8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104944; File No. S7-2026-07]

Notice of Request for Exemptive Relief, Pursuant to Section 36(a) of the Securities Exchange Act of 1934, from Certain Aspects of Rule 17ad-22(e)(18)(iv) of the Securities Exchange Act of 1934 and Request for Comment

March 6, 2026.

I. INTRODUCTION

On December 13, 2023, the Securities and Exchange Commission (the "Commission" or "SEC") adopted,[1] among other things, Rule 17ad-22(e)(18)(iv)(A) (the "Trade Submission Requirement")[2] under the Securities Exchange Act of 1934 ("Exchange Act"). The Trade Submission Requirement requires a covered clearing agency that provides central counterparty services for transactions in U.S. Treasury securities ("U.S. Treasury securities CCA")[3] to establish, implement, maintain and enforce written policies and procedures reasonably designed to require that any direct participant must submit for clearance and settlement all "eligible secondary market transactions" to which that direct participant is a counterparty. An "eligible secondary market transaction" is, in turn, defined as (i) a repurchase or reverse repurchase agreement collateralized by U.S. Treasury securities, in which one of the counterparties is a direct participant ("repo"); or (ii) a purchase or sale, between a direct participant and: (A) any counterparty, if the direct participant of the covered clearing agency brings together multiple buyers and sellers using a trading facility (such as a limit order book) and is a counterparty to

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1 Standards for Covered Clearing Agencies for U.S. Treasury Securities and Application of the Broker-Dealer Customer Protection Rule With Respect to U.S. Treasury Securities, Exchange Act Release No. 99149 (Dec. 13, 2023), 89 FR 2714, 2737 (Jan. 16, 2024) ("Adopting Release").

2 17 CFR 240.17ad-22(e)(iv)(A).

3 The U.S. Treasury securities CCAs are the Fixed Income Clearing Corporation ("FICC"), the CME Securities Clearing Corp. ("CMESC"), and ICE Clear Credit, LLC ("ICC").

both the buyer and seller in two separate transactions; or (B) a registered broker-dealer, government securities broker, or government securities dealer.[4]

On February 27, 2026, a trade association submitted a letter to the Commission requesting exemptive relief from the Trade Submission Requirement for certain Non-U.S. Transactions, specifically, the transactions of foreign financial institutions who are direct participants of a U.S. Treasury securities CCA when transacting with non-U.S. clients, as discussed further below.[5] We are publishing this notice to provide interested persons with an opportunity to comment on the request for exemptive relief pursuant to Section 36[6] of the Exchange Act.[7]

II. REQUESTED RELIEF

The association stated that many foreign financial institutions are direct participants of U.S. Treasury securities CCAs to realize the benefits of central clearing, including multilateral netting, and to promote their ability to trade with U.S. financial institutions.[8] The association stated that foreign financial institutions use a diversity of trading models with respect to their participation in U.S. Treasury securities CCAs, including in some instances participating through U.S. branches or broker-dealer subsidiaries, but also sometimes participating through their (non-U.S.) head offices or other non-U.S. branches.[9] The association stated that the manner in which a given financial institution participates at a U.S. Treasury securities CCA generally depends on its internal risk management practices and the preferences of its counterparties, some of which may prefer to

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4 17 CFR 240.17ad-22(a).

5 *See* Letter from Stephanie Webster, General Counsel, Institute of International Bankers ("IIB" or "association"), dated Feb. 27, 2026 ("IIB Letter").

6 15 U.S.C. 78mm. Section 36(a)(1) of the Exchange Act gives the Commission the authority to exempt any person, security or transaction or any class or classes of persons, securities or transactions, conditionally or unconditionally, from any Exchange Act provision by rule, regulation or order, to the extent that the exemption is necessary or appropriate in the public interest and consistent with the protection of investors.

7 15 U.S.C. 78a *et seq.*

8 IIB Letter, *supra* note 5, at 3.

9 *Id.* at 3.

transact with a local (*i.e.*, non-U.S.) branch.[10]

The association stated that, when a financial institution is approved as a direct participant of a U.S. Treasury securities CCA, that direct participant becomes subject to the rules of that U.S. Treasury securities CCA, including any rules required to implement the Trade Submission Requirement.[11] However, the association states that such foreign financial institutions face a question regarding the "potential extraterritorial scope" of the Trade Submission Requirement, including the potential application of the Trade Submission Requirement to eligible secondary market transactions between a foreign financial institution direct participant in a U.S. Treasury securities CCA (*e.g.*, a foreign bank's head office) and its foreign investor clients.[12] The association raises several potential consequences arising from the application of the Trade Submission Requirement to such transactions.

First, the association states that there exists legal uncertainty regarding whether fundamental requirements to central clearing, such as netting (including close-out netting in a default scenario), are enforceable in all relevant jurisdictions.[13] This legal uncertainty also exists for the direct participant's non-U.S. counterparties, who would likely need to access central clearing indirectly through a direct participant, and it remains unclear whether U.S. Treasury securities CCAs would or could accept non-U.S. counterparties from every relevant foreign jurisdiction as indirect participants.[14]

Second, the association states that clearing trades for non-U.S. clients could raise questions under non-U.S. law, including whether doing so could require the direct participant acting as a

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10 *See id.*at 3.

11 15 U.S.C. 78s(g)(1) ("Every self-regulatory organization shall comply with the provisions of this title, the rules and regulations thereunder, and its own rules, and (subject to the provisions of section 17(d) of this title, paragraph (2) of this subsection, and the rules thereunder) absent reasonable justification or excuse enforce compliance . . . in the case of a registered clearing agency, with its own rules by its participants").

12 *See* IIB Letter, *supra* note 5, at 3.

13 *See id.*

14 *See id.*

clearing firm to register as a broker in those jurisdictions.[15]

Third, the association states that no U.S. Treasury securities CCA currently operates on a 24-hour basis.[16] Therefore, a direct participant located in, for example, Singapore, operationally may be unable to submit its repo trades with Singaporean counterparties to a U.S. Treasury securities CCA in a prompt and accurate manner when the U.S. Treasury securities CCA does not open until hours after the counterparties enter into the repo transaction.[17] Relatedly, the association states that FICC does not facilitate Euroclear settlement, which means that non-U.S. participants clearing a non-U.S. transaction that customarily would settle through Euroclear requires additional steps to bring the repo into the Depository Trust Corporation via Fedwire.[18]

Fourth, the association states that "an almost unlimited mandate to clear foreign financial institutions' transactions" would bring in scope non-U.S. counterparties that are transacting only locally, are unlikely to be familiar with the evolving conventions of the U.S. domestic repo market, and are therefore far less likely to sign onto documentation that, in their domestic market, is wholly novel, not explained by a local law requirement, and burdensome.[19]

The association states these issues could lead non-U.S. counterparties to question their participation in the U.S. Treasury securities market more broadly when they have alternative government bond markets in which they could invest without raising these issues or more generally incurring the costs of central clearing.[20] The association states that a shift by foreign investors away from U.S. Treasuries to, for example, European or Asian sovereign bonds could materially increase

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15 *See id.* at 3-4.

16 *See id.* at 4. IIB further stated that the Commission's analysis of this issue when adopting the Treasury clearing rules is inapposite to bilateral repos conducted outside the United States. *Id.*

17 *See id.* (stating that, at a minimum, "the Commission would need to clarify the timeframe in which these transactions must be submitted for clearing and weigh the benefits of requiring an overnight transaction to be cleared if it cannot be submitted until halfway through its term when the applicable covered clearing agency opens").

18 *See id.* The association referred to FICC which, at the time of the letter, was the only operational U.S. Treasury securities CCA. The Commission understands that no existing covered clearing agency facilitates Euroclear settlement at this time.

19 *See id.*

20 *See id.*

the U.S. government's borrowing costs and impair overall U.S. Treasury security market liquidity and resiliency.[21]

The association states that reduced counterparty interest in the U.S. Treasury securities market could also lead some foreign financial institutions to question the costs and benefits of continuing to participate in U.S. Treasury securities CCAs as direct participants, given that withdrawal from U.S. Treasury securities CCAs would eliminate any extraterritorial application of the Trade Submission Requirement.[22] Also, the association states that market participants accessing central clearing indirectly, either through foreign financial institution or through other firms, would be harmed through a reduction in their choice of potential clearing firms, which could result in increased costs to access clearing.[23] Finally, the association states that reduced participation and liquidity in cleared repos could also impact the secured overnight financing rate ("SOFR"), the calculation of which depends on those repos and which is used as a benchmark interest rate for many transactions.[24]

The association requests that the Commission grant an exemption from the Trade Submission Requirement for an eligible secondary market transaction between a Non-U.S. Participant and a Non-U.S. Client (such transaction, a "Non-U.S. Transaction").[25]

For this purpose, a "Non-U.S. Participant" would mean a direct participant of a U.S. Treasury securities CCA that is not:

- a U.S. person (as defined by Exchange Act Rule 3a71-3),[26]
- a U.S. branch of a non-U.S. person, or

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21 *See* IIB Letter, *supra* note 5, at 4.

22 *See* IIB Letter, *supra* note 5, at 5.

23 *See id.*

24 *See id.*

25 *See id.* at 5-6.

26 IIB states that it proposes to rely on this "U.S. person" definition because it is broadly familiar to market participants active in cross-border securities markets due to its use for purposes of Title VII of the Dodd-Frank Act. *See* IIB Letter, *supra* note 5, at 6 n. 11.

- a non-U.S. person whose obligations under the transaction are guaranteed by a U.S. person.[27]

A "Non-U.S. Client" would mean a counterparty to a Non-U.S. Participant that is not:

- a direct participant of a U.S. Treasury securities CCA,
- a U.S. person,
- a U.S. branch of a non-U.S. person, or
- a non-U.S. person whose obligations under the transaction are guaranteed by a U.S. person.

III. REQUEST FOR COMMENT

We request and encourage any interested person to submit comments on the requested relief, including whether the Commission should grant the exemptive relief. In particular, we solicit comments on the following questions:

1. Do commenters agree that the Commission should grant an exemption from the Trade Submission Requirement for an eligible secondary market transaction between a Non-U.S. Participant and a Non-U.S. Client (such transaction, a "Non-U.S. Transaction")?
2. If granting this relief, is it appropriate to use the definition of a U.S. person from Rule 3a71-3, or should some different definition be used? If a different definition, which one and why?
3. Is the scope of the definition of a Non-U.S. Participant appropriate?
4. Would the requested relief impact how market participants structure their repo transactions or access central clearing (*e.g.*, through an affiliated direct participant or by joining a U.S. Treasury securities CCA directly)? If so, please describe the

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[27] For this purpose, a transaction would be guaranteed by a U.S. person if the counterparty to the transaction had rights of recourse against a U.S. person, *i.e.*, has a conditional or unconditional legally enforceable right, in whole or in part, to receive payments from, or otherwise collect from, the U.S. person in connection with the transaction. *See* IIB Letter, *supra* note 5, at 6 n. 12.

impact and how this impact would occur.

5. Would the requested relief impact competition between different types of direct participants of a U.S. Treasury securities CCA (*e.g.*, between banks and broker-dealers)? If so, please describe the impact on competition and how this impact would occur, as well as any potential mechanism to address that impact and the potential effects thereof.
6. Would the requested relief impact competition between direct participants of a U.S. Treasury securities CCA based on home jurisdiction (*e.g.*, between U.S. direct participants and non-U.S. direct participants)? If so, please describe the impact on competition and how this impact would occur, as well as any potential mechanism to address that impact and the potential effects thereof. Would any such impact change if the Commission extended the requested relief to also cover eligible secondary market transactions of the non-U.S. branch of a U.S. direct participant in a U.S. Treasury securities CCA, with non-U.S. clients?
7. Would the requested relief impact competition between direct participants of a U.S. Treasury securities CCA and any market participants who are not direct participants of a U.S. Treasury securities CCA? If so, please describe the impact on competition and how this impact would occur, as well as any potential mechanism to address that impact and the potential effects thereof.
8. Would the requested relief have any impact on existing U.S. reporting requirements (*e.g.*, FINRA's TRACE reporting or the requirements with respect to certain non-centrally cleared bilateral repo reporting established by the Office of Financial Research within the U.S. Department of the Treasury[28])? Please explain.
9. Would the requested relief have any impact on liquidity and/or overall resiliency of

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28 *See* 12 CFR Part 1610.

the U.S. Treasury markets? If so, please describe the impact on liquidity and overall resiliency and how the impact would occur.

10. Would the requested relief have any impact on foreign participation in U.S. Treasury markets? If so, please describe the impact on foreign participation and how the impact would occur.
11. Would the requested relief impact a U.S. Treasury securities CCA's ability to risk manage the transactions of its direct participants? If so, please describe the impact on a U.S Treasury securities CCA's risk management.
12. Would the requested relief impact contagion risk[29] for U.S. Treasury securities CCAs, or systemic risk more broadly?
13. Would the requested relief impact any of the benefits that the Commission identified as arising from the Trade Submission Requirement, such as decreasing counterparty credit risk, decreasing the risk of a disorderly member default, increasing multilateral netting?[30]
14. Should we add any conditions to the requested relief, such as an activity limit threshold (meaning, for example, that Non-U.S. Transactions would be exempted so long as they did not surpass a particular portion of the direct participant's overall U.S. Treasury market activity)? If so, please describe what those conditions should be and why. For conditions specific to an activity limit threshold, please describe what the threshold should be and why that threshold would be appropriate.
15. Please describe how the requested relief would or would not protect investors and the public interest consistent with Sections 17A and 36 of the Exchange Act.
16. Please describe how the requested relief would or would not help to facilitate the prompt and accurate clearance and settlement of securities transactions as well as

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29 *See* Adopting Release, *supra* note 1, 89 FR at 2717, 2741-42.

30 *See id.* at 2717-18.

the safeguarding of securities and funds consistent with Section 17A of the Exchange Act.

Comments should be received on or before [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (https://www.sec.gov/rules-regulations/exchange-act-exemptive-notices-orders);

  or

- Send an e-mail to rule-comments@sec.gov. Please include File Number S7-2026-07 on the subject line.

Paper Comments:

- Send paper comments to Vanessa A. Countryman, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number S7-2026-07. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (https://www.sec.gov/rules-regulations/exchange-act-exemptive-notices-orders. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publications submitted material that is obscene or subject to copyright protection.

For further information, you may contact Elizabeth Fitzgerald, Assistant Director, at (202) 551-6036, or Heather Percival, Senior Special Counsel, at (202) 551-3498, in the Division of Trading and Markets; U.S. Securities and Exchange Commission, 100 F Street NE, Washington, D.C. 20549.

By the Commission.

Dated March 6, 2026.

Sherry R. Haywood,

Assistant Secretary.

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