

# U.S. TREASURY CLEARING – CLIENT FAQ

As of May 19, 2026

## BACKGROUND AND RATIONALE

### WHAT IS THE SEC U.S. TREASURY CENTRAL CLEARING MANDATE?

In December 2023, the SEC finalized rules requiring most U.S. Treasury market activity—including eligible repo and cash trades—to be cleared through an SEC-approved Covered Clearing Agency (CCA). This expansion aims to enhance market resilience, reduce systemic risk, and improve transparency by shifting from bilateral settlement to central clearing.<sup>1</sup>

### WHY IS THIS MANDATE BEING INTRODUCED?

Historically, 70–80% of repo and cash trades were uncleared<sup>2</sup>, creating vulnerabilities during market stress. Central clearing mitigates counterparty risk, supports orderly default management, and strengthens operational efficiency. Furthermore, the U.S. Treasury market is the backbone of global finance with approximately \$29 trillion in outstanding issuance. Heightened market volatility in this asset class, such as experienced during the COVID-19 “dash for cash” period, accelerated regulatory action to find ways to increase market resilience.

### WHAT IS THE EXPECTED IMPACT ON MARKET STRUCTURE AND LIQUIDITY?

Approximately \$4 trillion in daily activity across cash and repo is expected to move into central clearing, representing a transformative change to market structure and liquidity sourcing.<sup>3</sup>

### HOW FAST IS VOLUNTARY FICC CLEARING GROWING TODAY?

Fixed Income Clearing Corporation’s (FICC), a subsidiary of DTCC, sponsored service daily average reaches \$2.6 trillion as of the end of 2025, reflecting roughly 51% year-over-year growth.<sup>4</sup>

## SCOPE OF THE CLEARING REQUIREMENT

### WHAT IS THE MAIN CLEARING REQUIREMENT OF U.S. TREASURY CLEARING?

The U.S. Treasury Clearing (USTC) rule requires direct participants of covered clearing agencies (CCAs) to submit for clearance and settlement all eligible secondary market transactions (ESMTs) in U.S. Treasury securities to which the direct participant is a counterparty. ESMTs are defined as secondary market transactions particular to purchases, sales, repurchase agreements, and reverse

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1 <https://www.sec.gov/featured-topics/treasury-clearing-implementation#background>

2 <https://www.sifma.org/research/statistics/us-treasury-securities-statistics>

3 <https://home.treasury.gov/system/files/221/TBACCharge2Q12025.pdf>

4 <https://www.dtcc.com/ustclearing> ; <https://www.dtcc.com/charts/membership>

repurchase agreements in U.S. Treasury securities accepted for clearing by a registered CCA, subject to certain exclusions.

#### IF I AM NOT A DIRECT PARTICIPANT OF A CCA, HOW COULD THE RULE AFFECT ME?

A market participant that is not a CCA member may still have activity subject to the SEC Treasury clearing mandate by virtue of who they execute U.S. Treasury activity with (counterparty). If your trading counterparty is a CCA direct participant, there may be a requirement to clear the trade.

#### WHAT ARE THE IMPLICATIONS FOR CCA NON-MEMBER ENTITIES?

Non-members are impacted when:

1. trading cash via interdealer brokers that are CCA (e.g. FICC) members; and
2. trading repo with any counterparty that is a direct participant of a CCA, unless the entity is specifically exempted.

Non-members must ensure appropriate documentation and operational readiness to avoid settlement disruptions by the compliance dates.

#### HOW DOES THE REPO CLEARING REQUIREMENT DIFFER FROM THE CASH CLEARING REQUIREMENT?

Unless exempted, repo trades with all direct participants are covered. In contrast, only a subset of outright purchases and sales are in scope when trading with certain direct participants.

In summary:

- **Repo:** A repurchase or reverse repurchase agreement collateralized by U.S. Treasury securities where one counterparty is a direct participant.
- **Cash:** A purchase or sale between a direct participant and certain counterparties, including interdealer broker-facilitated trades and registered broker-dealers.

A more in-depth explanation is outlined below:

- **Repo:** A repurchase or reverse repurchase agreement collateralized by U.S. Treasury securities, in which one of the counterparties is a direct participant.

*Given the language states “one of the counterparties is a direct participant”, this creates a waterfall effect whereby the trading party (e.g. NT’s client) may be required to clear due to vastness of large U.S. intermediaries being both a counterparty to the trade and a FICC direct member (e.g. dealers, banks, IDBs, futures merchants). Although a majority are U.S. domiciled, some non-US entities are also FICC direct members.*

- **Cash:** A purchase or sale, between a direct participant and:

Any counterparty, if the direct participant brings together multiple buyers and sellers using a trading facility and is a counterparty to both the buyer and seller in two separate transactions (i.e., an interdealer broker or IDB).

*\*Clients that are executing trades with an IDB are potentially captured under this portion. We recommend speaking directly with the IDB on their clearing requirements and applicability given this is outside of Northern Trust’s viewpoint.*

Registered broker-dealer, government securities broker, or government securities dealer.

*\*We recommend that clients that fall under these categories speak with their direct participants counterparties.*

### WHAT EXEMPTIONS APPLY WHETHER FOR TRADES AND/OR PARTICIPANTS?

Exemptions include trades with central banks, sovereign entities, international financial institutions, state or local governments, natural persons, certain inter-affiliate transactions, and specific repo types that CCAs cannot clear (e.g., open repos, trades with floating repo rates, repos with tenor >2 years).

### MARKET STRUCTURE

#### WHAT ARE THE SEC COMPLIANCE TIMELINES?

- December 30, 2026: Mandatory clearing for U.S. Treasury cash trades.
- June 30, 2027: Mandatory clearing for U.S. Treasury repo trades.

#### WHAT IS THE RESULT OF NON-COMPLIANCE?

Non-compliance such as procedural failures by CCAs or direct participants, can result in enforcement actions under the SEC's mandate.

#### HOW HAVE REGULATORS OUTSIDE THE U.S. RESPONDED?

Global regulators are monitoring U.S. developments but have not introduced similar mandates.

#### WHAT IS THE LIKELIHOOD OF THE SEC COMPLIANCE TIMELINES CHANGING?

The industry view is that timelines are unlikely to change based on regulatory feedback and industry developments. It is recommended that firms do not delay readiness efforts, as proactive compliance helps ensure operational stability and avoids last-minute risks.

#### WHICH CCAs ARE APPROVED FOR U.S. TREASURY CLEARING?

FICC had historically been the only SEC approved Covered Clearing Agency (CCA) for U.S. Treasuries until December 2025. With the recent developments, both the ICE Clear Credit, LLC ("ICE") and CME Securities Clearing, Inc. ("CME") have received UST Clearing service approvals from the SEC.

#### WHAT FICC CLEARING MODELS ARE AVAILABLE IN THE MARKET?

The FICC clearing models include: Sponsored Clearing "Done-With", Sponsored Clearing "Done-Away", Agent Clearing "Done-Away", and Agent Clearing "Done-With"

- **Sponsored Clearing:** A sponsoring member clears trades for clients, where clients are limited members at FICC via their FICC Sponsored Membership Agreement. FICC restricts clients to 50+ approved jurisdictions. \*Note: Northern Trust requires its own internal jurisdiction approval process.
- **Agent Clearing Member (ACM):** An agent clearing member clears trades for clients, where clients have no direct FICC relationship. Clients are required to provide a FICC Executing Firm Customers Authorization Letter. FICC does not restrict clients to a defined list of jurisdictions. \*Note: Northern Trust will require its own internal jurisdiction approval process.
- **Done-Away Clearing:** Counterparty and clearer of the trade are different entities which may provide flexibility in trading relationships and competitive trade pricing. \*Note: As of Q2 – 2026, this is a new model in the US Treasury Repo Clearing industry and has not been launched.
- **Done-With Clearing:** Counterparty and clearer of the trade are the same entity which has been the established clearing model to date for U.S. Treasury repo market.

#### DO CLIENTS NEED TO BE FULL MEMBERS OF FICC?

No, indirect access is available via sponsored or agent models.

### **CAN CLIENTS USE MULTIPLE FICC SPONSORS?**

Yes, clients can use multiple sponsors for diversification, capacity, and resilience.

### **IS CROSS-MARGINING AVAILABLE IN THE INDUSTRY?**

Yes, cross-margining between CME and FICC is now available to customer accounts as of December 2025.

### **WHAT ARE FICC'S MARGIN AND COLLATERAL REQUIREMENTS?**

Depending on the clearing type, FICC supports variable gross segregated and net non-segregated margin calculations.

- FICC Sponsored: Gross margin calculations due to segregated client account model.
- FICC Agent Clearing: Net non-segregated and gross segregated client account options are available. The net non-segregated option reduces overall margin contributions, while the gross segregated option offers the opportunity for CME futures cross margining.
- FICC GC Sponsored Collateral in Lieu (CIL): FICC accepts a lien in the securities in lieu of a guaranty, reducing cash margin requirements and addressing double margining, particularly for cash providers.

### **WHAT ARE THE MAIN INDUSTRY OPERATIONAL IMPACTS AND CHALLENGES?**

The main operational impacts and challenges include:

- Extraterritorial application of the Treasury Clearing rule as it pertains to non-U.S. entities.
- Potential double margining for certain cash providers (e.g. registered money market funds).
- Cross-margining complexities between futures and securities at FICC and CME.
- Operational risks such as trade fails and outages.
- Done-Away industry standard documentation publication which is pending publication.
- New CCA (such as CME & ICE) effects and offering differences.
- Costs may rise due to CCP margin, sponsor/agent fees, and liquidity commitments.
- Uncleared market may contract; spreads could widen.
- Technology and controls must be implemented and tested ahead of compliance dates.

### **WHAT INNOVATIONS ARE FICC AND THE INDUSTRY PURSUING?**

Innovations include:

- Sponsored GC Collateral in Lieu (CIL) solutions to eliminate the double margining when clearing certain cash providers (e.g. registered money market funds).
- Cross-margining arrangements with CME to optimize client capital.
- Centralized trade execution platforms for real-time credit checks for Done-Away models.
- Enhanced technology for trade matching and standardized documentation protocols.

## **NORTHERN TRUST STRATEGY AND CLIENT SUPPORT**

### **HOW IS NORTHERN TRUST SUPPORTING CLIENTS UNDER THE U.S. TREASURY CENTRAL CLEARING MANDATE?**

Northern Trust is assisting clients to comply with the new rules by providing industry insights and best practices, alongside our current Sponsored Repo Clearing model, via dedicated webinars, thought leadership and other relevant client materials. As a result of the new clearing mandate, Northern Trust is also enhancing clearing product analysis to support clients with the transition.

### **IS NORTHERN TRUST EVALUATING ADDITIONAL U.S. TREASURY REPO CLEARING MODELS?**

Yes, Northern Trust is currently evaluating broadening its repo clearing model to include both Agent Clearing “Done-With” and Agent Clearing “Done-Away”. Adoption of these models will be subject to the conclusion of internal product evaluations and approvals, which will be communicated to clients in due course.

### **WHAT U.S. TREASURY CLEARING SERVICES DOES NORTHERN TRUST OFFER TODAY?**

#### **U.S. Treasury Cash (Outright Purchases and Sales):**

Northern Trust Securities Inc. (NTSI) offers a standard U.S. Treasury cash execution and clearing product. Within this model, NTSI can allocate (or “flip”) post-trade client instructions to their designated custodian or Northern Trust Investment Operations Outsourcing (IOO). Jurisdictional restrictions may apply; clients may contact their Northern Trust representative for more information.

#### **U.S. Treasury Repo Clearing:**

Northern Trust Securities Finance can provide repo clearing through the FICC Sponsored Repo “Done-With” program for entities located in the U.S., Cayman Islands, and Ireland. Northern Trust is also expanding its repo clearing service models into the agent clearing service space. Jurisdictional restrictions apply; clients may contact their Northern Trust representative for more information.

[Capital Markets FICC-sponsored-repo](#)

### **WILL NORTHERN TRUST CHANGE ITS U.S. TREASURY CASH OFFERINGS DUE TO THE MANDATE?**

No. Northern Trust’s existing U.S. Treasury cash offerings will remain unchanged. Clients may continue allocating (or “flipping”) post-trade instructions to their designated custodian or their Northern Trust Investment Operations Outsourcing (IOO) team. Jurisdictional restrictions may apply; clients may contact their Northern Trust representative for more information.

### **CAN NORTHERN TRUST ADVISE CLIENTS REGARDING WHICH OF THEIR TRANSACTIONS ARE IN SCOPE?**

Northern Trust is supporting clients with their compliance obligations by providing best practices and industry insight. Clients are encouraged to confirm clearing applicability directly with their direct participant counterparties. FICC provides a refreshed list of FICC direct participants<sup>5</sup>. While most direct participants are U.S. entities, some non-U.S. entities are also direct participants.

### **HOW WILL NORTHERN TRUST’S CUSTODY SETTLEMENT BE AFFECTED?**

The SEC U.S. Treasury Clearing regulation applies at trade execution level and is therefore a pre-settlement process. As a result, Northern Trust has assessed there will be no impact to our custody settlement instructions for repo and cash and we will continue processing settlements as received from clients based on existing settlement instruction processes.

### **WILL NORTHERN TRUST’S INVESTMENT OPERATIONS OUTSOURCING (IOO) BE AFFECTED?**

No, IOO functions as a middle office and will continue processing and transmitting client instructions as received. The business will maintain its current offerings and procedures with the integration of US Treasury Clearing.

### **WILL NORTHERN TRUST’S HEDGE FUND SERVICES (NTHFS) BE AFFECTED?**

No, NTHFS supports a post trade execution (Middle Office/Fund Admin) service whereby trades are messaged to counterparties who are responsible for clearing and settling the trades. The business will maintain its current offerings and procedures with the integration of US Treasury Clearing.

<sup>5</sup> <https://www.dtcc.com/client-center/ficc-gov-directories>

### WILL NORTHERN TRUST'S FUND SERVICES BE AFFECTED?

No, Fund Services (financial reporting, fund accounting, and transfer agency) are unaffected by UST Clearing. Financial reporting data is delivered between platforms. Fund accounting aligns with the market and does not impact NAVs. Transfer agency tracks investor activity which does not require security or trade-specific transparency.

### WHAT STEPS ARE RECOMMENDED FOR CLIENTS TO TAKE NOW?

We recommend clients do the following:

- Assess trading relationships and exposure to direct participants.
- Map U.S. Treasury activity and exemptions.
- Review and select preferred access model(s): e.g. FICC Sponsored or Agent.
- Engage legal documentation and onboarding.
- Set up margin and funding processes, as applicable.
- Implement technology and controls; test workflows ahead of compliance dates.
- Monitor SEC updates and industry guidance.
- Plan liquidity and budget for clearing fees.

### WHAT DOCUMENTATION AND OPERATIONAL WORK CAN CLIENTS EXPECT?

Industry surveys suggest thousands of bilateral relationships require documentation; onboarding spans legal agreements, account setup, margin workflows, and liquidity funding processes. Prioritize documentation and sequence onboarding to ensure achievement of 2026/2027 milestones.

## RESOURCES AND CONTACTS

### WHERE CAN CLIENTS FIND ADDITIONAL INFORMATION?

Additional information is available from the following SEC, Northern Trust, DTCC, SIFMA, and FICC resources, or contact your Northern Trust representative.

- **SEC Treasury Clearing Implementation:** <https://www.sec.gov/securities-topics/treasury-clearing-implementation>.
- **Northern Trust USTC Landing Page:** <https://www.northerntrust.com/united-states/about-us/sec-us-treasury-clearing>.
- **DTCC FICC Directories:** <https://www.dtcc.com/client-center/ficc-gov-directories>.
- **SIFMA Treasury Clearing resources:** <https://www.sifma.org/resources/market-practices-model-documentation/treasury-clearing-documentation>.
- **FICC Market Structure & Liquidity resources:** <https://www.dtcc.com/ustclearing>.