



To IDB or to ECN? Will Your Cash Market Transactions in US Treasuries Be Subject to the Clearing Mandate Come December 31, 2026?

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Key Takeaways

- If you are an active participant in the secondary cash market for US Treasuries, map the venues and protocols you use to classify each as IDB-style (operator as principal to both sides) or dealer-to-client (bilateral with a dealer).
- Obtain written confirmation from each platform regarding how it structures its protocols and whether trades fall within the scope of the Clearing Mandate.
- Confirm the regulatory status of your counterparties: if you are a direct participant of a CCA, confirm whether your counterparty's status is that of a broker-dealer, government securities broker or government securities dealer.¹ Note that although such trades may be executed bilaterally and not on an IDB, they are nonetheless in scope of the Clearing Mandate.
- If you anticipate trading in the cash secondary market on IDBs after December 31, 2026, onboard to a CCA (using one of the several clearing models available) sooner rather than later.
- Reminder: the deadline for repo is approaching fast, and the scope of the Clearing Mandate for repo is much broader than for the secondary cash market.

The Treasury Clearing Mandate

In December 2023, the US Securities and Exchange Commission (SEC) adopted rules requiring covered clearing agencies to maintain written policies and procedures that are reasonably designed to require their direct participants to centrally clear all **eligible secondary market transactions** in US Treasury securities to which they are a counterparty (the **Clearing Mandate**).² There are three "covered clearing agencies" (each, a **CCA**) in scope of the Clearing Mandate: the Fixed Income Clearing Corporation, CME Securities Clearing and ICE Clear Credit. The term **direct participant**

refers to each CCA's clearing members. The deadline for eligible cash market transactions is December 31, 2026.

As defined in Exchange Act Rule 17ad-22, a cash market (purchase or sale) transaction in a US Treasury security is an eligible secondary market transaction³ if it is a trade between a direct participant and:

- any counterparty, where the direct participant brings together multiple buyers and sellers on a trading facility (such as a limit order book) and is itself the counterparty to both the buyer and the seller in two separate trades, in other words, an **interdealer (IDB)** trade; or
- a registered broker-dealer, government securities broker or government securities dealer.⁴

Trades with central banks, sovereign entities, international financial institutions, and natural persons are excluded from the Clearing Mandate.⁵

In the Adopting Release, the SEC explained that it framed the IDB prong of the eligible secondary market transaction definition for cash trades in order to close the "hybrid clearing" gap. "Hybrid clearing" refers to transactions executed on an IDB platform in which one counterparty is a member of a CCA and submits its transaction with the IDB for central clearing, while the other counterparty is not a member of a CCA and bilaterally clears its transaction with the IDB. This left the CCA unable to manage and with no visibility into risk arising from the non-clearing leg of the trade (and an incomplete picture of the direct participant's leg). Requiring IDB-executed trades to clear bilaterally eliminates this risk gap.⁶

Was My Trade Executed on an IDB Platform (and Therefore Subject to the Clearing Mandate) or on an ECN (and Therefore, Not Subject to the Clearing Mandate)?

The Treasury cash market has two broad tiers of electronic venues: interdealer platforms and dealer-to-client electronic communication networks (**ECNs**).

Interdealer brokers. IDB platforms run anonymous central limit order books. Participants (bank dealers, primary dealers and, increasingly, principal trading firms) stream bids and offers and trades execute automatically on price-time priority. The operator of the IDB is a counterparty to each side of every trade matched on the IDB.

Dealer-to-client ECNs. ECN platforms use request-for-quote, request-for-stream and click-to-trade protocols. A client typically sends requests to a panel of dealers that it selects, the dealers respond with prices tailored to the client and the terms of the trade, and the client is free to confirm or decline in response. The ECN is a technology platform; it never becomes a party to the trades executed on it.

The resulting trade is a bilateral contract between a client and a dealer; clients do not trade directly with other clients.

Market participants in the cash secondary market for US Treasuries should ask the following questions about the venues they currently use in order to determine whether they are executing on an IDB:

- **Who is my legal counterparty?** The hallmark of an IDB platform is that the platform operator (or an affiliate) acts as riskless principal to every matched trade: buying from every seller and selling to every buyer. If the platform connects you to a specific dealer, and your contract is with that dealer, it is not an IDB.
- **Is the operator (or the relevant affiliate) a direct participant of one of the US Treasury CCAs?** The IDB prong of the eligible secondary market transaction definition applies only where the riskless principal intermediary on the IDB is itself a direct participant of a CCA (most IDBs are, but this should be confirmed with the IDB).
- **Does the venue bring together multiple buyers and sellers?** An anonymous central limit order book in which any participant can hit any other participant's resting order is another hallmark of the IDB. A request-for-quote (RFQ) to a panel of dealers you select is generally not indicative of an IDB.

1 For guidance on how to confirm a counterparty's status as a broker-dealer, government securities broker, or government securities dealer, see the [SEC Staff FAQ on Treasury Clearing Rule, FAQ 5](#) ("Determining When a Market Participant is a Government Securities Broker or Government Securities Dealer").

2 Standards for Covered Clearing Agencies for US Treasury Securities and Application of the Broker-Dealer Customer Protection Rule With Respect to US Treasury Securities, 89 Fed. Reg. 2714 (Final Rule, January 16, 2024) (**Adopting Release**).

3 Secondary market transactions in US Treasuries are distinguished from "primary market" transactions (i.e., the issuance and sale of US Treasuries to primary dealers and other bidders in a US Treasury auction).

4 Exchange Act Rule 17ad-22(a).

5 The Clearing Mandate also applies to a repurchase or reverse repurchase agreement collateralized by US Treasury securities, in which one of the counterparties is a direct participant (subject to the

same exclusions that apply for cash transactions, and additional exclusions for repo transactions in which one of the parties is a CCP, a state or local government, and certain affiliate transactions by direct participants). The compliance date for mandatory clearing of eligible repo transactions is June 30, 2027.

[6](#) Adopting Release, 89 Fed. Reg. at 2741.

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