FIRM NEWS

Stephen Morris Talks Mandatory Clearing for Treasuries with *Risk.net*

March 14, 2024

Financial Markets and Funds Partner Stephen Morris spoke with *Risk.net* for a recent article regarding the implementation of the SEC's sweeping clearing mandate for cash and repo transactions in US Treasuries. The piece focuses on concerns in the industry about the ability of the single clearing organization currently authorized to clear such transactions (the Fixed Income Clearing Corporation, or FICC) to handle expected volumes from buy-side firms that are not direct members of FICC and highlights expected moves by both CME and ICE to seek regulatory approval to launch competing clearing services. Steve noted that most buy-side firms affected by the new mandate "would prefer to have something that works like options and futures clearing." He added, "The correspondent clearing model [one of two client clearing options currently on offer at FICC] permits FICC to net margin accounts that carry multiple client trades. That won't work really under any segregation regime."

Steve anticipates that FICC will enhance its sponsored access model and enhance or retire correspondent clearing. "[The implementation of client clearing for Treasuries should] allow more streamlined access to clearing for clients who just want to have access to clearing and don't want a direct relationship with the clearing house and all the operational responsibilities that come with that."

"Reluctantly, CME moves to clear US Treasuries," *Risk.net*, March 12, 2024

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