sifma

Invested in America

April 10, 2026

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

Re: ***Request for Exemptive Relief from the Clearing Rule for Certain Inter-Affiliate Transactions***

Dear Ms. Countryman:

The Securities Industry and Financial Markets Association ("SIFMA")[1] is writing to request that the Securities and Exchange Commission ("SEC") grant exemptive relief pursuant to Section 36 of the Securities Exchange Act of 1934 ("Exchange Act") from certain provisions of 17 C.F.R. § 240.17ad-22 ("Clearing Rule").[2] This request for relief follows our October 2, 2024 and August 21, 2025 comment [3] as well as extensive engagement by SIFMA and its members with SEC staff. As set out in further detail below, the requested relief is necessary and appropriate in the public interest, and is consistent with the protection of investors, because it would help support the resiliency and efficiency of the U.S. Treasury securities market.

[1] SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's one million employees, we advocate on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed-income markets and related products and services. We serve as an industry-coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

[2] 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, 89 Fed. Reg. 2714 (Jan. 16, 2024).

[3] Letter from Robert Toomey, Head of Capital Markets, SIFMA (Oct. 2, 2024), available here; Letter from Robert Toomey, Head of Capital Markets, SIFMA (Aug. 21, 2025).

Executive Summary

The requested relief would allow Direct Participants[4] and their affiliates to enter into certain repurchase transactions on U.S. Treasury securities (a "Repo Transaction")[5] without being subject to a clearing requirement. While the Clearing Rule currently does provide an exemption from the clearing requirement for certain inter-affiliate Repo Transactions (the "Inter-Affiliate Exemption"), restrictions on its availability effectively negate its utility. In particular, only a limited number of affiliates are permitted to rely on the Inter-Affiliate Exemption (the "Limited Covered Affiliates"), and in order to use it, a Limited Covered Affiliate must centrally clear all outward-facing Repo Transactions (the "Outward-Facing Condition"). The requested relief would allow more inter-affiliate Repo Transactions to settle without central clearing, achieving the SEC's stated intent for including the Inter-Affiliate Exemption in the Clearing Rule and avoiding the deleterious consequences for financial markets that could result from requiring affiliates to clear Repo Transactions with their Direct Participants.

Accordingly, we request the SEC grant exemptive relief under Section 36 of the Exchange Act for inter-affiliate Repo Transactions as follows:

- **Provide Exemptive Relief to Make the Inter-Affiliate Exemption Available to All Affiliates Except Investment Company Affiliates**. We request that the SEC provide exemptive relief to make the Inter-Affiliate Exemption available to any affiliate of a Direct Participant (*i.e.*, any counterparty that controls, is controlled by, or is under common control with the Direct Participant, and is GAAP-consolidated with the Direct Participant), except for an investment company entity, so that any such affiliate may enter into uncleared Repo Transactions with that Direct Participant. We refer to this request as the "Expanded Affiliated Counterparty Relief". This relief is crucial to permit firms to manage their internal treasury, liquidity, and collateral needs, as many firms use entities that are not Limited Covered Affiliates to move liquidity and collateral across the organization.

- **Provide Exemptive Relief for Non-U.S. Affiliates**. We request that the SEC exempt from the Outward-Facing Condition those Repo Transactions between non-U.S. affiliates of a Direct Participant and non-U.S. counterparties (including between two non-U.S. affiliates of a Direct Participant), to the extent the Direct Participant's firm is able to meet the following "Proposed Condition":

    - The quotient of the following is less than 10 percent:
        - (A) Uncleared Repo Transactions between all non-U.S. affiliates of the Direct Participant and their non-U.S. external counterparties (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

[4] For purposes of this request, "Direct Participant" means any member of a U.S. Treasury securities covered clearing agency.

[5] Any reference in this request to Repo Transactions or repos generally is intended to cover both repurchase transactions and reverse repurchase transactions.

all of a firm's Direct Participants; and (*y*) the Numerator Transactions ((*x*) and (*y*) together, the "Denominator Transactions").

We refer to this request as the "10 Percent Non-U.S. Affiliate Relief".

I. Background

On December 13, 2023, the SEC adopted the Clearing Rule, which among other things requires a covered clearing agency that provides central counterparty services for transactions in U.S. Treasury securities ("Treasury Clearing Agency")[6] 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 defined to include (among other things) a Repo Transaction where one of the counterparties is a Direct Participant.[7] As a result, Direct Participants will be required to submit substantially all of their Repo Transactions for clearing to a Treasury Clearing Agency, subject to certain exceptions.

Among these exceptions is the Inter-Affiliate Exemption, which excludes from the definition of Eligible Secondary Market Transactions those Repo Transactions between a Direct Participant and its affiliated counterparty, where "the affiliated counterparty submits for clearance and settlement all other repurchase or reverse repurchase agreements collateralized by U.S. Treasury securities to which the affiliated counterparty is a party" (*i.e.*, the Outward-Facing Condition).[8] The SEC adopted the Inter-Affiliate Exemption after commenters noted that such an exemption would be important "for efficient risk and capital allocation and [for] obtain[ing] flexibility for addressing customer demands",[9] and that imposing a clearing requirement on inter-affiliate transactions would "be potentially disruptive and . . . unnecessary to advance the [SEC's] stated policy objectives."[10]

Large financial institutions and their affiliated entities, including non-U.S. affiliates, use Repo Transactions as a critical internal tool for treasury, liquidity and collateral management purposes ("TLC Repo Transactions"). The SEC expressly recognized this when it adopted the Inter-Affiliate Exemption, stating that it "understands that inter-affiliate transactions represent an important tool to transfer liquidity and risk within an affiliated group," and noting that such transactions may allow Treasuries to be moved so they can be used as margin or a liquidity buffer, or to meet liquidity composition targets.[11] At the same time, the SEC was concerned with evasion, and designed the Outward-Facing Condition to "help ensure that a direct participant cannot rely

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[6] The Treasury Clearing Agencies are the Fixed Income Clearing Corporation ("FICC"), the CME Securities Clearing Corp. ("CMESC"), and ICE Clear Credit, LLC ("ICC").

[7] 17 C.F.R. § 240.17ad-22(a).

[8] Clearing Rule at 2737.

[9] Letter from Robert Toomey, Head of Capital Markets, SIFMA, and Michelle Meertens, Deputy General Counsel, Institute of International Bankers at 21 (Dec. 22, 2022), available here; *see also* Clearing Rule at 2737.

[10] Letter from Sebastian Crapanzano, Managing Director, Morgan Stanley at 2 (Nov. 15, 2023), available here; *see also* Clearing Rule at 2737.

[11] Clearing Rule at 2737.

upon an inter-affiliate transaction to avoid the requirement to clear eligible secondary market transactions."[12] In addition, the SEC limited the availability of the Inter-Affiliate Exemption to certain defined "affiliated counterparties", which include only banks, brokers, dealers, FCMs or entities regulated as any of the foregoing in their home jurisdiction (*i.e.*, the Limited Covered Affiliates).

It is clear that the SEC appreciates the importance of exempting inter-affiliate transactions from the clearing requirement and sought to ensure the Inter-Affiliate Exemption was actually useful to market participants, while also protecting against evasion. SIFMA recognizes that the Outward-Facing Condition may be appropriate in some circumstances to mitigate evasion concerns, and that the Inter-Affiliate Exemption may not be appropriate for all affiliates of a Direct Participant, in particular affiliated investment companies.

The Inter-Affiliate Exemption helps to achieve the important policy goal of ensuring that a clearing requirement does not impede important treasury, liquidity, and collateral management functions, and we thank the SEC for adopting it. Market participants nevertheless require relief expanding the availability of the Inter-Affiliate Exemption to more fully realize the intended benefits of the Exemption. Currently, a Direct Participant would be required to clear all Repo Transactions with an affiliate that is not a Limited Covered Affiliate. With respect to affiliates that are Limited Covered Affiliates, a firm is faced with one of two options to comply with the Outward-Facing Condition: clear all Repo Transactions between the Limited Covered Affiliate and the Direct Participant (*i.e.*, not take advantage of the Inter-Affiliate Exemption), or clear all the Limited Covered Affiliate's outward-facing Repo Transactions (which, as explained in more detail below, may not be feasible for non-U.S. affiliates that trade with non-U.S. counterparties).

II. Need for Relief and Consequences if Relief Is Not Granted

As described above, the current limitations on the Inter-Affiliate Exemption means that a firm's TLC Repo Transactions are potentially subject to a clearing requirement. In this section, we describe the importance of TLC Repo Transactions and why requiring a firm to clear them would have negative consequences. In addition, we explain why requiring a firm's non-U.S. affiliates to clear outward-facing Repo Transactions (as would be required by the Outward-Facing Condition if such non-U.S. affiliates were to use the Inter-Affiliate Exemption) is unfeasible and would effectively make the Inter-Affiliate Exemption unavailable to those affiliates.

A. Importance of TLC Repo Transactions and Consequences of Imposing a Clearing Requirement

TLC Repo Transactions are an important tool for a firm to manage its applicable capital and liquidity requirements, as Treasuries are a low-risk asset with deep liquidity that can be moved quickly across the organization as needed. In particular, TLC Repo Transactions assist firms in complying with the Basel III Liquidity Coverage Ratio ("LCR"), which requires firms to maintain consolidated access to high-quality liquid assets ("HQLA"), such as U.S. Treasuries, to meet

[12] *Id.*

stress-period outflows.[13] These prudential liquidity principles are built on the expectation that firms manage liquidity holistically and move high-quality liquid assets across affiliates when needed. Imposing a clearing requirement could lead to serious delays and cost increases for organizations for business-as-usual transactions used to comply with these regulations, which could increase systemic liquidity risk during market stress.

In addition, since TLC Repo Transactions are a crucial way to move liquidity across an organization quickly, they may be relied upon heavily in an insolvency or resolution. Entities subject to resolution planning, therefore, have a particular need to demonstrate that they can use uncleared TLC Repo Transactions in such a scenario, as a clearing requirement could lead to serious delays when liquidity is needed most.

Banks also use TLC Repo Transactions to transfer liquidity to affiliates without facing the restrictions of the Federal Reserve Board's Regulation W, which places quantitative limits on the extensions of credit a bank may make to its affiliates.[14] An extension of credit (including a repo) is exempt from Regulation W's quantitative limits to the extent it is secured by Treasuries.[15] A clearing requirement would increase the costs of these TLC Repo Transactions and make it more difficult for banks to transfer liquidity to their affiliates as needed.

TLC Repo Transactions are also an essential method for non-U.S. affiliates to hold and manage U.S. dollar assets. Non-U.S. affiliates do not generally have direct access to Federal Reserve master accounts, making U.S. Treasuries an important way for them to hold U.S. dollar assets. In addition, a non-U.S. affiliate that holds U.S. dollars may prefer not to deposit the dollars with another affiliate, since credit exposure regulations in other jurisdictions may treat such a deposit as an unsecured exposure to the affiliate. Instead, the non-U.S. affiliate may wish to purchase U.S. Treasuries from an affiliate using a TLC Repo Transaction, which may receive more favorable treatment under applicable credit exposure regulations because the transaction is secured.[16] Purchasing or entering into repurchase transactions on other U.S. dollar–denominated assets may also be constrained by applicable capital and liquidity regulations (*e.g.*, less favorable treatment of U.S. agency mortgage-backed securities under the LCR in foreign jurisdictions). A clearing requirement would effectively make holding Treasuries more expensive for non-U.S. affiliates, impeding their ability to hold these essential assets.

More generally, were an affiliate of a Direct Participant that cannot take advantage of the Inter-Affiliate Exemption to face an immediate liquidity or collateral need after the Treasury Clearing Agencies close, the Direct Participant would not be able to get that liquidity or collateral to the affiliate via a Repo Transaction until the Treasury Clearing Agencies opened hours later. This would pose risk not just to the affiliate, but also to its customers and the broader financial

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[13] *See* Bank for International Settlements, Basel Committee on Banking Supervision, *Basel III: The Liquidity Coverage Ratio and Liquidity Risk Monitoring Tools* (Jan. 2013); *see also* 12 C.F.R. Parts 50, 249, and 329 (implementing the LCR in the United States).

[14] *See* 12 U.S.C. § 371c; 12 C.F.R. Part 223.

[15] 12 C.F.R. § 223.42(c).

[16] *See* Article 395(1), EU Capital Requirements Regulation (CRR) 575/2013 (EU large exposure limits); Article 395(1), Large Exposures (CRR) Part of the PRA Rulebook (UK large exposure limits). *See also* Articles 197(1)(b) and 193(4), EU CRR, 575/2013 (allowing U.S. Treasuries to serve as eligible collateral).

market. This is a problem for all affiliates, but especially non-U.S. affiliates operating in time zones where a liquidity need may arise well outside of the Treasury Clearing Agencies' opening hours.[17]

A clearing requirement would also create exposures to the Treasury Clearing Agency for the affiliates on both sides of the transaction, unnecessarily grossing up the corporate group's overall risk exposure to the Treasury Clearing Agency. This could constrain the Direct Participant's capacity to clear third-party repo activity, because when calculating its risk limits, it would need to account for this inter-affiliate activity (in other words, balance sheet capacity allocable to the Treasury Clearing Agency that could be used to clear third-party Repo Transactions would instead have to be used to clear TLC Repo Transactions). In addition, this would make TLC Repo Transactions needlessly more expensive, as both affiliates would need to post margin to the Treasury Clearing Agency, despite the fact that the group's overall consolidated exposure would be flat. Requiring TLC Repo Transactions to be cleared would also increase the systemic importance of each Treasury Clearing Agency and augment the complexities that could arise if operational issues or member defaults were to occur.

B. Consequences if Outward-Facing Repo Transactions of Non-U.S. Affiliates Must Be Cleared

Non-U.S. affiliates of Direct Participants engage in Repo Transactions with non-U.S. counterparties who do not themselves engage in Repo Transactions at a level that makes onboarding them to clear through a Treasury Clearing Agency feasible. As the Institute of International Bankers ("IIB") has noted in a comment letter and request for relief under Section 36 of the Exchange Act, FICC (currently the only operational Treasury Clearing Agency) does not operate on a 24-hour basis and has a relatively small list of approved jurisdictions for Sponsored Members,[18] making it difficult for non-U.S. counterparties to engage with FICC in the first place. While it is possible that CMESC and ICC will have longer opening hours than FICC, it is not clear if any of the Treasury Clearing Agencies will offer 24/7/365 clearing services. Even if one did, it is unlikely that non-U.S. affiliates would be able to onboard all their non-U.S. counterparties as indirect participants of that Treasury Clearing Agency just to clear a relatively limited number of Repo Transactions.

For these reasons, non-U.S. affiliates of Direct Participants will not be able to rely on the Inter-Affiliate Exemption without relief. These non-U.S. affiliates will either have to clear their TLC Repo Transactions (with the negative consequences described in Section II.A above) or stop

[17] *See infra* Section II.B.

[18] *See* Letter from Stephanie Webster, General Counsel, IIB at 4, n.13 (July 22, 2024), available here; *see also* 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 (Release No. 34-104944; File No. S7-2026-07), 91 Fed. Reg. 12030 (Mar. 11, 2026).

entering into Repo Transactions with non-U.S. counterparties altogether (which could decrease the liquidity and resiliency of the Treasury market).[19]

We understand the SEC crafted the Outward-Facing Condition to address the risk posed by "back-to-back" Repo Transactions and evasion concerns.[20] However, the Outward-Facing Condition provides no flexibility to firms, imposing a blanket clearing requirement regardless of the actual level of risk. Permitting a small amount of uncleared external Repo Transactions would allow firms to facilitate business-as-usual market activity, particularly outside the United States, without posing appreciable risk to the Direct Participant.

III. Requests for Relief

To address the issues identified above, we request that, pursuant to Section 36 of the Exchange Act, the SEC (i) grant the Expanded Affiliated Counterparty Relief and (ii) grant the 10 Percent Non-U.S. Affiliate Relief. We describe these requests for relief in more detail below.

A. Expanded Affiliated Counterparty Relief

An array of affiliates of Direct Participants rely on Repo Transactions with the Direct Participant for liquidity, treasury, or collateral management. For instance, affiliates that rely on Repo Transactions with a Direct Participant include swap dealers, the top-tier bank holding company, and intermediate holding company entities that facilitate the transfer of liquidity and collateral across the organization. Many of these affiliates, particularly the holding company entities, do not have external activity (*i.e.*, they are not customer-facing entities). Subjecting these entities to a clearing requirement does not protect the Direct Participant from external risk because there is no such risk to be transferred, but imposes serious costs and delays as described in Section II.A above. Relief would increase liquidity in the U.S. Treasury market and reduce unnecessary costs by permitting a larger group of affiliates to engage in uncleared TLC Repo Transactions with the Direct Participant.

We understand the SEC is concerned about uncleared Repo Transactions with investment companies that are sponsored, managed, advised, or controlled by, or otherwise associated with, a Direct Participant group. Such transactions may pose additional risk since these Repo Transactions are with "end users" taking market positions on the value of securities. As a result, our requested relief does not extend to affiliates that are investment companies. Accordingly, we request that the SEC exercise its exemptive authority to allow a firm to **treat all counterparties that meet clauses**

[19] *See* Letter from Stephanie Webster, General Counsel, IIB, *supra* note 18 at 4–5 (describing the negative consequences to the Treasury market if non-U.S. counterparties were to withdraw from the Treasury market in favor of other sovereign debt markets).

[20] *See* Clearing Rule at 2737–38 (stating that "if the external transaction of a 'back-to-back' arrangement in which the related external transaction between the affiliated counterparty and a nonaffiliated counterparty is centrally cleared, the contagion risk would already be addressed and requiring the inter-affiliate transaction to be cleared would not create additional benefits", and expressing concern that without the Outward-Facing Condition, the Direct Participant could simply use inter-affiliate transactions to move securities and funds to affiliates, and the affiliated counterparty could then enter into external transactions with counterparties that would otherwise be Eligible Secondary Market Transactions.).

(ii)[21] and (iii)[22] of the affiliated counterparty definition of the Clearing Rule as an affiliated counterparty, except for an affiliate that is an "investment company" as defined in Section 3 of the Investment Company Act of 1940 (regardless of whether such investment company is registered or required to be registered under the Investment Company Act of 1940). This limitation would ensure that neither any registered investment company nor any private fund (*i.e.*, an issuer that meets the definition of "investment company" under Section 3(a)(1) of that Act, but relies on one of the exemptions from registration thereunder) may rely on the Expanded Affiliated Counterparty Relief to enter into uncleared Repo Transactions with an affiliated Direct Participant.

With the requested Expanded Affiliated Counterparty Relief, any affiliate meeting these requirements could enter into uncleared Repo Transactions with one or more affiliated Direct Participants. This would allow firms to more effectively manage liquidity and collateral needs without unnecessary costs and delays. We note that were the SEC to grant the Expanded Affiliated Counterparty Relief, the Outward-Facing Condition would continue to apply (except if the firm is able to use another form of relief).[23] Therefore, the Expanded Affiliated Counterparty Relief would continue to prevent a firm from using "back-to-back" Repo Transactions to transfer risk to a Direct Participant, which we understand was the SEC's main concern when crafting the Outward-Facing Condition.

B. 10 Percent Non-U.S. Affiliate Relief

As explained above, the non-U.S. counterparties of a Direct Participant's non-U.S. affiliates are unlikely to join a Treasury Clearing Agency given their limited Repo Transaction activity. This would make these non-U.S. affiliates ineligible for the Inter-Affiliate Exemption because they could not meet the Outward-Facing Condition. Nevertheless, these non-U.S. affiliates will continue to have treasury, liquidity, and collateral management needs that are best served by entering into uncleared TLC Repo Transactions with their Direct Participant entity.

To make the Inter-Affiliate Exemption more useable for non-U.S. affiliates, we respectfully request that **the Outward-Facing Condition exempt Repo Transactions between non-U.S. affiliates and non-U.S. counterparties, including Repo Transactions between two non-U.S. affiliates** subject to the Proposed Condition (the 10 Percent Non-U.S. Affiliate Relief), which may be expressed as follows:

- The quotient of the following is less than 10 percent:

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[21] 17 C.F.R. § 240.17ad-22(a), affiliated counterparty definition clause (ii): The counterparty holds, directly or indirectly, a majority ownership interest in the direct participant, or the direct participant, directly or indirectly, holds a majority ownership interest in the counterparty, or a third party, directly or indirectly, holds a majority ownership interest in both the direct participant and the counterparty.

[22] 17 C.F.R. § 240.17ad-22(a), affiliated counterparty definition clause (iii): The counterparty, direct participant, or third party referenced in paragraph (ii) of this definition as holding the majority ownership interest would be required to report its financial statements on a consolidated basis under U.S. Generally Accepted Accounting Principles or International Financial Reporting Standards, and such consolidated financial statements include the financial results of the majority-owned party or of both majority-owned parties.

[23] If a firm has multiple Direct Participant entities, a Repo Transaction between an affiliate and one of the Direct Participants should not be considered an "outward-facing" Repo Transaction of the affiliate subject to the Outward-Facing Condition when trading with the other Direct Participants of the affiliate.

- Numerator Transactions: Uncleared Repo Transactions between all non-U.S. affiliates of a Direct Participant and their non-U.S. external counterparties, *divided by*
- Denominator Transactions: the sum of (*x*) All Eligible Secondary Market Transactions that are Repo Transactions of all of a firm's Direct Participants, and (*y*) the Numerator Transactions.

In effect, to the extent a firm is able to meet the Proposed Condition, its non-U.S. affiliates would be able to enter into Repo Transactions with its non-U.S. counterparties (including other non-U.S. affiliates) and use the Inter-Affiliate Exemption. We provide further detail on this request below.[24]

1. Transactions Between Two Non-U.S. Affiliates Should Be Included in the Scope of Relief.

Under the Outward-Facing Condition, two non-U.S. affiliates of a Direct Participant would be required to clear a Repo Transaction between themselves if either affiliate wished to enter into an uncleared Repo Transaction with a Direct Participant under the Inter-Affiliate Exemption. This raises costs and imposes burdens for what is otherwise routine activity of non-U.S. affiliates, who often enter into Repo Transactions between themselves to conduct treasury, liquidity, and collateral management activities. It is unduly burdensome to effectively require non-U.S. affiliates to become direct or indirect participants of a Treasury Clearing Agency to use the Inter-Affiliate Exemption, especially because Repo Transactions between non-U.S. affiliates are likely to be rather small in comparison to a firm's overall activity in Eligible Secondary Market Transactions that are Repo Transactions. Also, if a non-U.S. affiliate encounters a funding need when Treasury Clearing Agencies are closed for business (which is particularly likely for non-U.S. affiliates who operate in different time zones worldwide), the non-U.S. affiliate would be effectively unable to obtain such funding through a Repo Transaction with another non-U.S. affiliate, causing unnecessary liquidity issues that could potentially have destabilizing ripple effects. In sum, the potential costs and instability that could result from imposing a clearing requirement on the Repo Transactions of non-U.S. affiliates outweigh the marginal benefits of clearing such a relatively small amount of activity. Accordingly, we request that the SEC exercise its exemptive authority to allow **the 10 Percent Non-U.S. Affiliate Relief to apply to Repo Transactions between two non-U.S. affiliates of a Direct Participant, not just Repo Transactions between non-U.S. affiliates and non-U.S. third parties**.

In addition, we request that the exemptive relief allow the numerator of the Proposed Condition to include **all uncleared Repo Transactions between all non-U.S. affiliates and their non-U.S. counterparties (excluding non-U.S. counterparties who are affiliates)**. Uncleared Repo Transactions between two non-U.S. affiliates should be excluded from the numerator because they do not represent market-facing activity.

[24] SIFMA is aware of the IIB's recently filed request for relief to exempt certain non-U.S. Repo Transactions from the clearing requirement, which is broader than the 10 Percent Non-U.S. Affiliate Relief requested herein. *See* Notice of Request for Exemptive Relief, Release No. 34-104944; File No. S7-2026-07. SIFMA and IIB are continuing to discuss whether a holistic framework to the Clearing Rule's treatment of non-U.S. Repo Transactions that minimizes competitive disparities between U.S. and non-U.S. Direct Participants can be proposed.

2. The Denominator Transactions Should Be the Sum of All Cleared Eligible Secondary Market Transactions That Are Repo Transactions of Direct Participants, Plus the Numerator Transactions.

Furthermore, we request that exemptive relief permit the Denominator Transactions to be equal to the sum of **(*x*) all cleared Eligible Secondary Market Transactions that are Repo Transactions of a firm's Direct Participants and (*y*) the Numerator Transactions**. Cleared Eligible Secondary Market Transactions that are Repo Transactions of a firm's Direct Participant include those Repo Transactions that are subject to the clearing requirement but exclude those that are not (*e.g.*, Repo Transactions between a Direct Participant and natural persons or central banks). The denominator would therefore encompass those Repo Transactions that are subject to the clearing requirement, along with most of the Repo Transactions benefiting from the 10 Percent Non-U.S. Affiliate Relief.[25]

If a firm has multiple Direct Participants of a Treasury Clearing Agency, all the Eligible Secondary Market Transactions that are Repo Transactions of all those Direct Participants should be included in (*x*) of the Denominator Transactions. In other words, the Proposed Condition should not be measured on a Direct Participant-by-Direct Participant basis, but rather across the entire organization.

3. The Proposed Condition's Threshold for Relief Should Be Set at 10 Percent.

After extensive discussions with its members, SIFMA believes that **10 percent** is an appropriate threshold for relief in the Proposed Condition. 10 percent represents a relatively small amount of uncleared Repo Transaction activity in comparison to a firm's overall activity in cleared Eligible Secondary Market Transactions but will still be useful to non-U.S. affiliates. We note that, as a practical matter, firms will almost certainly have to target a figure well below any regulatorily determined threshold to avoid inadvertently exceeding the threshold. Therefore, setting the Proposed Condition's threshold below 10 percent will make the requested relief of little practical use to firms, as the actual figure to which firms would need to manage would be too small to use in a meaningful way. The SEC should also allow a firm to request relief from the 10 percent threshold in appropriate circumstances.

4. The Threshold Should Be Calculated as a Weighted Rolling Daily Average over the Past Three Quarters.

The Numerator Transactions and Denominator Transactions should be calculated as an **average of outstanding daily open notional balances** over each of the last **three quarters**. More weight should be given to more recent quarters. This methodology ensures that short-term fluctuations in a firm's Repo Transaction activity do not unduly affect whether the 10 Percent Non-U.S. Affiliate Relief is available, providing more predictability and stability.

[25] As mentioned above, uncleared Repo Transactions between two non-U.S. affiliates should be excluded from the Numerator Transactions because they do not represent market-facing activity, and therefore should also be excluded from the Denominator Transactions.

5. If a Firm Exceeds the Threshold, It Should Be Required to Report This, with an Opportunity to Demonstrate That Certain Repo Transactions Were for Treasury, Liquidity, or Collateral Management.

If a firm finds that it has materially exceeded the Proposed Condition's 10 percent threshold, it should be required to report this fact to the SEC. If a firm reports multiple instances of exceeding the 10 percent threshold, the SEC may consider imposing a limited clearing requirement to address the issue, subject to a sufficient timeline for implementation. Such a clearing requirement should only be imposed to the extent needed to ensure the firm does not continue to exceed the 10 percent threshold and should not be a blanket restriction on relying on the 10 Percent Non-U.S. Affiliate Relief. In any event, Repo Transactions between two Non-U.S. Affiliates should not be subject to a clearing requirement for the reasons stated in Section III.B.1 above.

IV. Conclusion

If granted, the Expanded Affiliate Counterparty Relief and 10 Percent Non-U.S. Affiliate Relief would make the Inter-Affiliate Exemption more useful to market participants. This would reduce costs for firms, market participants, and the U.S. Treasury securities market as a whole, and also support firms' robust and efficient treasury, liquidity, and collateral management. This is consistent with the Clearing Rule's goal of improving the resiliency and efficiency of the U.S. Treasury securities market. For these reasons, we request that the SEC grant the requested exemptive relief under Section 36 of the Exchange Act.

SIFMA respectfully requests that the SEC consider our request for relief, and we would be happy to discuss our thoughts in more detail. Please feel free to contact the undersigned, Robert Toomey (rtoomey@sifma.org or 212-313-1124), and we thank you for your consideration of this request.

Sincerely,

Robert Toomey
Head of Capital Markets
Managing Director/Associate General Counsel, SIFMA

cc: The Hon. Paul S. Atkins, SEC Chairman
The Hon. Hester M. Peirce, SEC Commissioner
The Hon. Mark T. Uyeda, SEC Commissioner
Jamie Selway, Director, Division of Trading and Markets
Elizabeth Fitzgerald, Assistant Director, Division of Trading and Markets