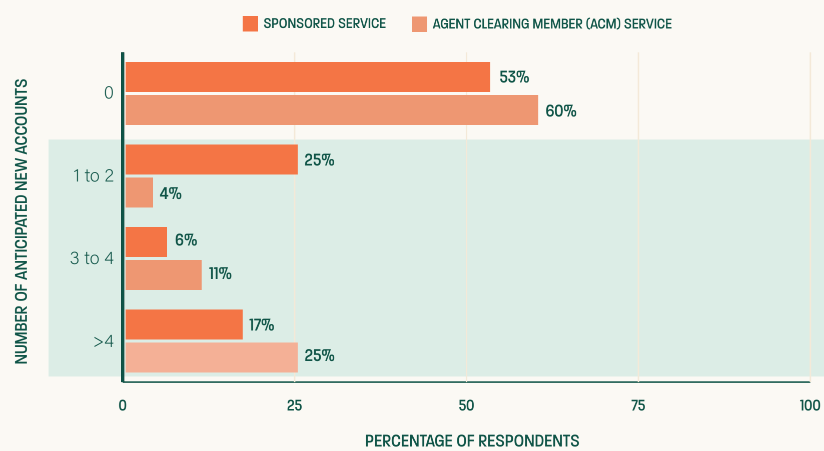
While the ACM Service is gaining significant momentum, the Sponsored Service still appears to be the predominant model sell-side firms plan to use to facilitate their indirect participant activity.[3] However, certain key accounting and capital conclusions continue to be evaluated with respect to the ACM Service, which could significantly increase its popularity if favorable conclusions are reached.

[3] FICC's Sponsored Service clearing volumes have already increased 67% since June 2023, to a daily average of now USD$1.09TN. The number of Sponsored Members participating in FICC has also increased to approximately 2,500 firms, all of which represent a diverse set of asset managers of different profiles and regulated statuses.

KEY TAKEAWAY: ACCOUNT SET UP AND INDIRECT PARTICIPANT ONBOARDING HAS STARTED IN ADVANCE OF THE SEC TREASURY CLEARING MANDATE GO-LIVE DATES. FICC WILL CONTINUE TO FACILITATE A SMOOTH TRANSITION.

Account Set-Up:
48% of intermediary respondents anticipate opening at least 1 or more Sponsoring Member Omnibus Accounts, and 40% expect to open at least 1 or more Agent Clearing Omnibus Accounts for indirect participant activity. Firms could begin this onboarding process immediately by submitting required forms and documentation and starting the necessary testing so as to ensure that those accounts are ready by the Treasury Clearing Mandate go-live dates.

Q8: Netting Members will be required to submit Indirect Participant activity through a GSD account (i.e., Participant ID) that is separate from their firm (i.e., "house") account(s) at GSD. How many new accounts at GSD does the Netting Member anticipate opening for Indirect Participant activity?

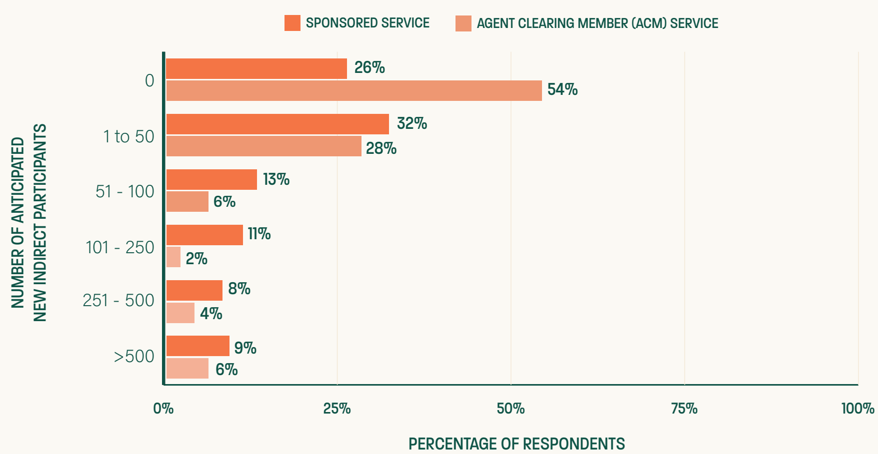


Over half (i.e., 53% for Sponsored Service and 60% for the ACM Service) of respondents that plan to intermediate indirect participant activity indicated they do not plan to open additional indirect participant accounts separate from their House Accounts at FICC. The results could imply that respondents already have separate accounts for indirect participant activity and plan to use those existing accounts for the additional indirect participant activity. This is likely the case for many intermediaries, given that FICC already has established 35 Sponsoring Member Omnibus Accounts for 34 Sponsoring Member firms, as well as accounts for 27 Prime Brokers and Correspondent Clearers (to be referred to as "Agent Clearing Members" under FICC's proposed rule changes), and also currently has 14 additional firms applying to become Sponsoring Members and 3 additional firms applying to become Agent Clearing Members.

Indirect Participant Onboarding:
Based on survey results, a minimum of 7,000 new intermediary-indirect participant relationships are expected to need to be set up in advance of the Treasury Clearing Mandate go-live dates. That estimate is slightly more than double the number of intermediary-indirect participant relationships currently established at FICC across the Sponsored Service and ACM Service.

Intermediaries can begin to establish the necessary relationships with their indirect participant clients at FICC today. Setting up these intermediary-indirect participant relationships at FICC does not create an obligation to clear Treasury activity, and the set-up of these relationships does not require the completion of bilateral documentation between the clearing intermediary and the indirect participant client (i.e., the intermediary-client documentation process can proceed independently on a parallel track while the appropriate relationships are being set up on FICC's systems).

Q9: How many Indirect Participants (at the individual fund or legal entity execution level) does the Netting Member expect to onboard into either the Sponsored Services and/or the Agent Clearing Member (ACM) Service?



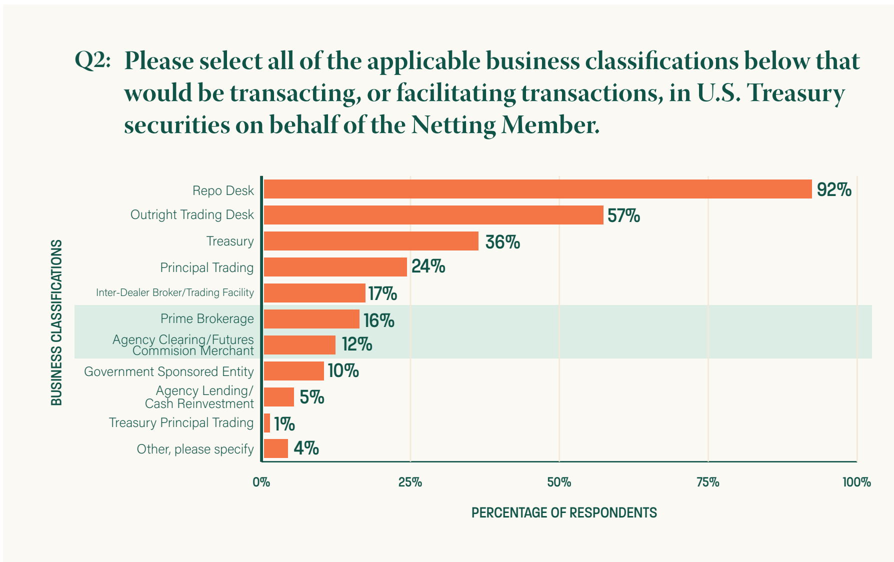
As the industry moves closer to the go-live dates of the Treasury Clearing Mandate, successful implementation will require the participation, engagement, and collaboration of all market participants in setting up the necessary account structures and onboarding the necessary relationships at the CCP. FICC will monitor the GSD membership's onboarding and account opening activities and FICC will monitor the GSD membership's onboarding and account opening activities and anticipates setting interim deadlines in advance of the Clearing Mandate to ensure there is no log jam of onboarding activity too close to the go-live dates.

3. Done-Away Clearing

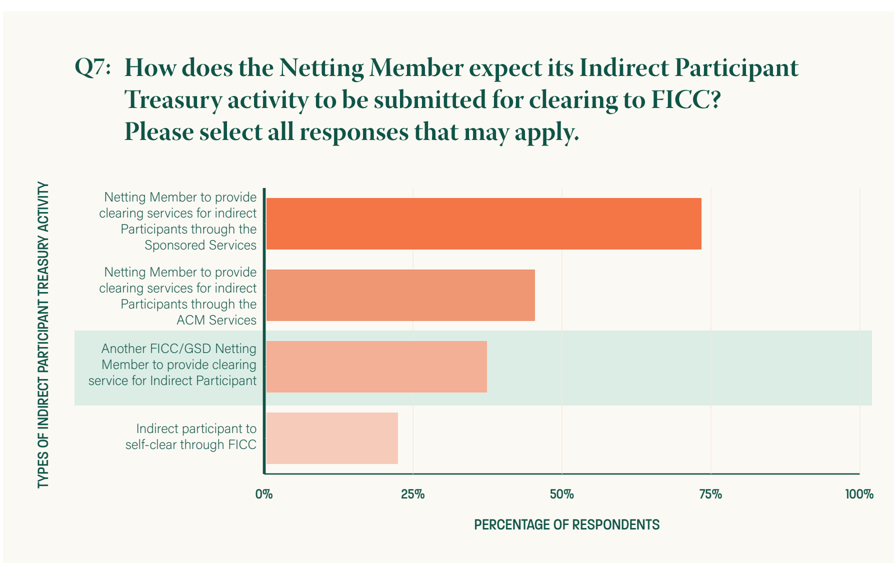
KEY TAKEAWAY: THERE IS GROWING EVIDENCE FOR THE ADOPTION OF A DONE-AWAY CLEARING MODEL FOR INDIRECT PARTICIPANTS

One area that has been the subject of substantial discussion across the industry is the facilitation of "done-away" transactions, which are transactions that are executed by an indirect participant with a counterparty other than its clearing intermediary.

With the introduction of the Treasury Clearing Mandate, many buy-side firms expect to be able to utilize done-away clearing to have maximum flexibility in how they execute and clear their Treasury activity. Survey data supports this conclusion, with 28% of sell-side firm respondents indicating that they expect to facilitate Treasury clearing activity through their Prime Brokerage, Agency Clearing or Futures Commission Merchant (FCM) business areas, all of which traditionally offer "done-away" execution as part of their core client clearing services for listed and OTC derivatives.[4]



Additionally, 34% of GSD participants indicated in the survey results that while they plan to intermediate indirect participant activity, they expect such activity to be cleared at a different GSD participant, further evidencing an appetite for done-away processing.



[4] The survey data is further corroborated by the recent announcement of FCM R.J. O'Brien of its plans to offer Treasury Clearing services and join FICC. Source: *RJ O'Brien plots expansion into US Treasury clearing*, https://www.risk.net/markets/7959638/rj-obrien-plots-expansion-into-us-treasury-clearing

4. Margin

KEY TAKEAWAY: TREASURY REPO AND BUY/SELL ACTIVITY ESTIMATES INDICATE AN INCREASE IN AGGREGATE MARGIN (VAR) FOR THE RESPONDENTS' PORTFOLIOS OF APPROXIMATELY $58.4BN, WITH APPROXIMATELY $27BN (OR 46%) OF THE AGGREGATE INCREMENTAL VAR REPRESENTING SEGREGATED INDIRECT PARTICIPANT MARGIN.

In the 2023 Treasury Clearing Survey, member respondents indicated that they would be submitting a total of approximately $1.63TN daily in incremental indirect participant Treasury activity. Leveraging the gross margin Sponsoring model, the potential aggregate increase in VaR Charges from such incremental Treasury activity would be approximately $26.6BN across the FICC membership.

Results from this most recent survey provide increased clarity on expected market participant behavior, including changes to volumes, access model preferences, and the anticipated increase to margin collected. It is important to note that while overall margin collected is expected to increase, it is commensurate with the additional volume of trading activity to be processed by FICC, and the related incremental risk in the cleared ecosystem.

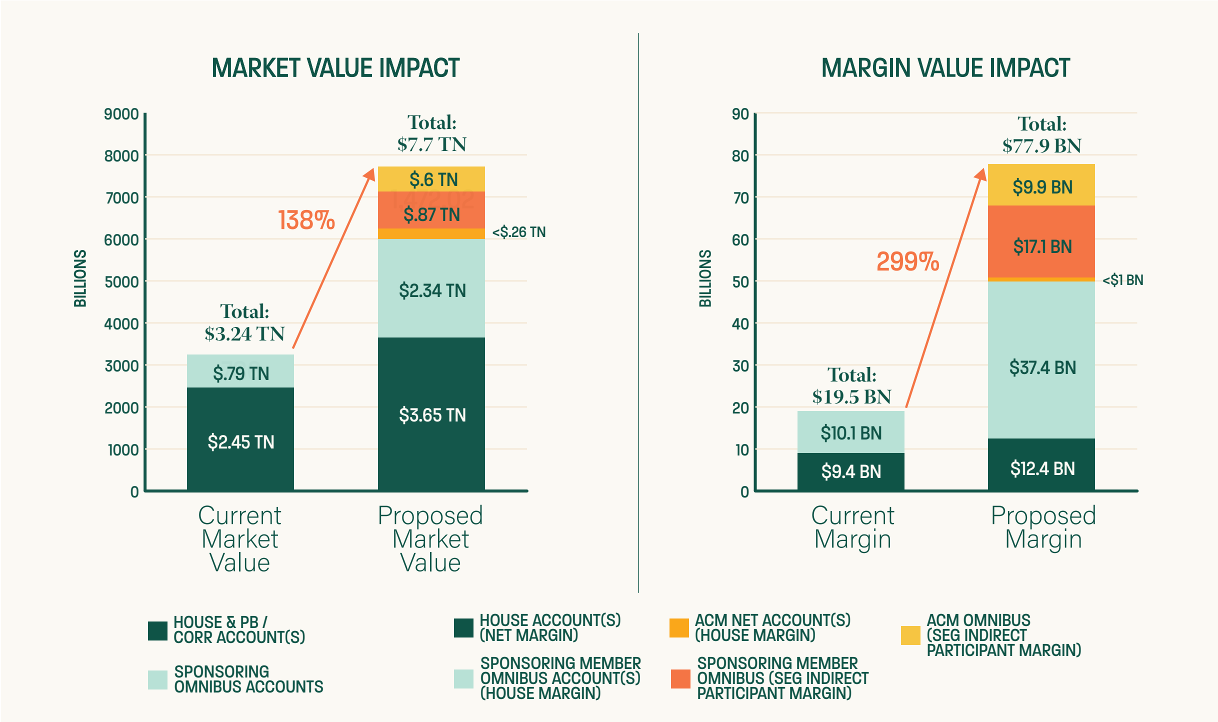
Current Activity Levels Based on Survey Responses:

The survey included a question about current Netting Member activity and the responses were used as a baseline for comparison with internal FICC data. 39 respondents[5] answered this question and provided data used to estimate the VaR that would be assessed based on today's access models. Those 39 respondents indicated that their total House activity is currently $2.45TN and $786BN of total indirect participant activity, which equates to a total of approximately $3.24TN in positions and a total VaR estimate of $19.5BN, and represents about half of the activity cleared at GSD currently. Comparing the margin amount to the position total results in a 0.6% ratio of margin to gross portfolio value driven by the efficiency achieved through netting.

Estimated Post-Treasury Clearing Mandate Activity Levels Based on Survey Responses:

Respondents were asked to project future House and Indirect Participant activity levels post-Treasury Clearing Mandate. 39 respondents answered this survey question and indicated that their Repo/Buy & Reverse Repo/Sell activity would increase to a total of approximately $7.7TN in positions ($6.25TN in accounts where House margin will be posted, and $1.47TN in Segregated Indirect Participant accounts), and a total VaR estimate of $77.9BN. The resulting 1% ratio of margin to total position is indicative of the increase in customer activity that would be gross margined, but still would benefit from the efficiencies in GSD's position netting processes.

[5] Of the 39 respondents, 23 are intermediaries participating in one of the Agent Clearing or Sponsored Services. The remaining 16 respondents are not currently participating as intermediaries in either of FICC's indirect participant clearing services and represent a variety of entity types including broker dealers and foreign and domestic banks.



Of note, the largest activity increases are expected to stem from traditional Sponsoring Member Omnibus Accounts, where house margin (as opposed to indirect participant margin) is posted on a gross basis to support the activity. This results in an estimated increase in margin from $10.1BN to $37.4BN in Sponsoring Member Omnibus margin. This increase of $27BN indicates that many current and/or potential future Sponsoring Members intend to add indirect participant clearing activity to existing or new Sponsoring Member Omnibus Accounts that are gross margined by FICC, but do not necessarily plan for their Sponsored Member clients to post margin to satisfy the FICC obligations.

While not surprising that the largest activity increases are expected into traditional Sponsoring Member Omnibus Accounts, it is also important to note that respondents plan to submit a significant amount of indirect participant activity, $1.47TN, into FICC's proposed new Segregated Indirect Participant accounts, which would equate to an additional $27BN in margin being posted by indirect participants (as opposed to Netting Members) to FICC and held by FICC in segregation.

In contrast to the potential increase in activity into both the traditional Sponsoring Member Omnibus Accounts and in the proposed new Segregated Indirect Participant Accounts, the ACM model with the Net margining across indirect participants' activity was less favored and a nominal amount of new or existing activity was designated into that model. However, as noted above, certain key accounting and capital conclusions remain outstanding with respect to the ACM model, which could significantly increase its popularity if favorable conclusions are reached. Similarly, results did not indicate significant growth in House Account activity, which is in line with expectations given that existing Netting Members, which made up the respondent base, are already clearing their House activity through FICC.

FICC continues to focus on additional opportunities to further improve margin efficiency. In January 2024, GSD launched a revision to its cross-margining program with CME. Currently available to House accounts, work is underway to expand this program to customer accounts to provide benefits to the industry by calculating margin that reflects the reduced risk of certain correlated assets. Further, FICC is evaluating a broader expansion of cross-margining opportunities that would represent a meaningful increase in margin efficiency for our clients.

Market participants should continue to evaluate the impacts of FICC's indirect access models, including with respect to margin, capital and accounting considerations. To evaluate margin impacts, market participants can evaluate their current activity and test possible outcomes of the access models across their clientele using the risk management tools FICC makes available and by also engaging directly with the FICC team. To stay abreast of the latest industry views on capital and accounting impacts of FICC's indirect access models, market participants should engage in industry forums and associations (e.g., SIFMA) and also remain engaged with FICC through our industry office hours, webinars and direct conversations with our team.

Additional Resources: Current and future Netting Members and indirect participants may leverage margin documentation and other reference materials posted on ustclearing.com. Additionally, when considering membership, a new VaR Calculator was launched at the end of Q2 2024 and allows market participants to simulate VaR amounts for portfolios. Learn more and access the calculator, riskcalc.dtcc.com.

5. Liquidity

RISK MANAGEMENT DIMENSIONS OF SURVEY SAMPLE SET:

- 53 respondents provided answers to at least one of the CCLF questions
- 30 member firms answered questions on the maximum receive and deliver estimates
- 24 member firms included liquidity need by tier frequency estimates

KEY TAKEAWAY: RESPONSES TO THE SURVEY INDICATE A POTENTIAL MAXIMUM DAILY LIQUIDITY NEED OF $84.5BN, WHICH COULD REQUIRE THE CAPPED CONTINGENT LIQUIDITY FACILITY (CCLF) TO BE SIZED AT APPROXIMATELY $109.9BN UNDER CURRENT PARAMETERS AND THE OUTLINED ASSUMPTIONS.

In compliance with Rule 17Ad-22(e)(7) of the Covered Clearing Agency Standards, GSD is expected to hold Qualifying Liquid Resources (QLR) sufficient to fund settlement for the Netting Member (and its affiliate GSD Netting Members) that poses the largest daily settlement obligation under extreme but plausible market stress conditions. GSD's QLR include Clearing Fund cash and the rules-based Capped Contingent Liquidity Facility (CCLF), a repo facility that would allow GSD to obtain short term financing from surviving Netting Members, up to a determined cap amount for each member, in the event of a Netting Member default. More information about how FICC can invoke the CCLF and how FICC sizes each Member's contribution can be found in FICC: Disclosure Framework for Covered Clearing Agencies and Financial Market Infrastructures.[6]

By way of background, the CCLF facility has ranged between $71.0BN and $128.4BN since 2021. Given the increases in GSD volumes already observed ahead of the implementation of the Treasury Clearing Mandate, the expected continuation of this trend, the estimated liquidity needs indicated by survey responses, and the number of facility resets between now and the Treasury Clearing Mandate go-live dates, FICC expects the CCLF facility to be appropriately sized leading into the Treasury Clearing Mandate. That said, if large increases in liquidity needs driven by increased clearing activity are observed immediately after the go-live dates, FICC is able reset the facility on an ad hoc basis under the GSD Rules.

[6] FICC: Disclosure Framework for Covered Clearing Agencies and Financial Market Infrastructures available at https://www.dtcc.com/-/media/Files/Downloads/legal/policy-and-compliance/FICC_Disclosure_Framework.pdf

The survey included three questions specifically designed to estimate the maximum possible liquidity needs per Netting Member. It is important to note that the responses to this survey come from existing Netting Members who may still be challenged with estimating final post-Treasury Clearing mandate volumes and activity, as business decisions, including with respect to usage of access models, are still being determined. Based on the survey results and subsequent conversations with respondents, a subset of GSD Netting Members with projected liquidity needs substantial enough in magnitude to drive an increase in the total CCLF were identified. Their responses indicate a potential maximum daily liquidity need of $84.5BN, which could require the CCLF to be sized at approximately $109.9BN under current parameters and the outlined assumptions.

In addition to considering the survey responses themselves, it is necessary to understand the variables that impact CCLF.

- **CCLF Size:** First, regarding the size of the facility, it is determined based on the peak settlement obligation for a GSD Netting Member (and its affiliates) observed at GSD across a lookback period plus a buffer of up to 40%. The lookback period is currently six months, and the buffer is currently 30%. As of 7/1/2024, the GSD CCLF facility totals $97BN, which is the result of a peak need of $74BN plus a 30% buffer.
- **Facility Resets:** Next, the facility resets at set intervals, and may also be resized on an ad-hoc basis. Notably, the facility will be reset a minimum of four times prior to settlement on 1/2/26, which is the first day of settlement after eligible Treasury cash transactions are required to be centrally cleared, and a minimum of five times prior to settlement on 7/1/2026, the first day of settlement after eligible Treasury repo transactions are required to be centrally cleared. Responses from this survey were analyzed to identify those which could drive today's facility higher; however, as the facility is sized to cover the largest activity, the facility may shrink in size if cleared activity dictates such a size.
- **Liquidity Needs:** Finally, liquidity needs of the Netting Members at GSD as compared to one another play a significant role in the distribution of the facility amongst the membership. The addition of new Netting Members at GSD, or the consolidation of activity among existing participants will directly impact the facility distribution and size. Additionally, changes to the Netting Member population may result in a need for ad-hoc facility resizing.

As members and market participants consider which access models are best suited for their businesses, understanding the GSD activity that creates a liquidity need, or settlement obligation, is critical. Two key determining factors of settlement obligations and CCLF obligations post-Treasury Clearing Mandate are expected to be 1) the impact that concentration of indirect participant clearing activity across the GSD membership has on liquidity needs and the distribution of the facility and 2) the extent to which indirect participants clear activity on a done-with or done-away basis.

Done-with clearing activity, meaning activity transacted between an indirect participant and its clearing intermediary, carries no liquidity need from the perspective of GSD's regulatory calculation at the family level or for purposes of a CCLF cap determination at the account level. Conversely, done-away clearing activity, meaning activity transacted between an indirect participant and a third-party Netting Member or its indirect participant would generate a liquidity need.

The distinct liquidity impacts of done-with versus done-away clearing are driven by GSD's obligations in the event of a Netting Member default. Since both sides of a done-with transaction are within a given defaulting entity's family of GSD accounts, there is no net settlement obligation nor residual position requiring liquidation. Conversely, a done-away trade, in which an indirect participant of a given defaulting GSD family has transacted against another Netting Member or its indirect participant, would generate a settlement obligation, and require liquidation.

It was noted in conversation with a Netting Member that indirect participants are expected to greatly influence potential liquidity needs because they will independently decide whether to conduct their activity on a done-with or done-away basis. FICC encourages Netting Members to become familiar with the netting considerations applicable to GSD's regulatory calculation for liquidity needs at the family and account levels, including the liquidity neutrality of done-with transactions and the liquidity impact of forward starting repurchase agreements at both the start leg and end leg settlements.

As FICC looks to the future and recognizes the clearing landscape is evolving, we are exploring opportunities to expand available QLR beyond cash and CCLF to provide cost-effective solutions for market participants while increasing responsiveness to changes in liquidity needs. FICC ultimately will seek to accomplish these objectives while maintaining a risk program which appropriately applies stress assumptions meeting expectations set forth in the Covered Clearing Agency Standards.

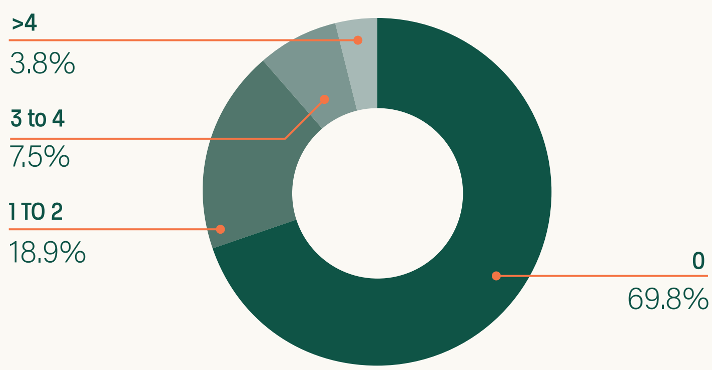
Additional Resources: Current and future Netting Members and indirect participants may reach out to liquidityproductrisk@dtcc.com or refer to the GSD Liquidity Need Calculation & CCLF Impact of Done-Away Client Activity presentation, shared during the U.S. Treasury Clearing Office Hours Session 6, to learn more, or for assistance with contemplating how activity translates into liquidity need and, as it relates, CCLF obligations. Additionally, when considering Netting Membership, the new CCLF Public Calculator empowers informed decision-making for firms considering GSD membership by transparently simulating estimated CCLF obligations associated with membership. Learn more and access the calculator, riskcalc.dtcc.com.

6. Affiliate Clearing

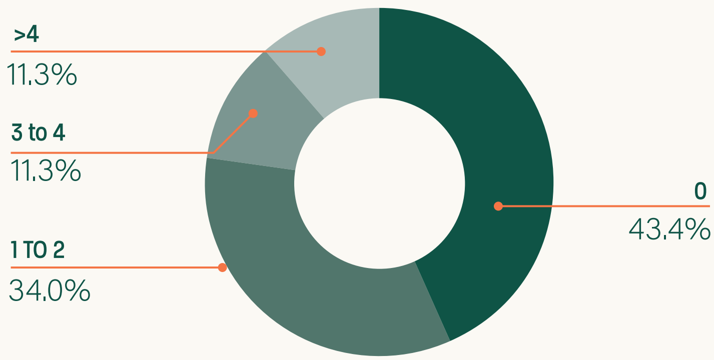
KEY TAKEAWAY: MAJORITY OF SELL-SIDE RESPONDENTS ARE PLANNING TO CHOOSE INDIRECT CLEARING ACCESS FOR THEIR AFFILIATES.

For activity conducted by affiliates of Netting Members that is covered by the SEC Treasury Clearing Rule, survey data indicates that most of those affiliates will not become Netting Members themselves, but rather that affiliate's Treasury activity will be intermediated by the Netting Member through either the Sponsored Service or the ACM Service[7]. Survey results show 57% of the 53 respondents that plan to intermediate indirect participants activity expect to add at least 1 affiliate into one of FICC's indirect access models.

Q5: How many of the Netting Member's affiliates are expected to onboard as Netting Members themselves in connection with the implementation of the Treasury clearing requirements?



Q6: For how many of the Netting Member's affiliates does the Netting Member expect to clear such affiliate's Treasury activity through either the Sponsored Service or Agent Clearing Member (ACM) Service after implementation of the Treasury clearing requirements?



[7] Notably, the survey did not ask respondents whether they intended to utilize the SEC's inter-affiliate exclusion contained in the SEC Treasury Clearing Rule, nor did it raise any other questions about that exclusion.

The Path Forward

The survey clearly demonstrates that the industry's level of understanding and preparedness for the Treasury Clearing Mandate has significantly improved since the 2023 FICC Treasury Clearing Survey, and having responses from the largest Netting Members and all major primary dealers gives the market important insights on access model choices, potential changes to activity levels, as well as decisions on the number of accounts and indirect participant segregated margin, and related risk management impacts. These insights provide further confidence across the wider community on the directional impacts of the Treasury Clearing Mandate on the Treasury market.

That said, we also observed evidence that many firms are continuing to digest the impact of the SEC Treasury Clearing Mandate on their businesses and working to crystalize their strategies and business plans. As the industry moves closer to the Treasury Clearing Mandate go-live dates over the next 2 years and further hones its strategies and business plans, the responses to these and similar survey questions (both qualitative and quantitative) will likely become more refined and better informed.

DTCC remains committed to guiding and informing its membership and the broader industry regarding the impacts and implications of Treasury Clearing Mandate, to collaborating with market participants on continuously enhancing our service offerings, and to supporting our membership and their clients through a smooth and orderly transition to go-live of the Treasury Clearing Mandate.

Appendix

SURVEY METHODOLOGY:

The survey was conducted on a named basis and was sent to 167 legal entities that each have a GSD Netting Membership. In total, 83 Netting Members provided the qualitative and quantitative responses to the survey (50%), which represent 68 unique firm complexes. Of those 83 total respondents, 53 responded as having "Indirect Participant" Treasury activity. The 30 without having "Indirect Participant" activity were screened out of the survey after Question 4. This survey was conducted over the course of April 2024 through June 2024 with FICC engaging its Netting Member respondents throughout that time period. The survey was conducted using both qualitative and quantitative questions via Qualtrics. A component of the quantitative survey questions intended to solicit dollar and volume activities that respondents currently understand to be impacted by the transition to the Treasury Clearing Mandate. These questions were provided in open text format to have Netting Member respondents input those figures on their own.

APPENDIX A:

Further breakdown and details supporting Market and Margin assessment points above.

Existing Activity of 39 Survey Respondents

	Current Repo & Buy	Current Reverse Repo & Sell	Margin Estimate (VaR)
House & PB / Corr Account(s) (Net Margin)	1,434,653,020,938	1,017,681,912,142	9,409,311,291
Sponsoring Member Omnibus Account(s)	327,799,238,632	458,456,021,588	10,122,484,647
Total	**1,762,452,259,570**	**1,476,137,933,730**	**19,531,795,938**

Estimated Future Activity from 39 Respondents (includes existing)

	Estimated Repo & Buy	Estimated Reverse Repo & Sell	Margin Estimate (VaR)
House Account(s) (Net Margin)	1,666,740,401,552	1,980,297,401,916	12,417,899,584
ACM Net Account(s) (House Margin)	131,204,741,647	133,708,254,431	1,058,940,432
Sponsoring Member Omnibus Account(s) (House Margin)	1,332,313,034,639	1,007,483,780,248	37,382,877,911
Sponsoring Member Omnibus Account(s) (Segregated Customer Margin)	474,302,476,872	400,267,974,015	17,121,244,734
Agent Clearing Member Omnibus Accounts (s) (Segregated Customer Margin)	394,746,427,070	202,699,276,988	9,924,987,208
Total	**3,999,307,081,780**	**3,724,456,687,598**	**77,905,949,869**

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