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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-106821; File No. S7-2026-26]

Order under Section 36 of the Securities Exchange Act of 1934 (the "Exchange Act") Granting Conditional Exemptive Relief from Section 15(c)(3) of and Rule 15c3-3a, Note H under the Exchange Act Relating to Certain Centrally Cleared U.S. Treasury Transactions

November 4, 2026.

I. Introduction

A. Overview of Exemptive Order

The Securities and Exchange Commission ("Commission") is granting exemptive relief to broker-dealers from certain provisions of Note H to Item 15 of Exhibit A to Exchange Act Rule 15c3-3 ("Rule 15c3-3a, Note H" or "Note H") pursuant to section 36[1] of the Exchange Act. More specifically, the Commission is granting exemptive relief from the application of Exchange Act section 15(c)(3)[2] and Rule 15c3-3a, Note H(b)(1) and (b)(2)(i) thereunder to permit broker-dealers to include a debit in their Rule 15c3-3a customer and proprietary securities accounts of other broker-dealers ("PAB")[3] reserve

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1 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.

2 15 U.S.C. 78o(c)(3).

3 *See* 17 CFR 15c3-3(a)(16) (defining PAB account as a proprietary securities account of a broker-dealer (which includes a foreign broker-dealer, or a foreign bank acting as a broker-dealer) other

computations (collectively "reserve computations") for margin required and on deposit with a qualified clearing agency[4] resulting from transactions in U.S. Treasury securities in customer accounts that have been cleared, settled, and novated by the clearing agency in cases where the qualified clearing agency has calculated customer margin on either a net, omnibus or gross, customer-by-customer basis, and the broker-dealer has delivered the margin collateral on a net, omnibus basis.[5]

B. Background

Rule 15c3-3 under the Exchange Act, the broker-dealer customer protection rule, requires broker-dealers that hold customer cash and securities ("carrying broker-dealers") to treat these assets in a manner that facilitates their prompt return to the customers if the broker-dealer fails financially. To meet this objective, Rule 15c3-3 requires a carrying broker-dealer to take two primary steps to safeguard customer assets, which are designed to protect customers by segregating their securities and cash from the carrying broker-dealer's proprietary business activities. The first step requires carrying broker-dealers to maintain physical possession or control over customers' fully paid and excess margin securities.[6] The second step requires that a carrying broker-dealer maintain a reserve of cash or qualified securities (e.g., U.S. Treasury securities) in an account at a third-party bank that is at least equal in value to the net cash owed to customers determined by a

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than a delivery-versus-payment account or a receipt-versus-payment account. The term does not include an account that has been subordinated to the claims of creditors of the carrying broker-dealer.)

4 *See* Note H(a) (defining a "qualified clearing agency" as a clearing agency registered with the Commission under section 17A of the Exchange Act that clears, settles, and novates transactions in U.S. Treasury securities).

5 *See* Note H(b)(2)(i) to Exhibit A to Rule 15c3-3, 17 CFR 240.15c3-3a.

6 *See* 17 CFR 240.15c3-3(d).

computation pursuant to a formula set forth in Exchange Act Rule 15c3-3a, the customer reserve computation.[7] The goal of Rule 15c3-3 is to place a broker-dealer in a position where it is able to wind down and return customer assets in an orderly self-liquidation without the need for financial assistance.

On December 13, 2023, the Commission adopted rules under the Exchange Act to amend the standards applicable to certain clearing agencies to enhance risk management practices for central counterparties in the U.S. Treasury market and facilitate additional clearing of U.S. Treasury securities.[8] In the Treasury Clearing Adopting Release, the Commission adopted amendments to Rule 15c3-3a to permit margin required and on deposit at qualified clearing agencies providing central counterparty services for U.S. Treasury securities to be included by broker-dealers as a debit in the reserve computations, subject to certain conditions.[9]

i. Gross vs. Net Customer Position Margin Requirement

Among the conditions necessary for including customer position margin as a debit in the reserve computations is that customer position margin must be treated in accordance with rules that must be adopted by the qualified clearing agency.[10] Paragraph

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7 *See* 17 CFR 240.15c3-3a (Formula for determination of customer and PAB account reserve requirements of broker-dealers under 17 CFR 240.15c3-3.).

8 *See 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 (Jan. 16, 2024) ("Treasury Clearing Adopting Release").

9 *See id.* at 2760-68. *See also* Note H to Exhibit A to Rule 15c3-3, 17 CFR 240.15c3-3a. The following types of transactions in U.S. Treasury securities in customer accounts that have been cleared, settled, and novated by the clearing agency are covered by the Item 15 debit: (1) purchases and sales of U.S. Treasury securities; and (2) U.S. Treasury securities repurchase and reverse repurchase agreements (together "customer position margin").

10 *See* Treasury Clearing Adopting Release, at 2764. *See also* Note H(b)(2) to Exhibit A to Rule 15c3-3, 17 CFR 240.15c3-3a.

(b)(2)(i) of Note H requires the qualified clearing agency to calculate a separate margin amount for each customer of the broker-dealer on a gross basis, and requires the broker-dealer to deliver that amount of margin for each customer on a gross, customer-by-customer basis.[11] The Commission adopted this requirement to ensure that the risk of one customer's positions could not be offset by the risk of another customer's positions in determining the amount of customer margin the broker-dealer would need to have on deposit at the qualified clearing agency.[12] Thus, under existing Note H requirements, a broker-dealer is not permitted to deliver assets belonging to one customer to meet the margin requirement of another customer, and margin must be calculated and delivered on a gross basis.[13]

ii. Delivery of Customer Cash or Securities on Customer-by-Customer Basis

Another condition, set forth in paragraph (b)(1) of Note H, provides that the customer position margin must consist of any of the following when delivered by the broker-dealer to meet a margin requirement resulting from that particular customer's U.S. Treasury securities positions that have cleared, settled, and novated at the qualified clearing agency: (i) cash owed to the customer; or (ii) U.S. Treasury securities or qualified customer securities held in custody by the broker-dealer for the customer.[14]

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11 *See* Note H(b)(2)(i) to Exhibit A to Rule 15c3-3, 17 CFR 240.15c3-3a.

12 *See* Treasury Clearing Adopting Release, 89 FR at 2764. For a discussion of the Commission's consideration of the alternative of tailoring the requirement to permit a debit based on a margin amount posted to the qualified clearing agency that is calculated on a net basis across all the broker-dealer's customers, as is the case under Item 13 and Note F in Rule 15c3-3a for margin required and on deposit with the Options Clearing Corporation for all option contracts written or purchased in customer accounts, see id. at 2764-65.

13 *See* Treasury Clearing Adopting Release, 89 FR at 2764.

14 *See* Note H(b)(1)(i) and (ii).

Paragraph (b)(1) of Note H also permits a broker-dealer to temporarily prefund a specific customer's margin requirement, subject to strict limitations.[15]

iii. Commission Approval of Qualified Clearing Agency Rules

The final condition to the application of the Item 15 debit, set out in paragraph (b)(3) of Note H, requires the Commission to have approved rules of the qualified clearing agency that meet the conditions of Note H and has published (and not subsequently withdrawn) a notice that broker-dealers may include the debit permitted by Note H.[16] At present, the Commission has published notices approving the rules of three qualified clearing agencies under paragraph (b)(3) of Note H, and has not subsequently withdrawn any of them.[17]

C. SIFMA's Application for Exemptive Relief

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15 *See* Note H(b)(1)(iii). Specifically, if delivering proprietary U.S. Treasury securities to the qualified clearing agency as margin collateral, the broker-dealer must: (1) not use other types of securities collateral acceptable to the qualified clearing agency; (2) not owe the customer or hold in custody for the customer sufficient cash, U.S. Treasury securities, and/or qualified customer securities to meet a margin requirement resulting from that customer's U.S. Treasury securities positions cleared, settled, and novated at the qualified clearing agency at the time the margin requirement arose; and (3) call for the customer to deliver a sufficient amount of cash, U.S. Treasury securities, and/or qualified customer securities to meet the margin requirement on the day the margin requirement arose, and must receive a sufficient amount of cash, U.S. Treasury securities, and/or qualified customer securities to meet the margin requirement by the close of the next business day after the margin requirement arose. *See also* Treasury Clearing Adopting Release, 89 FR at 2763.

16 *See* Note H(b)(3) to Exhibit A to Rule 15c3-3, 17 CFR 240.15c3-3a.

17 *See Notice pursuant to Rule 15c3-3a, Note H(b)(3) Regarding Application of the Customer Protection Rule Reserve Computations with Respect to U.S. Treasury Securities,* Exchange Act Release No. 34-101729 (Nov. 25, 2024), 89 FR 94801 (Nov. 29, 2024) ("FICC Note H Approval Notice"); *Notice pursuant to Rule 15c3-3a, Note H(b)(3) Regarding Application of the Customer Protection Rule Reserve Computations with Respect to U.S. Treasury Securities,* Exchange Act Release No. 105193 (Apr. 10, 2026); 91 FR 19241 (April 14, 2026) ("CME Securities Clearing Inc. Note H Approval Notice"); *Notice pursuant to Rule 15c3-3a, Note H(b)(3) Regarding Application of the Customer Protection Rule Reserve Computations with Respect to U.S. Treasury Securities,* Exchange Act Release No. 106267 (Sept. 3, 2026); 91 FR 57406 (Sept. 9, 2026) ("ICE Clear Credit LLC Note H Approval Notice").

Pursuant to procedures set forth in Rule 240.0-12 of the Exchange Act, the Securities Industry and Financial Markets Association ("SIFMA") filed an application for exemptive relief from section 15(c)(3) of the Exchange Act and Rule 15c3-3a, Note H(b)(1) and (2)(i) thereunder pursuant to section 36 of the Exchange Act on June 24, 2026.[18] SIFMA requested that the Commission grant exemptive relief to permit broker-dealers to include an Item 15 debit in their customer reserve computation in cases where the broker-dealer has delivered the margin collateral on a net, omnibus basis, rather than on a gross, customer-by-customer basis.[19] The requested relief would apply to customer accounts at a qualified clearing agency where the qualified clearing agency calculates customer margin on either a net, omnibus or gross, customer-by-customer basis that otherwise meets the conditions of Note H (i.e., the conditions that are not exempted under SIFMA's proposed request).[20] Further, SIFMA requested that any exemptive order issued by the Commission provide broker-dealers with the same relief as to their PAB account holders and PAB reserve computation under Rule 15c3-3a, subject to the same conditions.[21]

Section 36 of the Exchange Act authorizes the Commission to conditionally or unconditionally exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from certain provisions of the Exchange Act or

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18 *See Notice of an Application of the Securities Industry and Financial Markets Association for an Exemption Pursuant to Section 36 of the Securities Exchange Act of 1934 from Certain Conditions of Note H to Exchange Act Rule 15c3-3a*, Exchange Act Release No. 105980 (July 24, 2026), 91 FR 48201 (July 30, 2026) ("Notice of Application"). The application for exemptive relief ("Application") is attached as an Appendix to the Notice of Application, available at: https://www.sec.gov/files/rules/exorders/2026/34-105980.pdf.

19 *See* Notice of Application, 91 FR at 48202.

20 *See id.* at 48203.

21 *See id*.

certain rules or regulations thereunder, by rule, regulation, or order, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.

On July 24, 2026, the Commission issued a Notice of Application seeking comment on the Application. The Notice of Application was published in the *Federal Register* on July 30, 2026 to provide interested persons the opportunity to comment.[22] The Commission did not receive any comments on the Notice of an Application.[23]

II. Discussion of Exemptive Relief

A. Statement of Relief

Since the Commission's adoption of the Treasury Clearing Adopting Release, broker-dealers undertaking implementation have raised concerns in letters and meetings with Commission staff about the inefficiencies and costs of the gross basis requirement.[24] For example, SIFMA stated in its Application that implementing a strict customer-by-customer framework would require broker-dealers to use highly granular systems to map customer positions, margin requirements, and collateral flows to individual customers across all clearance, settlement, and internal records, as well as complex intraday reconciliation and enhanced data infrastructure.[25] In a letter sent to the Commission before submitting its Application, SIFMA also stated that the cost concerns raised from individual segregation due to the requirement to calculate customer margin and deliver margin collateral on a gross, customer-by-customer basis would discourage broker-

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22 The comment period ended on August 31, 2026. *See* Notice of Application, 91 FR at 48204.

23 *See* Notice of Application [File No. S7-2026-26].

24 *See, e.g.,* Application, at 2.

25 *See* Application at 3.

dealers from onboarding smaller market participants, who typically rely on qualified clearing agency direct netting members for clearing U.S. Treasury transactions.[26] As a result, SIFMA added, a qualified clearing agency's direct participants would be unable to apply the reserve formula debit for these indirect participant accounts, leading to increased capital constraints for broker-dealers in meeting customer margin requirements.[27]

SIFMA further indicated in its Application that the systems and infrastructure needed to fulfill the gross, customer-by-customer margin calculation and posting requirements are not aligned with the existing net, omnibus-based operational models used in the intermediation of U.S. Treasury securities transactions, and would become increasingly difficult to scale as clearing expands to a broader set of market participants and intermediated relationships.[28] Where broker-dealers elect not to fully implement the systems and processes necessary to support gross, customer-level margining (and thus cannot use the Item 15 debit), SIFMA has indicated that the resulting reserve computation treatment may not reflect the economic substance of customer facilitation

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26 *See* Letter from Kevin Zambrowicz, Deputy General Counsel (Institutional) & Managing Director, SIFMA, to the Honorable Gary Gensler, Chair, Commission (Oct. 23, 2024) (Application of the Broker-Dealer Customer Protection Rule with Respect to U.S. Treasury Securities Clearing), available at: https://www.sec.gov/comments/S7-23-22/s72322-834280-2549193.pdf.

27 *See id.* *See* also Letter from Kevin Zambrowicz, Deputy General Counsel, SIFMA, to the Honorable Paul Atkins, Chair, Commission (Nov. 19, 2025) (Treasury Clearing – The OCC-Model Approach under Rule 15c3-3), available at: https://www.sec.gov/comments/S7-23-22/s72322-834300-2549193.pdf (stating that the ability of broker-dealers to reflect a reserve formula debit in instances where customer margin for U.S. Treasury transactions is delivered to a qualified clearing agency through an omnibus segregated account structure is critical to ensuring that broker-dealers can continue to intermediate cleared access for indirect participants, particularly buy-side clients and smaller market participants, without facing undue liquidity strain stemming from the current inability to reflect the reserve formula debit – an operational gap leading to reserve requirements that do not accurately reflect the actual risk posed to broker-dealers and the financial system.).

28 *See* Application at 3-4.

activity in U.S. Treasury clearing, which could lead to duplicative capital and liquidity requirements misaligned with the actual risk exposure to broker-dealers intermediating customer access to central clearing.[29]

The Commission finds that allowing the inclusion of a debit in Item 15 of the reserve computations where a qualified clearing agency has calculated the required customer margin on either a net, omnibus or gross, customer-by-customer basis, and the broker-dealer has delivered the required customer margin collateral on a net, omnibus basis, when subject to the conditions detailed below, is necessary or appropriate in the public interest, and is consistent with the protection of investors.

The operational complexities and challenges of the gross, customer-by-customer margin and delivery requirements have proven greater than anticipated before broker-dealers began to implement them. While the Commission originally adopted Note H to require posting margin on a gross, customer-by-customer basis for customer protection, the operational complexity of the gross calculation and delivery approach and the attendant potential negative impact for clearing of U.S. Treasury securities transactions warrant allowing alternative margin calculation and delivery approaches, with the enumerated conditions to ensure that the exemptions in this order do not diminish the customer protection objectives of Rules 15c3-3 and 15c3-3a.

This relief would also provide broker-dealers with more flexibility to efficiently intermediate access to centrally cleared U.S. Treasury markets while preserving the

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[29] *See id.* at 4. As SIFMA further stated in the Application, the frictions caused by these constraints and increased costs of central clearing could ultimately reduce participation and liquidity in the U.S. Treasury market, which would undermine the Commission's initial policy objectives in the Treasury Clearing Adopting Release of expanded central clearing, by discouraging efficient access pathways and increasing operational burdens without a corresponding reduction in systemic risk. *See id.*

customer protection framework under Rule 15c3-3. Further, this relief would alleviate certain capital and operational constraints that can arise through a gross, customer-by-customer margining and delivery requirement, particularly when broker-dealers serve smaller or indirect customers, thereby supporting broader market access, enhancing liquidity, and advancing the Commission's goal of promoting a deep, resilient, and inclusive U.S. Treasury market. Finally, the alternative margin calculation and delivery approaches will support a broker-dealer's customer facilitation activity in U.S. Treasury clearing, particularly in light of the expansion of these activities and the increased number of qualified clearing agencies.

The conditions of this order, discussed below in section II.B, are designed to permit the Item 15 debit only in circumstances that provide protections to customers consistent with the customer protection objectives of Rules 15c3-3 and 15c3-3a without requiring a gross, customer-by-customer calculation and collection of customer margin. For example, Rule 15c3-3 requires broker-dealers to take steps to safeguard customer assets by segregating their securities and cash from the carrying broker-dealer's proprietary business activities.[30] The conditions in this order are designed to ensure that customer margin is appropriately segregated and that a broker-dealer cannot use customer cash and securities to finance its proprietary business activities. Further, consistent with the conditions in Note H not exempted under this order, the conditions of this order explicitly limit the exemption to customer margin required and on deposit with a qualified clearing agency for customer transactions in U.S. Treasury securities. These conditions help reduce the likelihood of certain risks that may undermine the customer

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30 *See* section I.B. of this order. *See also* Treasury Clearing Adopting Release, 89 FR at 2761.

protection objectives of Rule 15c3-3, including that broker-dealers may not appropriately safeguard customer cash and securities or may improperly include debits in their customer reserve computation.

Accordingly, after careful consideration of the Application, the Commission is issuing, pursuant to section 36 of the Exchange Act, conditional exemptive relief to permit broker-dealers to include an Item 15 debit in their customer reserve computation in cases where a qualified clearing agency has calculated customer margin on either a net, omnibus or gross, customer-by-customer basis, and the broker-dealer has delivered the margin collateral on a net, omnibus basis, rather than on a gross, customer-by-customer basis. Further, the Commission is providing broker-dealers with the same relief as to their PAB account holders and PAB reserve computation under Rule 15c3-3a, subject to the same conditions. This relief will permit either: (1) the calculation and delivery of customer margin on a net, omnibus basis,[31] or (2) the calculation of margin on a gross, customer-by-customer basis and the delivery of margin on a net, omnibus basis. The following discussion describes conditions of the exemptive relief provided by this order.

B. Discussion of Conditions

The first condition limits the relief to margin that is required and on deposit with a qualified clearing agency in connection with (1) purchases and sales of U.S. Treasury securities; and (2) U.S. Treasury securities repurchase and reverse repurchase agreements in customer accounts that have been cleared, settled, and novated by the qualified clearing agency. This condition is designed to reflect that the relief provided hereby is

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[31] Margin calculated on a "net, omnibus basis" refers to margin calculations where the transactions in U.S. Treasury securities for different customers are netted together as one combined portfolio to calculate initial margin requirements at a qualified clearing agency.

limited to only those transactions covered under Item 15 of Rule 15c3-3a and Note H.[32] This condition also will continue to ensure that margin required and on deposit at a qualified clearing agency as a result of the broker-dealer's proprietary positions may not be included as a debit in the reserve computations. Therefore, this condition is designed to effectuate a fundamental aspect of Rule 15c3-3 that a broker-dealer cannot use customer cash or securities to finance its proprietary business activities.[33]

The second condition provides that the broker-dealer must deliver the following types of cash and securities to the qualified clearing agency to meet the customer margin requirement: (1) cash; (2) U.S. Treasury securities; (3) qualified customer securities;[34] or (4) any combination of items (1)-(3).[35] This condition limits the scope of assets that are permissible to use as collateral delivered to the qualified clearing agency to those currently permitted under Note H to Rule 15c3-3a. The Commission is retaining the limitation on the permitted use of proprietary securities as margin collateral to U.S.

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32 *See* 17 CFR 240.15c3-3a, Item 15. This condition also will continue to limit the relief to *required* margin which prevents the broker-dealer from depositing cash or securities at a qualified clearing agency that are not needed to meet a margin requirement in order to artificially increase the debit (which could potentially reduce the broker-dealer's required deposit).

33 *See* Treasury Clearing Adopting Release, 89 FR at 2761.

34 As used in Note H, the term "qualified customer securities" means the securities of a customer of the broker-dealer (other than U.S. Treasury securities) that are held in custody by the broker-dealer for the customer and that under the rules of the qualified clearing agency are eligible to be used to margin U.S. Treasury securities positions of the customer that are cleared, settled, and novated by the qualified clearing agency. *See* Note H(c) to Rule 15c3-3a.

35 The words "proprietary or customer" were omitted before the words "cash" or "U.S. Treasury securities" as described in the Application, because the eligible collateral under this exemptive relief that is cash or U.S. Treasury securities would necessarily be either proprietary or customer assets. As this exemptive relief is to permit broker-dealers to deliver the margin collateral to a qualified clearing agency on a net, omnibus basis, the use of these terms within the scope of this condition is unnecessary.

Treasury securities to ensure that only the safest, most liquid securities of the broker-dealer are ever commingled with the customer cash and securities.[36]

The third condition limits the amount the broker-dealer is permitted to include in the Item 15 debit in the reserve computations to equal the least of: (1) the amount of margin collected from customers in connection with customer U.S. Treasury securities transactions; (2) the amount of margin required for customer U.S. Treasury securities positions; or (3) the total of: (a) cash, (b) U.S. Treasury securities, and (c) qualified customer securities delivered by the broker-dealer to meet a margin requirement arising from customer U.S. Treasury securities positions.[37]

Given the greater operational flexibility that net, omnibus margining and posting entails, this third condition is designed to make sure that the permitted Item 15 debit is conservative and directly related to customer-related credit items consistent with the requirements of Rule 15c3-3.[38] Specifically, the condition is designed to protect investors by specifying that broker-dealers can only obtain the full amount of the potential debit under Item 15 when they collect from customers the full amount of margin required for their U.S. Treasury securities positions, and subsequently deliver the full amount of that margin to the qualified clearing agency to meet such margin requirements.

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36 *See* Treasury Clearing Adopting Release, 89 FR at 2763.

37 The word "customer" was omitted before the words "cash" or "U.S. Treasury securities" as described in the Application. Eligible collateral under this exemptive relief that is cash or U.S. Treasury securities would be either proprietary or customer assets, as this exemptive relief is to permit broker-dealers to deliver the margin collateral to a qualified clearing agency on a net, omnibus basis.

38 *See* paragraph (e)(2) to Rule 15c3-3 (stating that "with respect to each computation required pursuant to paragraph (e)(1) of Rule 15c3-3, a broker-dealer must not accept or use any of the amounts under items comprising total credits under the formula referred to in paragraph (e)(1) of Rule 15c3-3 except for the specified purposes indicated under items comprising total debits under the formula".).

The "least of" structure under the third condition will permit broker-dealers to post margin collateral on a net, omnibus basis, which may result in one customer's collateral being used to cover another customer's margin requirement. However, customers will continue to be afforded the customer protections provided by Rule 15c3-3, as well as the other provisions of Note H, which remain applicable under this exemptive relief. This includes the protections afforded to customers by the continued requirement that broker-dealers include free credit balances and other credit balances in customers' securities accounts as credits in Item 1, and the market value of customers' securities on deposit at a qualified clearing agency in Item 2, of their customer reserve computations.[39]

Further, the third condition explicitly limits the permitted Item 15 debit to permissible cash and securities collateral delivered to a qualified clearing agency. Consistent with the first condition, the broker-dealer may not include in the Item 15 debit amounts on deposit at a qualified clearing agency that exceed the margin requirement resulting from its customers' cleared U.S. Treasury securities positions.

The fourth condition requires that the broker-dealer must maintain books and records sufficient to identify the amount of customer margin collected and delivered to the qualified clearing agency. These books and records will permit the Commission, Commission staff or the broker-dealer's designated examining authority to examine for compliance with the specific conditions of this exemptive order. This condition also will facilitate compliance with the third condition to this order by helping ensure the broker-dealer only includes in the Item 15 debit the appropriate, permitted amount within its reserve computations. In doing so, this fourth condition will also help ensure that the

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[39] *See* 17 CFR 240.15c3-3a, Items 1 and 2.

relief provided in this order remains consistent with the customer protection objectives of Rule 15c3-3 by better ensuring compliance with both the conditions of this exemptive order and the other requirements of Rule 15c3-3 and Note H thereunder.

The fifth condition requires that the rules of the qualified clearing agency must have been amended as necessary to reflect the conditions of this exemptive order. This condition is designed to require that broker-dealers may only include an Item 15 debit in their reserve computations pursuant to this order where the rules of the qualified clearing agency have been amended to reflect the conditions of this exemptive order. This will also ensure that the rules of a qualified clearing agency that are amended in accordance with the conditions of this order adequately implement the customer protection objectives of Rule 15c3-3 and Rule 15c3-3a.[40]

The fifth condition also is designed, for similar reasons to those discussed in the Treasury Clearing Adopting Release pertaining to adoption of paragraph (b)(3) of Note H, which, as discussed in section I.B.iii. above, requires the Commission to have approved rules of the qualified clearing agency that meet the conditions of Note H and publish a notice (and not subsequently withdrawn the notice) that broker-dealers may include an Item 15 debit in their reserve computations for a particular qualified clearing agency.[41] The Commission is not hereby withdrawing any previously published notices approving the rules of any qualified clearing agency that meet the conditions of Note H, and broker-dealers may continue to rely upon them to include a debit in Item 15 of their

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40 *See* Treasury Clearing Adopting Release, 89 FR at 2768.

41 *See* Note H(b)(3) to Exhibit A to Rule 15c3-3, 17 CFR 240.15c3-3a. *See also* Treasury Clearing Adopting Release, 89 FR at 2767-68.

reserve computations when complying with the requirements of Note H.[42] To the extent a qualified clearing agency amends its rules to comply with the conditions of this order, broker-dealers may include an Item 15 debit in their reserve computations if they comply with the other conditions of this order, including the seventh condition, discussed below, which conditions this exemptive relief on continued compliance with the other applicable conditions of Note H not exempted under this order.

The sixth condition provides that the broker-dealer must adopt and implement written policies and procedures reasonably designed to ensure ongoing compliance with the conditions of this exemptive order. This condition will help ensure firms develop the operational and process controls necessary to ensure that they can comply with the conditions of this order on an ongoing basis.

The seventh condition provides that to the extent a broker-dealer delivers margin to a qualified clearing agency pursuant to this relief, such margin must remain subject to the other applicable conditions of Note H not exempted under this order, including paragraphs (b)(2)(ii) through (v). The Commission is adopting this condition to explicitly reflect the limitation on the scope of the exemptive relief this order provides. Further, this condition is designed to ensure that broker-dealers comply with the other applicable conditions of Note H not exempted under this order, which were designed to permit a debit under circumstances that provide protections to customers.

The relief is narrowly tailored to what is necessary to permit a broker-dealer to include an Item 15 debit in the reserve computations without a gross calculation and

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42 *See* FICC Note H Approval Notice, CME Securities Clearing Inc. Note H Approval Notice, and ICE Clear Credit LLC Note H Approval Notice.

delivery requirement, in a manner that is consistent with the customer protection objectives of Rule 15c3-3.

For the reasons discussed above, providing this exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.

III. Conclusion

Accordingly, IT IS HEREBY ORDERED, pursuant to section 36(a)(1) of the Exchange Act, that a broker-dealer is exempt from the requirement in paragraph (b)(2)(i) of Note H of Rule 15c3-3a to deliver the separate margin amount for each customer of the broker-dealer calculated by the qualified clearing agency on a gross, customer-by-customer basis, as well as the requirement in paragraph (b)(1) of Note H of Rule 15c3-3a for a broker-dealer to deliver customer cash or securities to a qualified clearing agency on a gross, customer-by-customer basis or to temporarily prefund a specific customer's margin requirement, provided the conditions below are met. Under this conditional exemption, broker-dealers may include a debit in their reserve computations for margin required and on deposit with a qualified clearing agency resulting from transactions in U.S. Treasury securities in customer accounts that have been cleared, settled, and novated by the clearing agency, in cases where the broker-dealer has delivered the margin collateral on a net, omnibus basis. This relief applies to customer accounts at a qualified clearing agency where the qualified clearing agency calculates margin on either a net, omnibus or gross, customer-by-customer basis, subject to the following conditions:

(1) Eligibility Limitation: The relief applies solely to margin required and on deposit with a qualified clearing agency in connection with the following types of transactions in U.S. Treasury securities in customer accounts that

have been cleared, settled, and novated by the qualified clearing agency: (1) purchases and sales of U.S. Treasury securities; and (2) U.S. Treasury securities repurchase and reverse repurchase agreements.

(2) The broker-dealer delivers the following cash and securities to the qualified clearing agency to meet the customer margin requirement:

(i) cash;

(ii) U.S. Treasury securities;

(iii) qualified customer securities; or

(iv) any combination of clauses (i) through (iii) above.

(3) Permitted Debit. The amount the broker-dealer includes in the Item 15 debit in the reserve computations must equal the least of:

(i) the amount of margin collected from customers in connection with U.S. Treasury securities transactions of the broker-dealer's customers that are cleared, settled, and novated by the qualified clearing agency;

(ii) the amount of margin required for U.S. Treasury securities positions of the broker-dealer's customers that are cleared, settled, and novated by the qualified clearing agency; or

(iii) the total of: (A) cash, (B) U.S. Treasury securities, and (C) qualified customer securities delivered by the broker-dealer to the qualified clearing agency to meet margin requirements arising from U.S. Treasury positions of the broker-dealer's customers that are cleared, settled and novated at the qualified clearing agency.

(4) Documentation: The broker-dealer must maintain books and records sufficient to identify the amount of customer margin collected and delivered to the qualified clearing agency.

(5) Qualified Clearing Agency Rulebook Amendments. The rules of the qualified clearing agency must have been amended to reflect the conditions of this exemptive order.

(6) Procedures: The broker-dealer must adopt and implement written policies and procedures reasonably designed to ensure ongoing compliance with the conditions of this exemptive order.

(7) To the extent a broker-dealer delivers margin to a qualified clearing agency consistent with this exemptive order, such margin must remain subject to the other applicable conditions of Note H not exempted under this order, including paragraphs (b)(2)(ii) through (v).

By the Commission.

Sherry R. Haywood,

Assistant Secretary.

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