CME Securities Clearing - Day 1 Offering

Q4 2025

Regulatory Approval and Go-Live

- CME Securities Clearing Inc.'s (CMESC) application was officially granted approval from the SEC on December 1, 2025 (see notice here).
- CME Group will operate CMESC to help market participants comply with the SEC clearing mandate for U.S. Treasury transactions (as of December 31, 2026) and Repo transactions (as of June 30, 2027), with an **expected launch date in Q2-2026**.

Providing Capacity and Capital Efficiencies to the U.S. Treasury Marketplace

CMESC will offer a number of benefits to market participants as they comply with SEC clearing requirements:

Flexibility. Our Cash Treasury and Repo clearing service will support both “done with” and “done away” clearing, providing greater choice for clients and Members in managing their relationships.

Capital Efficiencies. Expands upon the $20B in daily interest rate margin savings already being delivered across interest rate cash, repo, futures, options and swap products offered by CME Group.

Operational Efficiencies. Flexible capital treatment facilitates the ability to utilize a smaller number of Members to clear cash and repo trades executed with a variety of counterparties.

Proven Track Record. Building on 100+ years of experience clearing a variety of financial instruments, we bring operational excellence to the Cash Treasury and Repo space.

Central Clearing Best Practices. Beyond current U.S. Treasury clearing best practices, we will provide several additional risk management benefits common at CME Clearing today.

Day One Product Scope

Cash Treasury Transactions

- U.S. Treasury securities (USTs) including U.S. Treasury bills, notes, bonds, and when-issued (WI)

Repo Transactions

- Repurchase (Repo) or reverse repurchase agreements collateralized by USTs (T and T+1 overnight & term ≦ 2 year)
- Tri-party General Collateral (GC) baskets:
  - US Treasuries ≤ 10 years
  - US Treasuries ≤ 30 years

Deliverable Settlements

- Securities submitted for same day settlement will be settled on a gross basis
- T+N settlement obligations will be netted by CUSIP and reflected in Member and User reporting for settlement on the following day

Tri-Party Settlements

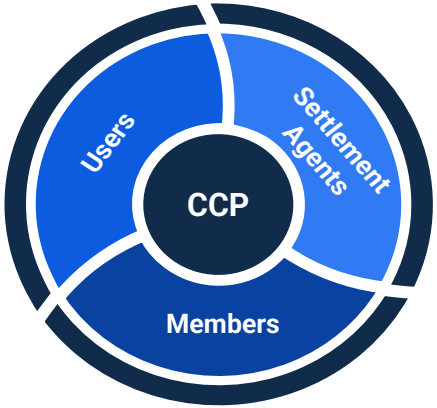
- Tri-party repo trades will be settled daily in line with existing market practices

Clearing Structure

CMESC will provide central clearing for Cash Treasury and Repo Transactions, guaranteeing financial performance while establishing and encouraging prudent risk management practices

User Obligations

- Requires Member authorization and guarantee, and CMESC approval, to access clearing service
- Obligation to settle trades directly with CMESC
- **Not** involved in risk mutualization (i.e., no Guaranty Fund requirement)



Settlement Agent Obligations

- *Cash U.S. Treasury*: Settles trades between the CMESC and participants
- *Deliverable (**Clear-to-Deliver**) Repo*: Process receive vs payment (RVP) and delivery vs payment (DVP) instructions between CMESC and participants
- *Tri-party (**Clear-to-Hold**) Repo*: Provide custodial services, including trade settlement, collateral adjustments, and allocation of collateral

Member Obligations

- Must meet applicable financial, risk, and operational standards
- Contributes to the Guaranty Fund and Capped Liquidity Facility for User and proprietary positions
- Responsible for determining and enforcing minimum financial responsibility standards that apply to its Users
- Has the right but not the obligation to assist the CMESC in managing a User default

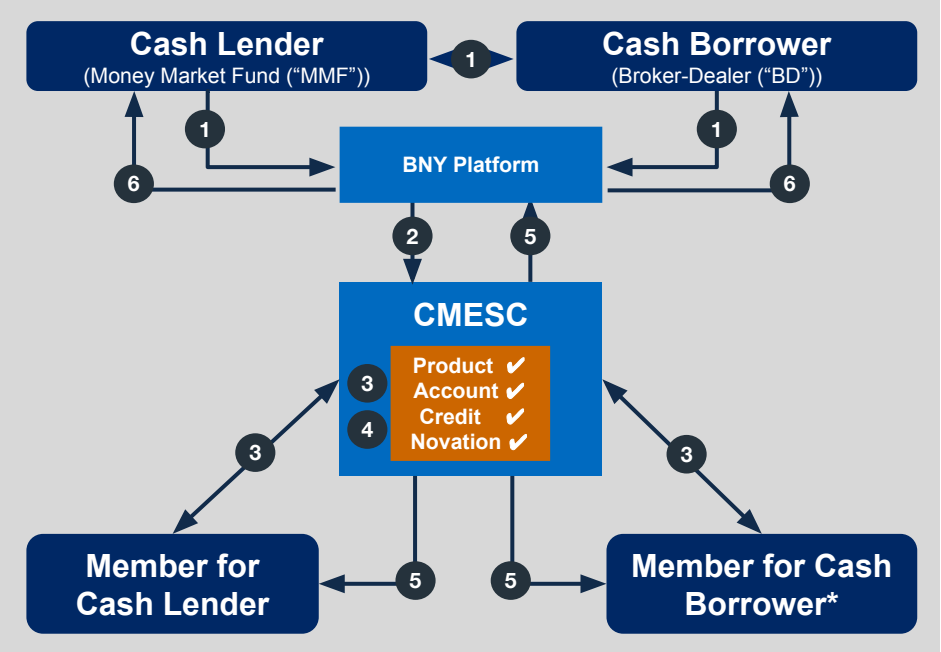
Member and User Requirements

	Members	Users
Minimum financial responsibility requirements	• **Broker-Dealers:** $20,000,000 of net capital • **Banks:** $500,000,000 of common equity tier 1 capital (“CET1”) • **Registered Investment Companies:** $100,000,000 of minimum net assets • **Futures Commission Merchants:** $20,000,000 of adjusted net capital • **Unregistered Investment Pools:** $150,000,000 of net assets • **Other:** the greater of $20,000,000 of capital, an amount equal to or greater than the applicants regulatory minimum, or an amount that is reflective of the Member’s risk profile	• Users must be authorized by a Member • A Member is responsible for determining and enforcing minimum financial responsibility standards that apply to its authorized Users • Users must provide adequate assurances of financial responsibility to CMESC upon request
Minimum Guaranty Fund deposit	$10,000,000	N/A
Risk management capabilities	• Maintain written risk management policies and procedures that demonstrate its ability to perform risk monitoring, including: - Stress testing and credit controls for its own and its Users activity - Monitor its own and its Users activity intraday and overnight - Access and use of defined sources of liquidity - Due diligence of its Users’ credit and liquidity profile and operational capability to meet funding obligations	• Members must conduct risk management due diligence and risk monitoring of authorized Users
Operational requirements	• Maintain written operational policies and procedures that demonstrate its ability to comply with obligations in the following areas: - Daily trade settlement - Network and connectivity testing - Disaster recovery and business continuity plans - Cyber security program • Maintain an appropriately staffed and skilled operations personnel • Exhibit ability to communicate and fulfill any anticipated commitments • Maintain adequate books and records	

User Obligations: Clear-to-Hold

Topic	Component	Details
Trade Submission and Novation	Trade Submission	Counterparty(ies) submits trade to BNY platform; BNY submits matched trades to CMESC
	Legal Counterparty	CMESC upon Trade Novation
Cash and Collateral Flows	Security Settlement	Facilitated via BNY Platform
	Mark to Market	2x Daily via BNY Platform
	Haircut Support	Yes
	Cash Lender Initial Margin	Not applicable to cash lender in Clear-to-Hold
	Cash Borrower Initial Margin	Will receive initial margin credit against amount of haircut collateral held within tri-party structure
Access Models	Independent or Supported User	

Clear-to-Hold Trade Submission



1	User and Dealer execute trade and book it in the BNY tri-party platform (200bp haircut is an inherited market practice, not CMESC requirement)
2	BNY sends CMESC the matched tri-party trade
3	CMESC validates referential data on the trade and performs credit check(s) as shown on slide 15
4	Trade novates upon receipt of Member credit checks
5	CMESC sends "Cleared" notification to Members and BNY
6	BNY notifies principals of trade novation

**For illustration purposes, the Cash Borrower and Member information flows are broken out separately, but note that the Cash Borrower / BD could also be acting as a Member.*

Timeline of Events for Clear-to-Hold

All times related to CMESC are listed in Eastern Standard Time:

- **CMESC System Hours:** 5:00 pm Sunday - 8:00 pm Friday

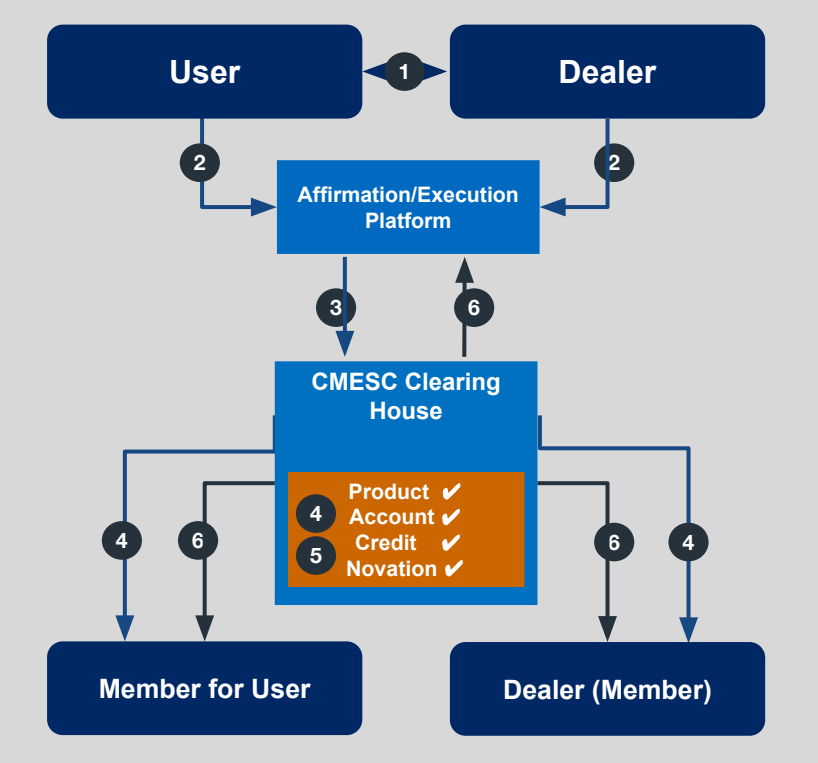
12 noon	1:00 pm	2:00 pm	3:30 pm	6:30 pm	8:00 pm	9:00 pm	8:30 am T/N
ITD Positions snapped BNY re-marks collateral values	Trade matching and submission deadline for T0 repo ITD clearing cycle reports distributed. Inclusive of, but not limited to: Trade Register, Margin	CMESC issues Tri-party settlement instructions Settlement Reports are distributed	Tri-party allocation and unwinds begin	Tri-party Settlements complete	T+1 Trade Submission deadline EOD Positions are snapped	EOD clearing cycle reports distributed that include, but are not limited to, Trade Register, Margin	Following morning: EOD IM auto-debit collection ends

User Obligations: Clear-to-Deliver

Topic	Component	Independent User	Supported User
Trade Submission and Novation	Trade Submission	Single or dual side trade submission supported	
	Legal Counterparty	CMESC upon Trade Novation	
Cash and Collateral Flows	Start Leg Settlement	User settles directly with CMESC	
	Outstanding Exposure Settlement (OES)*	User settles directly with CMESC	Facilitated by Clearing Member
	End Leg Settlement	User settles directly with CMESC. Net of OES	
	Haircut Support	Passed directly to counterparty and taken into consideration when calculating OES	
	Initial Margin	User settles directly with CMESC	Facilitated by Clearing Member

*Inclusive of but not limited to settlement variation, coupon payments, repo interests and coupon accruals

Trade Submission for Clear-to-Deliver



1	User and Dealer execute trade
2	Trade is entered into Affirmation/Execution Platform
3	Affirmation/Execution Platform sends trade to CMESC for clearing
4	CMESC validates referential data on the trade and performs credit check(s) as shown on slide 15
5	Trade novates upon receipt of Member credit checks
6	CMESC sends “Cleared” notification to Affirmation/Execution Platform which displays trade status to principals and Members

Timeline of Events for Clear-to-Deliver

All times related to CMESC are listed in Eastern Standard Time:

- **Fedwire Hours:** 8:30 am - 3:00 pm Monday - Friday
- **CMESC System Hours:** 5:00 pm Sunday - 8:00 pm Friday

12 noon	1:00 pm	2:00 pm	2:55 pm	3:00 pm	3:15 pm	8:00 pm	9:00 pm	8:30 am T/N
ITD Prices and Positions snapped Auto-debit collection to begin shortly thereafter	ITD clearing cycle reports distributed Inclusive of, but not limited to: Trade Register, Margin, OES (e.g.,Settlement Variation)	ITD Collection set to finish	T0 Repo Trade Submission cutoff	Substitution of collateral and cash for IM ends EOD Pricing Snap	Cutoff for Cash and Bilateral Trade Settlement	EOD Positions are snapped	EOD clearing cycle reports distributed that include, but are not limited to: Trade Register, Netting, OES (including Settlement Variation, Coupon payment, Repo Interest Accrual), IM, Settlement Obligations	Following morning: EOD IM/OES auto-debit collection ends

O/N Cleared Repo Cash Flow Example: Clear-to-Deliver, Independent User

	Client (User) Cash Borrower
Top Day (T)	Gives $1B of Bonds (Worth $1B)
On Leg - Settles	Receives $1B in Cash
Bonds Drop 3% in Value	
CME Calls for intraday OES	Pays $30M in Cash*
CME Calls for intraday Initial Margin	Called for $29M*
T+1	Receives $1B of Bonds (Worth $970M)
Off Leg - Settles	Gives $970M in Cash
OES	Repo Interest + Price Alignment*
CME Calls for intraday Initial Margin	$29M Released*

O/N Cleared Repo Cash Flow Example: Clear-to-Deliver, Supported User

	Client (User) Cash Borrower	Client FCM/PB
Top Day (T)	Gives $1B of Bonds (Worth $1B) Receives $1B in Cash	
On Leg - Settles		
Bonds Drop 3% in Value		
CME Calls for intraday OES		Pays $30M in Cash*
CME Calls for intraday Initial Margin		Called for $29M*

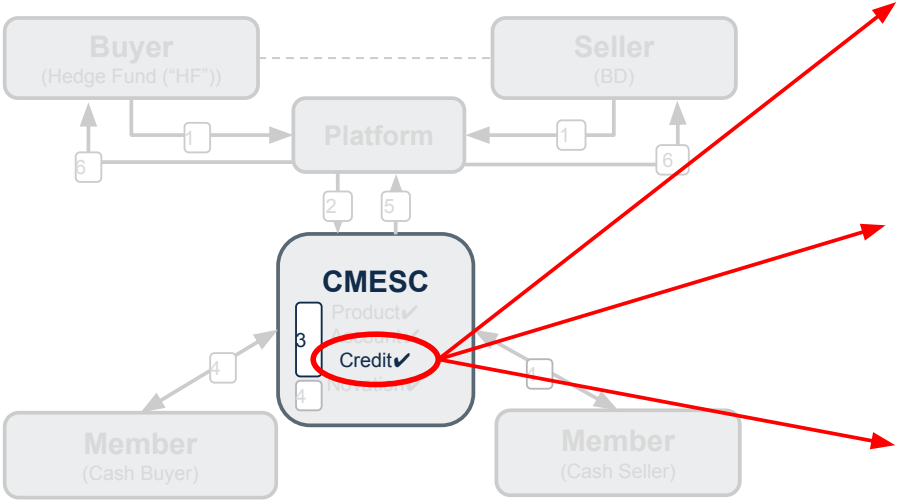
T+1	Receives $1B of Bonds (Worth $970M) Gives $970M in Cash	
Off Leg - Settles		
OES		Repo Interest + Price Alignment*
CME Calls for intraday Initial Margin		$29M Released*

**Please note Client FCM reserves the right to collect settlement variation, initial margin, and outstanding exposure settlement from clients*

Member Credit Checks (All Submission Types)

There are three varieties of credit checks used by CMESC:

1. Credit Token
2. Hosted Limits
3. Explicit Accept/Reject



1	**Credit Token** Platforms will be able to submit their matched trades to CMESC with a Credit Token, indicating Member checks have already been passed. If CMESC receives a Credit Token, the transaction will bypass CMESC's Member credit limit checks and will be approved upon receipt. Absent a Credit Token, CMESC will move to the following credit check functionalities:
2	**Hosted Limits** Members have the option to input and host User credit limits directly with CMESC. When trades are submitted, CMESC references these limits and accept or reject trades based off them.
3	**Explicit Accept/Reject** CMESC has the functionality to check credit limits directly with Members through our Clearing Member API. We will ping Members on behalf of their own activity, or on behalf of its authorized Users, after each trade submission received. Trades will then be explicitly accepted or rejected.

**Note, CMESC reserves the right to apply credit checks on Members or Users at its discretion*

Risk Management

Robust risk management structure

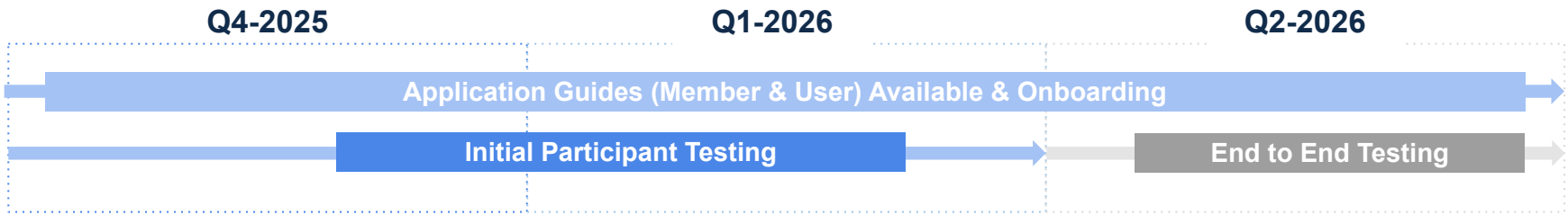
Daily Initial Margin and Outstanding Exposure Settlement (e.g., Settlement Variation)	• Cash and U.S. Treasury collateral for margin and cash for Outstanding Exposure Settlement (e.g., settlement variation) • Twice daily mark-to-market of collateral
Guaranty Fund and Financial Safeguards	• Prefunded Member and CME contributed capital, distinct from margin collateral • Stress testing regime, sizing the Guaranty Fund using extreme, but plausible stress test scenarios
Counterparty Credit Risk	• Financial and operational standards for both Users and Members
Risk Monitoring	• Risk management staff monitors market conditions and exposures of all counterparties in real-time • Trade level detail provided to Members throughout the day for risk management of Users they support
Liquidity Resources	• Size liquidity needs and ensure resources are sufficient to meet anticipated obligations and overall cash needs • Resources include a Capped Liquidity Facility where Members may be subject to a repo transaction pursuant to the CMESC Rulebook
Default Management	• Robust set of options to allow for efficient disposal of risk and close-out process • Regular testing with participants to ensure efficient communication in times of stress

Testing Resources and Go-Live Timelines

Available Resources:

- Testing available for trade execution and settlement testing of UST and deliverable repo, as well as due diligence conversations in preparation for Production launch
- Membership guides explaining the on-boarding process and participant requirements; including draft application forms and risk questionnaires
- Central database containing key documents and specifications are available on Intralinks

Go-Live Timelines:



Educational Webinar Series and Contact Information

- Linked here is a four-part webinar series in which each of the below topics are covered in detail. Please note, the intended audience for these educational webinars is **prospective Members** of CME Securities Clearing:
  - Overview of CMESC
  - Risk Management
  - Trade Lifecycle Walkthrough
  - Clearing Member Onboarding and Testing

- Please direct any questions or inquiries regarding the CME Securities Clearing offering to *CMESC@cmegroup.com*

Disclaimer

This document provides an overview of CME Group's intention to launch CME Securities Clearing inc. (CMESC), an SEC-registered clearing agency, to provide clearing and settlement services for transactions in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The contents of this document are subject to change at any time without prior notice. Any future launch of CMESC and the points discussed in this document are subject to regulatory review and to any necessary internal and external approvals.

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Clearing services for U.S. Treasury transactions will be provided through CMESC, an SEC-registered clearing agency.


CME Group