



April 10, 2026

VIA ELECTRONIC SUBMISSION

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

Re: File Number 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)

Dear Ms. Countryman:

The Financial Services Forum (the “Forum”)¹ appreciates the opportunity to submit this letter to the U.S. Securities and Exchange Commission (the “Commission”) on a request for exemptive relief from Rule 17ad-22(e)(18)(iv)(A) (the “Trade Submission Requirement”) for certain Non-U.S. transactions.² The Proposal is of significant importance to our member institutions, the eight U.S. global systemically important bank holding companies (“GSIBs”), all of whom are major participants in the U.S. Treasury markets.

On December 13, 2023, the Commission adopted the Trade Submission Requirement, which requires a covered clearing agency (“CCA”) that provides central counterparty services for transactions in U.S. Treasury securities to establish, maintain, and enforce written policies and procedures reasonably designed to require that any direct participant (each, a Direct Participant) must submit for clearance and settlement all “eligible secondary market transactions” to which that direct participant is a counterparty. On March 4, 2025, the Commission extended the compliance date for the Trade Submission Requirement to December 31, 2026 for eligible cash market transactions, and to June 30, 2027 for eligible repo transactions.

We generally support the Commission’s policy objectives in adopting the Trade Submission Requirement. As further described below, if adopted, the request for exemptive relief would result in several negative consequences for the U.S. Treasury market and the broader financial

¹ The Financial Services Forum is an economic policy and advocacy organization whose members are the eight largest and most diversified financial institutions headquartered in the United States. Forum member institutions are a leading source of lending and investment in the United States and serve millions of consumers, businesses, investors and communities throughout the country. The Forum promotes policies that support savings and investment, deep and liquid capital markets, a competitive global marketplace and a sound financial system.

² 91 Fed. Reg. 12030 (Mar. 11, 2026).

system that would undermine the policy goals of a central clearing mandate and create additional risks.

On February 27, 2026, a trade association, the Institute of International Bankers, submitted a letter to the Commission requesting exemptive relief from the Trade Submission Requirement for transactions of foreign financial institutions who are Direct Participants of a U.S. Treasury securities CCA when transacting with non-U.S. clients (the “Exemption Request”).

We do not agree with the scope and form of the Exemption Request; however, we do agree with the trade association’s assertion that the current scope of the Trade Submission Requirements fails to take into account legitimate operational and settlement obstacles for Non-U.S. Participants (as defined in the Exemption Request). Accordingly, we believe that it is appropriate for the Commission to provide limited exemptive relief from the Trade Submission Requirement for Non-U.S. Participants in a manner that addresses these concerns holistically, so as to include the full range of foreign entities that are either Direct Participants of CCAs or non-U.S. affiliates or foreign branch affiliates of Direct Participants who participate in the U.S. Treasury markets. Furthermore, we believe that any such exemption must be calibrated to prevent the development of a bifurcated market that reduces market liquidity, impairs market functioning, and increases systemic risk, thereby undermining the policy objectives of the central clearing mandate.

Consequently, we recommend that any exemptive relief provided by the Commission adhere to the following two criteria:

Holistic and Symmetric Scoping. An exemption should exclude any transaction in which:

- (1) Either (A) a Direct Participant is a Non-U.S. Participant or a non-U.S. branch of a U.S. person, or (B) a non-U.S. affiliate or non-U.S. branch of a Direct Participant (each, a “Non-U.S. Entity”); and
- (2) The counterparty is a Non-U.S. Client (as defined in the Exemption Request).

As described below, any inclusion or exclusion for non-U.S. affiliates or non-U.S. branches should be applied consistently and symmetrically. It would be incongruous for the Trade Submission Requirement to exclude Non-U.S. Client transactions by Direct Participants who are non-U.S. persons (other than U.S. branches of non-U.S. persons), but include transactions by Non-U.S. Clients with non-U.S. branches of a U.S. person or non-U.S. affiliates of Direct Participants (including foreign branches of U.S. or non-U.S. persons).

Cap on Excluded Transactions. An exemption should be subject to a quantitative limit or “cap” to ensure that the exemption does not encourage regulatory arbitrage and the development of a bifurcated market, while not undermining the exemption’s utility for legitimate cross-border transactions.

In what follows, we elaborate on the substantive issues created by the Exemption Request, and we lay out in greater detail the rationale and specification of the revised exemptive relief that we believe is appropriate.

Support for Mandatory Clearing

We support the policy goals underlying the Trade Submission Requirement to reduce systemic risk, improve transparency and enhance the resilience of the U.S. Treasury market through expanded central clearing. Foreign financial institutions and non-U.S. affiliates of U.S. banking organizations are an important source of liquidity in the U.S. Treasury market and thus play a critical role in promoting its resilience.

In addition to foreign financial institutions (acting through their non-U.S. branches or affiliates as described in the Exemption Request), non-U.S. branches and affiliates of U.S. banking organizations also serve as a key channel through which foreign investors access U.S. Treasury securities. The Trade Submission Requirement (and any exemption) therefore must take into account the full range of foreign participants in U.S. Treasury markets.

Clearing barriers do exist for Non-U.S. Participants

As pointed out in the Exemption Request, we recognize that certain impediments prevent many Non-U.S. Participants from clearing U.S. Treasury transactions through FICC on the currently prescribed timeline. These impediments include, among others, time zone and operational barriers. For example, FICC does not operate on a 24-hour basis and does not facilitate Euroclear settlement, creating operational obstacles for Non-U.S. Participants.

Operational and cost barriers may also exist for smaller Non-U.S. Participants, for whom the burden of clearing their U.S. Treasury transactions may be disproportionate.

Left unresolved, these barriers risk driving Non-U.S. Clients out of U.S. Treasury markets, increasing borrowing costs, impairing liquidity and reducing participation in cleared repo.

Exemptions must not bifurcate the U.S. Treasury markets

We are concerned that the Exemption Request as currently scoped would create incentives for foreign financial institutions to structure and route U.S. Treasury transactions through non-U.S. affiliate Direct Participants, in order to evade the Trade Submission Requirement and thus, undermines the essential motivation and goal of the central clearing mandate.

In its current form, the Exemption Request therefore increases the risk of creating two liquidity pools – one onshore and cleared, one offshore and exempt – in a manner that undermines the Trade Submission Requirement’s core objectives. A bifurcated market would reduce liquidity, transparency, and increase systemic risks contrary to the goals of the central clearing mandate. A bifurcated market would also be more costly for investors and contrary to the Commission’s goals of reducing contagion risk and promoting orderly default management.

Although we agree that the Trade Submission Requirement should incorporate steps to resolve the barriers to clearing for Non-U.S. Participants, its scope should not be so broad as to undermine the core objectives of the clearing mandate.

Proposed Solution

Since no equivalent mandatory clearing regime exists for non-U.S. sovereign debt, the Trade Submission Requirement is a uniquely U.S. requirement rather than a harmonized global standard. The extraterritorial scope of any exemption from the Trade Submission Requirement must therefore be applied consistently along U.S. and non-U.S. lines to all foreign financial participants in U.S. Treasury markets and must not result in an uneven application of the Trade Submission Requirement. At the same time, any exemption should be subject to a cap to prevent regulatory arbitrage and the development of a bifurcated market and should be calibrated so as not to undermine the exemption's utility for legitimate cross-border transactions.

Expand Definition of Non-U.S. Participant to Capture Trading Through Non-U.S. Branches

Any requirement to exclude foreign entities (including branches) from the Trade Submission Requirement must be applied consistently and symmetrically. As described above, non-U.S. branches of U.S. banking organizations (as well as non-U.S. affiliates of non-U.S. banking organizations) are also critical liquidity providers to the U.S. Treasury markets that face the same operational barriers (e.g., time zone issues) to clearing as their foreign counterparts.

Address Evasion concerns by Imposing Cap on Exempt Transactions

A cap on non-cleared transactions is a necessary safeguard to address evasion concerns – specifically, the risk that financial institutions restructure their U.S. Treasury activity by having their non-U.S. affiliates or branches become Direct Participants solely to exploit the exemption.

In a previous comment letter to the Commission on the central clearing mandate, the Securities Industry and Financial Markets Association (SIFMA) proposed a specific cap on non-cleared, inter-affiliate transactions.³ We believe that this cap can be applied more broadly to include any non-cleared transaction between (1) a Non-U.S. Entity; and (2) a counterparty that is a Non-U.S. Client (as defined in the Exemption Request) to the extent that the following “Proposed Condition” is satisfied:

- The quotient of the following is less than 10 percent:
 - (A) Uncleared Repo Transactions between all Non-U.S. Entities and their external Non-U.S. Clients (the “Numerator Transactions”) *divided by*
 - (B) the sum of (x) all the cleared Eligible Secondary Market Transactions (as defined in the Clearing Rule) that are Repo Transactions entered into by all of a firm's Direct Participants; and (y) the Numerator Transactions ((x) and (y) together, the “Denominator Transactions”).⁴

³ See, “Supplemental Comment Letter on Requests for Relief from Certain Aspects of the Clearing Rule in SIFMA's Letter to the SEC and FICC Dated October 2, 2024”, August 21, 2025.

⁴ The Forum supports the relief contemplated in the SIFMA letters and believes the IIB request and the relief contemplated in the SIFMA letters should be considered in parallel.

- If a firm exceeds the 10 percent threshold, it should have the option, but not be required, to demonstrate that certain of the Repo Transactions were for treasury, liquidity, or collateral management purposes (“TLC Repo Transactions”). If the firm would not have exceeded the 10 percent threshold upon exclusion of these TLC Repo Transactions, the firm should be found to be in compliance.

This cap provides for an appropriate amount of non-cleared activity to deal with constraints on central clearing with Non-U.S. Entities while serving as a quantitative check against regulatory arbitrage and market bifurcation. It limits the share of U.S. Treasury activity that can occur outside CCA oversight, preserving the Commission’s ability to monitor the ratio of cleared to non-cleared volume over time.

We understand that the imposition of a quantitative cap may create challenges for market participants that should be prudently managed. Accordingly, it may be appropriate to apply the cap with a phase-in period to accommodate changes in market practice and structure that would be required to comply with the cap. Under this approach, non-exempt transactions would comply with the Trade Submission Requirement on the current timeline, with compliance for exempt transactions subject to progressively decreasing caps (ending in the final, 10 percent cap). For the avoidance of doubt, any phase-in would apply equally to exempt transactions with external counterparties and exempt inter-affiliate transactions. Ultimately, the Commission should calibrate any phase-in based on an informed assessment of the transition costs associated with implementing the cap.

Conclusion.

We support the goals of the Trade Submission Requirement. Mandatory clearing is the right long-term market structure for U.S. Treasury securities. While we agree that there are legitimate operational impediments to central clearing involving non-U.S. Participants, an exemption that is neither limited nor applied evenly across all non-U.S. Participants or non-U.S. affiliates (including foreign branches) of Direct Participants is highly problematic and raises market functioning and systemic risk concerns. Accordingly, we do not support the Exemption Request in its current form.

Instead, we urge the Commission to consider a robust solution to the valid concerns raised by the Exemption Request that maintains the policy objectives of the Trade Submission Requirement. Specifically, we respectfully request that any exemption must be applied holistically to all non-U.S. Participants and non-U.S. affiliates of Direct Participants that face similar clearing barriers and that any exemption be calibrated through the use of a cap to allow for legitimate cross-border transactions without inviting regulatory arbitrage and undermining the motivation and goals of the central clearing mandate. Clearing will not provide its purported benefits with a permanently bifurcated market.

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We would appreciate the opportunity to provide additional input for the Commission's consideration and would welcome the opportunity to meet to discuss our recommendations further. If you have any questions, please contact Sean Campbell of the Financial Services Forum by phone at (202) 821-2574 or by email at scampbell@fsforum.com.

Respectfully submitted,

Financial Services Forum