March 10, 2025

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

Re: ***SEC "Notice of Filing of an Application for Registration as a Clearing Agency Under Section 17A of the Securities Exchange Act of 1934" [Release No. 34-102200; File No. 600-44]***

Dear Ms. Countryman:

The Securities Industry and Financial Markets Association ("SIFMA")[1] and SIFMA's Asset Management Group ("SIFMA AMG")[2] appreciate the opportunity to provide comments to the Securities and Exchange Commission ("SEC") in response to the above referenced application (the "Application") from CME Securities Clearing, Inc. ("CMESC").[3] SIFMA and SIFMA AMG have been active in commenting on the various proposals to enhance the overall resilience of the U.S. Treasury securities market (the "Treasury Market"). Given the role of the Treasury Market in financing U.S. spending and in the global financial system, it is vitally important that the

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[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] SIFMA AMG brings the asset management community together to provide views on U.S. and global policy and to create industry best practices. SIFMA AMG's members represent U.S. and global asset management firms whose combined assets under management exceed $45 trillion. The clients of SIFMA AMG member firms include, among others, tens of millions of individual investors, registered investment companies, endowments, public and private pension funds, UCITS and private funds, such as hedge funds and private equity funds.

[3] Notice of Filing of an Application for Registration as a Clearing Agency under Section 17A of the Securities Exchange Act of 1934 (Jan. 15, 2025), available here.

implementation of the requirement for direct participants of clearing agencies to submit their eligible secondary market transactions in U.S. Treasury securities for clearing and settlement (the "transaction submission requirement")[4] and the adoption of other changes to the clearing infrastructure for Treasury transactions are done in a way that protects and enhances the depth and liquidity of the Treasury Market.

As we noted in SIFMA's comment on the SEC's original proposal of the SEC UST Final Rule,[5] as well as in the combined comments provided by SIFMA and SIFMA AMG on the rule changes proposed by the Fixed Income Clearing Corporation ("FICC"),[6] SIFMA and SIFMA AMG understand the significant benefits of central clearing and fully support new developments that will build on and improve the current clearing environment in the Treasury Market. SIFMA and SIFMA AMG strongly support the expansion of access to clearing of Treasury transactions and welcome increased variety in the clearing services available to Treasury Market participants. However, we have identified a number of concerns with the proposed CMESC rulebook (the "Proposed Rules"), or areas in which the Proposed Rules should be enhanced, particularly with respect to key bank regulatory capital treatment and risk management considerations that might preclude certain market participants from becoming Members. The changes we suggest are intended to ensure that the clearing services offered by CMESC have the desired effect of facilitating access to clearing for the largest number of potential participants and thereby comply with CMESC's obligation under SEC Rule 17ad-22(e)(18)(iv)(C) to have the means to facilitate access to clearance and settlement services of all eligible secondary market transactions in U.S. Treasury securities. This would ensure that CMESC's new clearing models do, in fact, increase the total clearing capacity available to the Treasury Market.

Terms used but not defined herein shall have the meaning given to such terms in the Proposed Rules.

Executive Summary

SIFMA and SIFMA AMG strongly urge CMESC to make the following revisions to the Proposed Rules:

- Ensuring appropriate bank regulatory capital treatment: Under the U.S. implementation of the Basel capital rules (the "capital rules"), a banking organization is only permitted to recognize the effects of financial collateral or net transactions for capital purposes if

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[4] 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, Release No. 34-99149, 89 FR 2714 (December 13, 2023) (available here) (the "SEC UST Final Rule").

[5] SIFMA/Institute of International Bankers, Comment Letter on Standard 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 (December 22, 2022, available here).

[6] SIFMA, Comment Letter on Notice of Filing of Proposed Rule Change, as Modified by Partial Amendment No. 1, to Modify the GSD Rules to Facilitate Access to Clearance and Settlement Services of All Eligible Secondary Market Transactions in U.S. Treasury Securities (July 31, 2024, available here) (relating to the adoption of new access models); SIFMA/SIFMA AMG, Comment Letter on Notice of Filing of Proposed Rule Change to Modify the GSD Rules Relating to the Adoption of a Trade Submission Requirement (August 9, 2024, available here) (relating to the transaction submission requirement).

the banking organization satisfies certain requirements. These requirements generally include that the banking organization must have the right to terminate the transaction and net or apply collateral "promptly upon an event of default" under the bilateral agreement between the banking organization and its customer. If a clearing member is unable to meet these requirements, it must hold capital without regard to such collateral or offsetting transactions, i.e., against its "gross exposure" to the customer. The significant costs associated with "gross exposure" capital calculations are such that they typically render it prohibitively expensive for a clearing member to offer clearing services to customers. Therefore, to ensure appropriate capital treatment for the transactions cleared for Users by an authorizing Member, CMESC should (a) provide a clearly defined right for an authorizing Member to trigger CMESC to close out a Defaulting User's transactions; (b) ensure there is a practical means of perfecting an authorizing Member's security interest in User margin; and (c) allow authorizing Members to direct CMESC to deliver settlement payments or return margin to such Member upon a User default.

- Interaction with the SEC's transaction submission requirement: There are a number of ways in which the Proposed Rules interact with the SEC UST Final Rule that should be carefully considered and clarified. In particular, CMESC should (a) clarify that the obligation to submit eligible secondary market transactions for clearing only applies with respect to transactions eligible to be cleared at CMESC; (b) allow all entities within the scope of the transaction submission requirement to become Users; (c) allow banks to obtain membership through a branch without subjecting the entire bank to the transaction submission requirement; (d) future-proof the implementation of the transaction submission requirement by explicitly incorporating any SEC interpretations or guidance relating to the transaction submission requirement; and (e) clarify that transactions that have been submitted for clearing but are rejected may continue bilaterally if permissible under the SEC UST Final Rule.

- Margining practices: CMESC should (a) not have discretion to reject a Participant's request to withdraw excess margin; (b) allow Participants to have flexibility in which assets to use to satisfy initial margin obligations; and (c) offer an additional optional model that would net margin requirements across an authorizing Member's Users in the Supported User model when the authorizing Member finances the margin for such Users' transactions.

- Increased Participant control over actions that directly affect Participant risk: CMESC should (a) not allow Users to amend or cancel a transaction without the consent of the authorizing Member; (b) not be able to force a buy-in following a failed settlement of a cleared transaction; and (c) clarify that porting of transactions requires the consent of both the transferee Member and the User.

- Direct relationship between Users and CMESC: In recognition of the direct relationship between Users and CMESC, CMESC should (a) provide information to Members about the settlement, payment and other actions of their Users taken directly with respect to CMESC; (b) not require an authorizing Member to undertake specified due diligence on its Users beyond the Member's own risk management; and (c) clarify that authorizing

Members are not responsible for any liability of a User to CMESC due to any disciplinary action against the User.

- Risk management and default management: CMESC's risk management and default management capabilities should be refined to enhance risk management and reduce costs for Participants. CMESC should (a) remove duplicative liquidity tools that could have material impacts for Members' liquidity management; (b) raise the minimum capital requirement for Members; (c) calibrate CMESC's own contribution to the default waterfall in a way that is risk sensitive; (d) attempt to port transactions of a User upon its authorizing Member's default and, if porting is not available, attempt to settle such transactions with the User before closing them out; and (e) only use its emergency powers with the approval of, or notice to, the SEC.

- Legal opinions: CMESC should obtain legal opinions in respect of matters that have critical risk management or bank regulatory capital effects, including the bankruptcy remoteness of margin held by CMESC and the treatment of Outstanding Exposure Settlement ("OES") as settlement, and make such opinions available to Participants on a reliance basis.

- Cross margining: CMESC should ensure that the Independent and Supported User models are compatible with possible future cross-margining solutions between CMESC and the Chicago Mercantile Exchange Inc. ("CME").

I. CMESC's Proposed Rules for default management present significant risk management and bank regulatory capital concerns.

The absence of an authorizing Member's right to trigger the close-out of transactions and apply collateral of a User that defaults under the bilateral agreement with its authorizing Member is problematic from a risk management perspective and may prevent a Member that is a U.S. banking organization from netting its exposures to Users and reducing those exposures by the value of Users' collateral for bank regulatory capital and risk management purposes. This absence is also inconsistent with the rights that a Sponsoring Member has under the FICC rules and the rights that a futures commission merchant ("FCM") has to liquidate the positions and collateral of a defaulting cleared derivatives customer. These concerns are significant enough that they may preclude certain market participants from becoming authorizing Members, thereby undermining the goal of expanding the capacity for clearing in the Treasury Market.

a. CMESC must provide a clearly defined right for an authorizing Member to trigger CMESC to close out a User's transactions upon such User's default.

The Proposed Rules do not provide an ability for a Member to trigger a default of its User, or the close-out of the User's transactions, unless CMESC has deemed the User to be in default. While Proposed Rule 1507(b) permits a User's authorizing Member to close out the User's transaction by satisfying any obligations owed to CMESC, the Proposed Rule only permits this where the User is a "Defaulting User," which is defined as a User treated by CMESC as insolvent, or with respect to which CMESC has ceased to act. As an example, if an authorizing Member has satisfied CMESC's margin call in respect of a Supported User, but the Supported User fails to satisfy the corresponding margin call received from that Member, this would be a default at the

level of the Member under its clearing agreement with the Supported User, but not a default at CMESC (a "Member-level default"). In this situation, the Member would have no right under the Proposed Rules to trigger a default of the User with respect to CMESC or to trigger the close-out of the User's transactions, in each case without CMESC consenting to treat the User as a Defaulting User.

This is a critical problem for Members, as the lack of ability to close out User transactions may prevent a Member from determining that it can net the cleared transactions under the capital rules, thereby requiring a Member to hold capital against gross exposures. Such an outcome would be highly punitive, undermining both regulatory capital treatment and risk management for the Member's clearing services. Generally, under the capital rules, where a clearing member provides a guarantee to a central counterparty on the performance of its client, the exposure of such clearing member is determined, with respect to repurchase transactions, through the framework of a "repo-style transaction" analysis.[7] This definition, among other criteria, requires the transaction to be "executed under an agreement that provides the [banking organization] the right to accelerate, terminate, and close-out the transaction on a net basis and to liquidate or set-off collateral promptly upon an event of default."[8] Therefore, in order for CMESC to fulfill its obligations under SEC Rule 17ad-22(e)(21) to be efficient and effective in meeting the requirements of its participants and the markets it serves, SIFMA and SIFMA AMG strongly urge CMESC to work with the industry to amend the Proposed Rules to include the ability for an authorizing Member to trigger a default and the close-out of its User's transactions by CMESC at the Member's election.

In addition, Proposed Rule 1507(b) provides that, in the case of a Defaulting User, if time permits, CMESC will "notify the authorizing Member(s) of the Defaulting User that the Member(s) may terminate the Defaulting User's obligations to [CMESC] by satisfying them in full." It is not clear what it would mean for a Member to "terminate the Defaulting User's obligations to [CMESC] by satisfying them in full." We understand CMESC intended such language to allow for flexibility for the authorizing Member to determine whether it would like to effectuate a close-out of the Defaulting User's transactions or keep them on and perform under such transactions, and to permit CMESC to authorize the Member to transfer the transactions of the Defaulting User to the authorizing Member's proprietary account, in order to flatten open transactions. CMESC should clarify this ability explicitly in the Proposed Rules to ensure that it complies with the requirement under SEC Rule 17ad-22(e)(23)(i) to publicly disclose all relevant rules and material procedures, including key aspects of its default rules and procedures. Otherwise, the Proposed Rules have the effect of limiting the ability of the Member to act because only the User has the ability to submit transactions to CMESC in the ordinary course (and the Member may not submit transactions on the User's behalf).

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[7] *See* 12 CFR § 217.2, n. 3.

[8] 12 CFR § 217.2 (definition of "repo-style transaction", prong (3)(ii)(A)).

b. CMESC should agree to act as a securities intermediary with respect to a User's margin and to act on the instructions of an authorizing Member so that an authorizing Member can perfect its security interest in such margin by control.

Under the Supported User model, the authorizing Member has control over margin that it credits to an account and on-posts to CMESC on behalf of its Supported User and can perfect its security interest by control on that basis. Under the Independent User model, however, the User transfers margin directly to CMESC, without going through the authorizing Member.[9] In such case, due to the lack of intermediation, the authorizing Member would not be able to perfect its security interest by control. Instead, such Member would have to perfect its security interest by filing a UCC financing statement, which is more time-, cost-, and risk-intensive than perfecting by control.

Rather than requiring an authorizing Member to file a UCC financing statement, CMESC should agree to act as a securities intermediary with respect to such margin and to act on the instructions of an authorizing Member (e.g., enter into account control agreements with authorizing Members), which would allow an authorizing Member to perfect its security interest in User margin by control. We do not expect that undertaking such agreements would impose any significant additional operational burden or cost on CMESC.

c. Upon a User Default, an authorizing Member should be able to notify CMESC and direct CMESC to deliver settlement payments or return margin to such Member.

Clearing members generally take a security interest in a customer's margin and cleared transactions themselves in order to limit the clearing member's risk and facilitate beneficial capital treatment. In other clearing models (including the FICC models and the FCM model), the intermediated nature of such models allows the clearing member to foreclose on such amounts in a default of a customer. However, under the Proposed Rules, settlement payments and returned margin is delivered directly to the User. Without the ability for an authorizing Member to receive payment flows or excess margin from CMESC upon a User Default, even with a perfected security interest, the Member would not have a practical means of foreclosing on such amounts. This could have negative implications for Members relying on such collateral for capital purposes or relying on a security interest in the cleared transactions to net between cleared transactions and bilateral repurchase transactions or other products. The Proposed Rules, therefore, should be amended to provide that upon a User Default, CMESC will deliver settlement payments (or return margin) to an authorizing Member of a Defaulting User, rather than to the User itself.

d. Member liability is not sufficiently limited under the Proposed Rules.

It appears that residual liability may result following resignation of Membership under Proposed Rule 903, which permits voluntary withdrawal with ten Business Days' notice. During the notice period, Guaranty Fund contributions and Default Assessments can be made "until such time as the Member's voluntary withdrawal as a Member becomes effective." But Proposed Rule 903 further provides that such withdrawal will not be effective until accepted by the Corporation, raising the possibility that Membership, and associated liability, could be extended indefinitely,

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[9] Proposed Rule 501.

particularly in the event of an extended "cooling off period" under Proposed Rule 413.[10] Clarification of this liability and a clear ability to cap Member liability is essential from a risk management perspective and necessary for those Members that are required to demonstrate a cap on liability to their regulators in order for membership in a clearinghouse to be permissible.

II. CMESC should carefully consider the interaction between the Proposed Rules and the scope of the transaction submission requirement under the SEC UST Final Rule.

a. CMESC should clarify that the obligation to submit transactions under Proposed Rule 202 only applies with respect to "Eligible Secondary Market Transactions" that are eligible to be cleared at CMESC.

As currently drafted, CMESC requires Members to submit Eligible Secondary Market Transactions (as defined in the SEC UST Final Rule) for clearing with CMESC or another clearing agency. This language could be read to require that Members submit transactions that are not eligible to be cleared at CMESC (either because the counterparty cannot become a User or because CMESC does not clear the type of transaction) to another clearing agency. CMESC's Rules should not force Members to join other clearing agencies in order to satisfy the transaction submission requirement. We note that in FICC's previously proposed rules implementing the transaction submission requirement, which have since been withdrawn given the extension of time to comply with the transaction submission requirement, Section 1(a) of proposed Rule 5, which is the equivalent provision under FICC's rules to CMESC's Proposed Rule 202, addresses this issue by only requiring the submission of secondary market transactions in U.S. Treasury securities "where the transaction is of a type that is accepted by [FICC]." Therefore, we urge CMESC to amend Proposed Rule 202 to only apply to transactions that are eligible to be cleared at CMESC (including that the counterparty is eligible to be a User).

b. All entities within the scope of the transaction submission requirement should be able to become a User at CMESC.

Proposed Rule 302 appears to restrict Users to only certain categories of persons and does not include entity types that would be required to clear in-scope transactions under the SEC's transaction submission requirement, such as corporates. Proposed Rule 302(a) provides that the "following persons" may be approved as either a Member or User at CMESC, then lists a number of entities including broker-dealers, banks, FCMs, certain unregistered investment pools, and proprietary trading firms. Proposed Rule 302(b) provides that, in addition to the persons who can be either Members or Users, the "following persons" may be approved as a User at CMESC, then lists a number of other entities including trust companies, clearing agencies, registered investment companies, and insurance companies. Proposed Rule 302(c) permits CMESC to allow additional categories of persons to be Members or Users (at CMESC's discretion). While we understand that CMESC intends to broadly allow persons other than those listed to become Users, Proposed Rule 302 as a whole appears to restrict Users to limited categories of persons.

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[10] Non-Defaulting Members are subject to Guaranty Fund contributions during the cooling off period, defined as the period from the date of an original Default until the ***later of*** (i) the fifth Business Day thereafter or (ii) if another Member Defaults during the five (5) Business Days following the initial or any subsequent Default, the fifth Business Day following the last such Default, regardless of the number of Defaults that occur during such Cooling Off Period. *See* Proposed Rule 413.

Where a Member enters into a transaction that is in-scope for the transaction submission requirement with a counterparty that is not eligible to be a User, such transaction is required to be cleared under the Proposed Rules but would not be able to be cleared at CMESC under any of the clearing models that CMESC proposes. Unless CMESC amends its Proposed Rule 202 as we suggest in Section II.a above, this would potentially require a Member to clear such transaction at a *different* clearing agency at which the counterparty would be eligible to become an indirect participant. In order to avoid such mismatch and to support access to clearing services more generally to the broadest swath of the Treasury Market, CMESC should amend Proposed Rule 302 to expressly provide that all persons that are in-scope of the transaction submission requirement are eligible to become Users.

More generally, CMESC should ensure that its proposed User models can reasonably accommodate (beyond just User eligibility) all types of entities that may be required to clear in-scope transactions or otherwise be shut out of the Treasury Market. For example, investment companies registered with the SEC ("RICs") under the Investment Company Act of 1940 (the "1940 Act") are prohibited from maintaining their assets with any entities other than certain qualified custodians, which list does not include clearing agencies.[11] As a result, it is not clear how a RIC would be able to utilize any of CMESC's proposed models, all of which we understand entail CMESC holding margin of the User. Even if an authorizing Member finances the margin on behalf of its User, we understand CMESC treats such margin as the User's margin, which may raise similar questions around RIC assets being held at a non-qualified custodian. Additionally, an open-ended investment fund that is regulated as an Undertaking for Collective Investment in Transferable Securities (a "UCITS") pursuant to Directive 2009/65/EC[12] will be subject to requirements in relation to the safekeeping of assets and restrictions on reuse by depositaries, which could be implicated by the User models proposed by CMESC. CMESC should explain how its proposed models could accommodate RIC and UCITS Users (along with other types of regulated entities). In addition, CMESC should ensure that Users may act as agent for an underlying principal (both that it is permissible under the Proposed Rules and that there are operational capabilities for CMESC to recognize and accommodate such agency relationship). These types of relationships arise in a number of markets that engage in Treasury transactions, including, for example, the agency securities lending market where agent lenders may engage in Treasury repurchase transactions as agent for borrowers with the cash collateral delivered by such borrowers.

c. CMESC should allow banks to obtain membership through a branch without subjecting the entire bank to the transaction submission requirement.

As discussed in our comment on FICC's proposed rule change relating to the adoption of a transaction submission requirement,[13] SIFMA and SIFMA AMG members are concerned that

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[11] Section 17(f) of the 1940 Act requires RICs to maintain their securities and similar investments in the custody of a bank, a member of a national securities exchange, or to self-custody such assets subject to rules adopted by the SEC.

[12] Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 (the "UCITS Directive") on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (recast).

[13] SIFMA/SIFMA AMG, Comment Letter, *supra* note 6.

preventing the ability of banks—particularly banks with non-U.S. operations—to participate through their branches or agencies and forcing the transaction submission requirement on the entire bank, including locations throughout the world, could have significant consequences which have not been properly identified or reviewed. If the entire global banking entity for a Member were to be subject to CMESC's Proposed Rules, including the transaction submission requirement, customers of the banking entity worldwide that engage in Treasury repurchase transactions with the banking entity's non-U.S. offices and branches would be required to become Members or Users of CMESC to clear such repurchase transactions. These customers might not be willing or able to become CMESC Members or Users.

This scoping might also disincentivize non-U.S. banks from participating to the same degree in the Treasury Market through their U.S. branches and agencies, directly contradicting the SEC's goal of increasing the Treasury Market's depth and liquidity. In particular, non-U.S. banks may determine that the costs of the transaction submission requirement applying to the bank worldwide based on its U.S. branch or agency being a direct participant of a covered clearing agency outweighs the benefits of direct clearing such that the non-U.S. bank chooses to become an indirect member (i.e., a User), which could reduce liquidity due to the reduced netting benefits.

The Proposed Rules currently provide that CMESC membership may be pursued by a "bank," with no detail as to how CMESC would treat branches. Given the uncertainty and the potential impact on the market, CMESC should amend the Proposed Rules to explicitly allow banks to obtain membership through a branch without subjecting the entire bank to the transaction submission requirement.

d. CMESC should amend the Proposed Rules to future-proof the implementation of the transaction submission requirement by explicitly incorporating any SEC interpretations or guidance relating to the transaction submission requirement into Proposed Rule 202.

This is an evolving space and, as the market comes to terms with the relatively new regulatory framework for clearing of Treasury transactions, there is active engagement by the industry (including SIFMA and SIFMA AMG) with the SEC to clarify or request interpretations with respect to particular aspects of the transaction submission requirement where further guidance may be forthcoming. These include requests related to the interaffiliate exemption, the treatment of mixed CUSIP tri-party repurchase transactions and the cross-border application of the transaction submission requirement. We therefore request that CMESC amend its Proposed Rules to future-proof the implementation of the transaction submission requirement by explicitly incorporating any SEC interpretations or guidance relating to the transaction submission requirement into Proposed Rule 202.

e. CMESC should clarify that transactions that have been submitted for clearing but are rejected may continue bilaterally if permissible under the SEC UST Final Rule.

Proposed Rule 202(c) provides that, if a transaction subject to the transaction submission requirement is rejected, "the Member shall comply with its obligation under paragraph (b) of this Rule 202 in another manner." This could be interpreted to mean that the requirement for a direct participant to submit eligible secondary market transactions for clearing is actually an obligation to have such transactions *accepted* for clearing in all circumstances. CMESC should revise Proposed

Rule 202(c) to clarify that rejected transactions may continue bilaterally if permissible under the SEC UST Final Rule.

SIFMA and SIFMA AMG understand the SEC UST Final Rule and, therefore, Proposed Rule 202(c), to allow a transaction to continue bilaterally if a circumstance outside the control of the direct participant and its customer, such as technical or communication disruptions, malfunctions, or errors, including cyber and other technological outages, prevents the transaction from being submitted to, accepted by, or novated to a clearing agency for clearing. It is crucial that if a transaction fails to be submitted or accepted in circumstances where there is a cyber or other technological issue that prevents submission and/or clearing, parties are still able to execute the transaction bilaterally if they need to do so, since parties rely on these transactions for funding. If transactions cannot continue bilaterally after such a failure, the transaction would have to be terminated with damages owed by one or the other party. This might require a fault determination and will involve a calculation of damages, which may be difficult given that valuation of the CUSIPs could be uncertain (particularly in a market-wide disruption). Even more importantly, scenarios could exist where the closing out of a sizable repurchase transaction could have a significant negative impact on the parties involved, thereby potentially creating broader systemic risk.

III. CMESC should make several targeted adjustments to its margining practices.

a. <u>CMESC should not have a discretionary right to decline requests by Participants to withdraw excess margin.</u>

Where the amount of posted margin exceeds the required amount, a Member or User is ordinarily permitted to submit a request to withdraw the excess pursuant to Proposed Rule 510(a). However, CMESC retains a discretionary right to refuse such a withdrawal request if CMESC determines that such refusal is necessary for the protection of itself, the Members, the Users, or the general public. The broad scope of CMESC's refusal right that extends to the protection of the general public seems to be unnecessarily wide in the context of risk management for clearing U.S. Treasury securities and is a risk that would be difficult for Participants to predict or quantify. The Proposed Rules should be amended to require CMESC to grant withdrawal requests for excess margin unless the relevant Participant is in Default.

b. <u>Participants should have the flexibility to decide which assets they use to satisfy initial margin obligations.</u>

Proposed Rule 502(b) appears to require that initial margin obligations of Participants must be satisfied exclusively with cash, unless agreed otherwise by CMESC. If Participants were required to transfer all initial margin in cash, this would be extremely expensive and would act as a disincentive to clearing. Therefore, CMESC should amend the Proposed Rules to clarify that initial margin obligations may be satisfied with any form of eligible collateral. Imposing arbitrary minimum levels on required collateral amounts can unnecessarily inflate the cost of clearing and act as a barrier to expanding access to clearing, contrary to the goals of the SEC UST Final Rule and Rule 17ad-22(e)(18)(iv)(C) to facilitate access to clearance and settlement services for eligible secondary market transactions. Accordingly, we request that CMESC avoid reliance on specified minimum amounts or asset concentrations.

To the extent that CMESC chooses to require that a minimum amount of the initial margin obligation of Participants must be satisfied with cash, CMESC should ensure that such requirement does not serve as a barrier to accessing clearing services. For example, such minimum could be defined as a percentage of the total required margin, rather than a specific amount. Alternatively, CMESC could establish a threshold below which margin could be met in any form, but above that threshold, a certain percentage of the margin could be required to be met in cash.

c. CMESC should offer an option for margin requirements to be net across an authorizing Member's Users in the Supported User model when the authorizing Member is financing the margin for such Users' transactions.

It is our understanding that there is a limited universe of Users that might be able to undertake the operational requirements (particularly twice daily margin calls) necessary to become an Independent User. Therefore, it is expected that the Supported User model will be the predominant offering available, and we encourage CMESC to seek to provide as much optionality as possible within the Supported User model to accommodate various commercial choices.

For example, CMESC should provide an option for margin netting under the Supported User model when an authorizing Member is financing margin on behalf of its Users. This would allow for Users to access CMESC's platform in a more cost-efficient manner, as Members would be able finance less margin in the aggregate and, therefore, provide better pricing to Users. Of course, CMESC should ensure that if offering an optional net margin model, CMESC's risk management practices account for the reduced amount of margin collected overall.

IV. Participants should have more control over actions that directly affect Participant risk.

a. A User should not be able to amend or cancel a transaction without the consent of the authorizing Member.

Pursuant to Proposed Rule 1503(d), the two original parties to a repurchase transaction that has been submitted for clearing may mutually agree to modify or cancel the transaction after submission and novation to CMESC. Where such a modification or cancellation is agreed in respect of a done-away transaction between a User and its executing counterparty, the cancellation or modification of the transaction could take effect by notice to CMESC, without notice to the authorizing Member of the User. This could be problematic where the Member is not comfortable with the modified terms of the transaction (particularly if the amendment affects any previously completed limit checks), or the cancellation increases the Member's risk under another of its transactions. Therefore, CMESC should amend the Proposed Rules to require consent from the authorizing Member with respect to any such cancellation or modification.

b. CMESC should not be able to force a buy-in following a failed settlement of a cleared transaction. Such decision should instead be left to the Participant allocated the fail charges.

Upon a failure by a Participant to deliver securities to settle a cleared transaction, we understand that CMESC may elect to buy-in the failed Participant, effectively crystallizing the loss

or gain at that point.[14] Market practice is to charge fails charges to a Participant that has failed to timely deliver such securities. While we support CMESC's option for a Participant to submit a buy-in request to CMESC, CMESC should abide by market practice and charge fails charges where a Participant has failed to timely deliver such securities and leave it to the Participant to determine whether to continue to receive fails charges or to submit a buy-in request to CMESC.

c. The Proposed Rules should make clear that transactions may not be ported from one Member to another without the consent of both the transferee Member and the User.

Porting is an important feature to allow Users to transfer transactions in the event a User no longer wishes to have a Member acting for it, including where a Member is approaching insolvency or simply where a User chooses to enter into a clearing arrangement with another Member.[15] SIFMA and SIFMA AMG strongly support the facilitation of porting reflected in the Proposed Rules. However, the language providing for non-default porting under the Proposed Rules is unclear and could be read to suggest that the porting can occur at the request of either the User or the transferor Member, but in either case *without* explicitly requiring consent from the transferee Member. We understand from CMESC that the intention is for porting to be voluntary. Therefore, we ask that CMESC clarify the Proposed Rules to require consent by the User and transferee Member for any porting request.

V. CMESC should modify the Proposed Rules to address challenges that arise due to the direct relationship between Users and CMESC.

SIFMA and SIFMA AMG recognize the accounting and credit risk benefits of CMESC's proposal to allow for the direct settlement of transactions between CMESC and Users under the Supported User model, as well as to allow Independent Users to directly post margin and transfer OES to CMESC. However, as currently structured, certain aspects of the Proposed Rules related to the direct relationship between Users and CMESC may expose Members to unnecessary risks. In addition, Members' responsibility for Users generally should be calibrated in recognition of the direct relationship between CMESC and Users.

a. CMESC should provide information to Members about the settlement, payment and other actions of their Users taken directly with CMESC.

Both Independent Users and Supported Users settle their cleared transactions directly with CMESC, rather than through the authorizing Member as an intermediary. However, the authorizing Member still has a guarantee liability with respect to such Transactions. The Proposed Rules do not provide for notice to a Member of its User's settlement activity or fails, which can make the Member's risk management of its guarantee liability more difficult. We understand that CMESC plans to provide reporting to Members regarding its authorized User's transactions, including as to settlements, fails and margin and OES transfers, even though this isn't explicitly stated in the Proposed Rules. CMESC should therefore revise the Proposed Rules or Procedures to confirm that it will be providing reporting of this kind to Members authorizing Supported Users, so that

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[14] Proposed Rule 1506(h).

[15] Proposed Rule 609.

Members have certainty that they will receive the information needed to effectively risk manage their exposure to Users.

b. An authorizing Member should not be required to undertake due diligence on its Users beyond the level it deems necessary for its own risk management purposes.

Proposed Rule 306(c) provides that a Member must have and maintain written operational procedures covering due diligence and monitoring of Users it authorizes. The scope of this due diligence and risk monitoring requirement is unclear. Given the direct relationship between CMESC and Users, CMESC should have the primary responsibility for managing the risk associated with Users. While authorizing Members should of course conduct reasonable due diligence related to new Users and would do so on their own accord and on an ongoing basis, the requirements of the Proposed Rules should be narrowed such that Members would only be required by CMESC to report certain, specified events to CMESC, rather than be subject to the more general risk monitoring requirements under the Proposed Rules. Alternatively, and at a minimum, the Proposed Rules should (i) clarify that the monitoring requirement applies only with respect to the User's clearing activities at CMESC through the relevant Member, and (ii) require Users to comply with any requests from their authorizing Members for due diligence and risk monitoring purposes.

c. An authorizing Member should not be responsible for any liability of a User to CMESC due to disciplinary action against the User.

Due to the direct relationship between CMESC and Users, Users under the Proposed Rules may be subject to fines or penalties from CMESC for a violation of any provision of the Proposed Rules or procedures, a violation of the User's agreements with CMESC, for any error, delay or other conduct detrimental to CMESC, or for not providing adequate facilities for such User's business with CMESC.[16] Under the models used by most clearing agencies where all customer interactions with the clearing agency are intermediated by a clearing member, customers are generally not subject to direct action from the clearing agency, and the clearing agency instead relies on the clearing member to ensure that its customers are engaged in appropriate conduct. Given the fact that the Member may not control the actions of the User vis-a-vis CMESC as a result of the unique nature of this direct relationship between CMESC and Users, CMESC should make clear under the Proposed Rules that authorizing Members are not liable for any breaches of the Proposed Rules by Users or disciplinary actions against Users.

VI. CMESC should amend the risk management and default management provisions of the Proposed Rules to enhance risk management and to reduce costs to Members.

a. CMESC's Proposed Rules could have material impacts for Members' liquidity management.

Under the Proposed Rules, CMESC may take the following actions to address a shortfall in liquidity: (i) require a Member who is, or is affiliated with, a U.S. Government Securities Broker-Dealer (as defined in the Proposed Rules) to substitute cash for its U.S. Treasury securities posted

[16] Proposed Rule 1001(b).

as Guaranty Fund;[17] (ii) deliver U.S. Treasury securities to a Member in order to satisfy CMESC's OES obligations to that Member;[18] (iii) require a Member to effectively loan cash posted as Guaranty Fund to CMESC on an interest-free basis for up to 29 days;[19] and (iv) require a Member to extend the maturity of its transactions upon the default of another Member by entering into offsetting repurchase transactions.[20] Each of these possibilities is *in addition to* the Capped Liquidity Facility ("CLF"), in respect of which each Member must enter into a standby master repurchase agreement with CMESC. The effect of each of these actions would need to be taken into account for a Member's liquidity modelling and risk management, and are likely to result in the aggregate, in material costs to Members and reduced capacity to clear Treasury transactions at CMESC.

Therefore, CMESC should undertake a holistic analysis of its proposed liquidity tools to ensure that such tools are not duplicative and balance CMESC's liquidity needs with the ability of Members to offer customer clearing services at CMESC in a way that is cost-effective. For example, CMESC should consider ways in which it can effectively reduce the CLF requirement where it can do so without compromising liquidity. Additionally, CMESC should adjust the CLF so that Members can benefit from the regulatory capital treatment for cleared transactions with respect to CLF transactions. Specifically, the Proposed Rules should be amended to provide that the CLF transactions will be cleared between the Member and CMESC (or any party designated by and acting on behalf of CMESC). At a minimum, CMESC should provide significantly more clarity on how the CLF will work, in accordance with CMESC's obligation under SEC Rule 17ad-22(e)(23)(ii) to provide sufficient information to enable Participants to identify and evaluate the risks, fees, and other material costs they incur by participating in clearing with CMESC, as the Proposed Rules give CMESC broad discretion over the timing, necessity and allocation of CLF requirements and applicable rates without providing sufficient detail to Members (commensurate with what is provided by FICC with respect to the Capped Contingency Liquidity Facility).[21]

b. The minimum capital requirement for CMESC Members should be higher than proposed to ensure that no Member poses an unreasonably high risk to the other Members.

Proposed Rule 306(b), which sets out the minimum financial responsibility standards for Members, requires that any Member applicant that is (i) a broker-dealer must have at least $20 million in net capital,[22] (ii) a bank must have at least $500 million in common equity tier 1

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[17] Proposed Rule 403(b).

[18] Proposed Rule 403(c).

[19] Proposed Rule 411.

[20] Proposed Rule 1509.

[21] *See* Proposed Rule 410.

[22] For this purpose, "net capital" is defined in SEC Rule 15c3-1.

("CET1") capital,[23] (iii) a non-broker-dealer FCM must have at least $20 million in adjusted net capital,[24] (iv) an unregistered investment pool must have at least $150 million in net assets,[25] and (v) any other category of persons must have a minimum capital amount as set by CMESC.[26]

While Proposed Rule 306(b)(vi) gives CMESC discretion to impose higher capital and liquidity requirements on Member applicants, we believe that the default capital requirements should generally be higher and should be adjusted based on the activity of the Member applicant. Where a Member applicant plans to authorize one or more Users, we believe the minimum capital requirements for such Member applicants should be higher than those for Members that are solely engaged in proprietary clearing in order to avoid exposing other Participants to unnecessary risks of default. Establishment of higher thresholds is consistent with CMESC's obligation under SEC Rule 17ad-22(e)(18)(ii) to require participants to have sufficient financial resources and robust operational capacity to meet obligations arising from participation in clearing with CMESC.

c. CMESC's contribution to the default waterfall should be higher than $50 million and should be dynamic rather than a set number.

Proposed Rule 406(a) provides that, in the event of a Member Default, and if the margin posted to CMESC in respect of open transactions in the Defaulting Member's account does not fully cover the losses, CMESC shall contribute up to $50 million towards discharging the loss.

SIFMA and SIFMA AMG acknowledge that in considering incentives, it is appropriate to find a balance between the incentives relevant to each constituency. Incentives to further encourage CMESC's management of market and other risks should be balanced against incentives to encourage Participants to manage their own risks, so that incentives for one constituency do not conflict with the other's responsibilities.

Given the size of the Treasury Market and expected activity of CMESC, and in order to ensure compliance with SEC Rule 17ad-22(e)(4)(iii), CMESC should increase its corporate contribution to be more aligned with the level of contribution provided by other clearing agencies,[27]

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[23] For this purpose, CET1 capital is defined by the bank's primary regulator. If the bank is a non-U.S. bank, the rule provides that the foreign regulatory equivalent of the CET1 measure should be used.

[24] For this purpose, "adjusted net capital" is defined in CFTC Regulation 1.17.

[25] For this purpose, "net assets" is equal to total assets minus total liabilities.

[26] Similarly, FICC generally requires Bank Netting Members to have CET1 Capital of at least $500 million and requires broker-dealer and FCM Netting Members to have a Net Worth of at least $25 million and Excess Net Capital (for broker-dealers) or Excess Adjusted Net Capital (for FCMs) of at least $10 million. *See* Rule 2A, Section 4(b)(ii) of the FICC GSD Rules.

[27] Section 7a of FICC's GSD Rule 4 provides that FICC's corporate corporation (which is available to both the Government Securities Division and the Mortgage-Backed Securities Division) is inherently dynamic and generally equal to 50% of FICC's general business risk capital requirement under SEC Rule 17ad-22(e)(15). FICC may also voluntarily allocate an amount greater than 50 percent of its general business risk capital requirement to address an unsatisfied loss or liability if FICC believes it to be prudent due to existing circumstances. As of December 31, 2024, FICC maintains its corporate contribution at over $105 million. *See* FICC, Financial Statements as of and for the Years Ended December 31, 2024 and 2023, and Report of Independent Registered Public Accounting Firm, p.19, available at: https://www.dtcc.com/-/media/Files/Downloads/legal/financials/2024/FICC-Financial-Statements-Annual-2024.pdf.

and by CME in relation to the clearing services offered for its various products.[28] Rather than setting the corporate contribution to a flat number, CMESC should use a dynamic model to calculate its required contribution at any given time, which could be based on a variety of factors (e.g., 10% of the total Guaranty Fund subject to a floor). This would allow CMESC's contribution to adjust as the CMESC service grows.

d. Upon a Member default, CMESC should seek to port a User's transaction to another Member. If porting is unavailable, CMESC should attempt to settle transactions with the Member's Users before closing out the transactions.

In the event of a Member default, the Proposed Rules currently provide two options for handling the transactions of any Users authorized by that Member.[29] CMESC may (i) port any non-Defaulting User's transactions (together with margin and funds) to a non-Defaulting Member with whom the User is also authorized or (ii) close out the transactions. The provision explicitly confirms that, in the case of the second option, CMESC is not required to provide prior notice, nor attempt to port the User's transactions before effecting such a close-out.

Generally, we understand Users would prefer that their transactions be ported to another non-defaulting authorizing Member upon a Member default in order to minimize disruption, and CMESC should seek to accommodate such porting. However, given the fact that many transactions in the Treasury Market settle overnight, in many instances it may be more practicable for CMESC to settle such transactions (subject to the requirements of the applicable insolvency regime) rather than port them. If CMESC does not have the ability to settle transactions directly with a User where the User's authorizing Member is in default, such User could be subject to an unnecessary close-out through no fault of its own.[30]

Therefore, when a User's authorizing Member is in default, CMESC should first attempt to port the transactions to another Member, subject to both the User's and the transferee Member's consent. If porting is not an option, CMESC should then attempt to settle the transactions with the User. If porting is unavailable and CMESC is not able to settle the transactions with the User

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The Options Clearing Corporation ("OCC") maintains a Minimum Corporate Contribution as the minimum level of OCC's own funds exclusively to cover credit losses or liquidity shortfalls, the level of which the OCC's board of directors shall determine from time to time. For 2024, OCC's board approved a Minimum Corporate Contribution of $61 million. *See* Exchange Act Release No. 34-99951 (April 12, 2024), 89 FR 27818 (April 18, 2024).

[28] Section 802.B of Chapter 8 of the CME Rules provides that the contribution of CME in relation to its cleared transactions, other than IRS Contracts (as defined in the CME Rules), will be $100 million, while Section 8G802.B of Chapter 8G of the CME Rules provides that the contribution of CME in relation to IRS Contracts will be $150 million.

[29] Proposed Rule 412.

[30] *See also* Depository Trust & Clearing Corporation, Comment Letter on Notice of Filing of Proposed Rule Change to Modify the GSD Rules (i) Regarding the Separate Calculation, Collection and Holding of Margin for Proprietary Transactions and That for Indirect Participant Transactions, and (ii) to Address the Conditions of Note H to Rule 15c3-3a ("Margin Segregation Proceeding Order") and to Modify the GSD Rules to Facilitate Access to Clearance and Settlement of All Eligible Secondary Market Transactions in U.S. Treasury Securities ("Access Model Proceeding Order") at 25–26 (available here). In response to comments received, FICC agreed with a commenter that FICC should have the ability to settle outstanding cleared transactions that a Defaulting Member has cleared, explaining that in many instances, settlement may be the most effective and customer-protective way to address a Member default scenario.

(whether due to timing, the applicable insolvency regime of the Member, or other factors), only then should CMESC close out the User's transactions. This approach would have the benefit of increasing the appeal of the clearing services to potential Users for whom the option of porting can be important, while also complying with CMESC's obligations under SEC Rule 17ad-22 relating to facilitating porting and segregation to protect a User's transactions and collateral upon the default of its authorizing Member[31] and seeking to avoid "unwinding, revoking or delaying the same-day settlement of payment obligations."[32]

e. CMESC's emergency powers should be subject to the approval of, or require notice to, the SEC.

Proposed Rule 710 grants CMESC a broad array of powers in the case that CMESC determines an "emergency situation" exists, which is defined to be a situation in which (i) the "financial integrity of [CMESC] is threatened," (ii) the "normal functioning of [CMESC] has been or is likely to be disrupted," or (iii) the "financial or operational condition of a Member, a User or one of their Affiliates is such that to allow that Participant to continue its operation would jeopardize the integrity of [CMESC], or negatively impacts the financial markets by introducing an unacceptable level of uncertainty, volatility or risk." These powers include, among others, the power to order immediate position limitations, the power to liquidate or transfer all or a portion of the open positions of a Member or User, the power to refuse to accept new transactions, and the power to order "any other action or combination of actions necessary to protect the financial integrity" of CMESC.

Given the breadth of these powers and their potential significant effects on Participants, in order to use such emergency powers, CMESC should be required to seek approval from the SEC. To the extent that this approval requirement would take too much time in the event of an emergency, CMESC should at a minimum be required to notify the SEC when emergency powers are invoked.

VII. CMESC should confirm that it will obtain legal opinions in respect of matters that have critical risk management or capital implications and make such opinions available to Participants on a reliance basis.

CMESC is obligated under Rule 17ad-22 to have a well-founded, transparent and enforceable legal basis for each aspect of its clearing activities in all relevant jurisdictions.[33] Therefore, CMESC should seek appropriate legal opinions in each jurisdiction in which it operates and in which a Participant (including any User) is organized.

Bankruptcy remoteness. It is not clear from the Proposed Rules' description of the margin recordation and custodial accounts that Member and User assets at CMESC would be held in a "bankruptcy remote" manner (i.e., that such assets would not form part of CMESC's estate in the event of CMESC's insolvency). This is particularly important in the context of a securities clearing agency, as compared to a derivatives clearing organization ("DCO"), because the bankruptcy rules

[31] *See, for example* SEC Rule 17ad-22(e)(14) (in the context of security-based swaps or activities with a "more complex risk profile").
[32] *See* SEC Rule 17ad-22(e)(7)(viii).
[33] SEC Rule 17ad-22(e)(1).

in 17 CFR Part 190 (the "Part 190 Rules"), which generally provide that each member of the clearing organization will have separate claims against the clearing organization with respect to customer property that is member property which has priority over unsecured creditors of the DCO's bankruptcy estate,[34] do not apply to a securities clearing agency such as CMESC. Instead, CMESC would need to rely on standard bankruptcy remoteness principles in order to achieve effective bankruptcy remoteness for the assets of the Participants. Accordingly, we urge CMESC to obtain, and make available to all Participants on a reliance basis, a reasoned legal opinion from outside counsel, in which counsel opines with (at least) a "should" level of comfort as to the bankruptcy remoteness of the assets of Participants held with CMESC.

OES as settlement. We understand OES is viewed by CMESC as a settlement payment rather than posted margin, which is important for Participants' capital treatment of OES amounts (in line with the requirements set out by the Federal Reserve, the OCC and the FDIC in joint guidance published on August 14, 2017, on this topic in the cleared derivatives context).[35] This position is supported by Proposed Rule 1504(b), which provides that payments in satisfaction of OES obligations are deemed settled to market (and not posting of collateral). However, while this explicit statement in the Proposed Rules is helpful, Participants wishing to be confident that they can treat OES as settlement for accounting and capital purposes generally would require reasoned legal analysis reaching this conclusion. Accordingly, we urge CMESC to obtain, and make available to all Participants on a reliance basis, a reasoned legal opinion from outside counsel, in which counsel opines with (at least) a "should" level of comfort that cash transferred as OES will be treated as settlement payments rather than posted margin.

Opinions from Participant jurisdictions. CMESC should obtain legal advice under local law for any jurisdiction in which a Participant (including any User) is organized to ensure that CMESC's default management actions, particularly its ability to close out and net a Participant's transactions, would be enforceable, including in the event of such Participant's insolvency. We would expect that all such opinions would also be made available to Participants.

VIII. CMESC should ensure the Independent and Supported User models are compatible with future cross-margining solutions between CMESC and CME.

Cross-margining has the potential to significantly reduce the costs of, and enhance access to, central clearing for Treasury transactions and certain Treasury and interest rate futures that are currently cleared by CME by allowing initial margin requirements to reflect the risk of its combined portfolio. Currently, CME has a cross-margining arrangement in place with FICC permitting clearing members to have their initial margin requirements at FICC and CME calibrated in a way that recognizes the risk offsets across related positions in CME futures and Treasury transactions cleared through FICC,[36] and we understand FICC and CME plan to expand cross-margining to

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[34] 17 CFR Part 190.19(a).

[35] SR 17-7: Regulatory Capital Treatment of Certain Centrally-cleared Derivative Contracts under the Board's Capital Rule (available here).

[36] *See* The Amended and Restated Cross-Margining Agreement between FICC and CME dated January 22, 2024 (referred to herein as the "Amended and Restated XM Agreement"), available at: https://www.dtcc.com/~/media/Files/Downloads/legal/rules/ficc_cme_crossmargin_agreement.pdf.

customers clearing through an FCM at both clearing houses as well. We further understand that CME and CMESC are similarly considering providing cross-margining between correlated products cleared at CME and CMESC. Allowing market participants to avail themselves of cross-margining would make the posting of margin more efficient, thereby reducing the cost of clearing.

The ability of a clearing member to quickly and efficiently close out transactions of its customers across clearing venues is critical to the proper functioning of any cross-margining arrangement and, as discussed above, there are significant concerns regarding the ability of Members to close out Users' transactions under the Proposed Rules, as well as the speed with which they may close out even when they are permitted by CMESC to do so.[37] The inability to simultaneously close out positions upon an event of default could present an insurmountable impediment to cross-margining from a risk management perspective. Risk management concerns aside, CMESC should consider whether both the CFTC and the SEC would approve a cross-margining model where the initial margin (in the case of the Independent User model), OES and settlement proceeds associated with User transactions cleared by CMESC are not intermediated by a clearing member.

CMESC should provide an explanation of how it would expect to establish and support a cross-margining solution between CME and CMESC that is made available to their respective customers. In particular, we urge CMESC to demonstrate that it has considered how to resolve the regulatory, operational and risk management concerns that will result from the asymmetrical nature of the interaction between FCM clearing members on the CME side and Members providing a guarantee of User positions on the CMESC side.

Conclusion

SIFMA and SIFMA AMG strongly support the expansion of access to clearing of Treasury transactions and welcome increased variety in the clearing services available to Treasury Market participants. We hope that the recommendations we have outlined above will aid CMESC in developing and providing a service that works for a broad array of Treasury Market participants, and is therefore able to increase the total clearing capacity available to the Treasury Market and meet the requirements under Rule 17ad-22(e)(18)(iv)(C) to ensure appropriate means to facilitate access to clearance and settlement services of all eligible secondary market transactions in U.S. Treasury securities.

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[37] *See* Section 0 above.

SIFMA and SIFMA AMG respectfully request that the SEC and CMESC consider the comments offered above, on which we would be happy to discuss our thoughts or provide further detail. Please feel free to contact either of the undersigned, Robert Toomey (rtoomey@sifma.org or 212-313-1124) or William Thum (bthum@sifma.org or 202-962-7381) with any questions, and we thank you for your consideration of this request.

Sincerely,

/s/ Robert Toomey

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William C. Thum
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cc: The Hon. Mark T. Uyeda, Acting SEC Chairman
The Hon. Hester M. Peirce, SEC Commissioner
The Hon. Caroline A. Crenshaw, SEC Commissioner
David Saltiel, Acting Director, Division of Trading and Markets