

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105980; File No. S7-2026-26]

Notice of an Application of the Securities Industry and Financial Markets Association for an Exemption Pursuant to Section 36 of the Securities Exchange Act of 1934 from Certain Conditions of Note H to Exchange Act Rule 15c3-3a

July 24, 2026.

On June 24, 2026, the Securities Industry and Financial Markets Association (“SIFMA”), a trade association for broker-dealers, investment banks, and asset managers operating in the U.S. and global capital markets, filed an application with the Securities and Exchange Commission (“Commission”), to obtain an exemption pursuant to section 36¹ of the Securities Exchange Act of 1934 (“Exchange Act”),² in accordance with the procedures set forth in Exchange Act Rule 0-12.³ Specifically, SIFMA is requesting relief, on behalf of its broker-dealer members, from the application of Exchange Act section 15(c)(3)⁴ and Rule 15c3-3a, Note H(b)(1) and (2)(i) thereunder, to permit broker-dealers to include a debit in their reserve computations for customers and the proprietary securities accounts of other broker-dealers (“PAB”)⁵ (collectively “reserve computations”) for margin required and on deposit with a

¹ 15 U.S.C. 78mm. Section 36(a)(1) of the Exchange Act gives the Commission the authority to exempt any person, security or transaction or any class or classes of persons, securities or transactions, conditionally or unconditionally, from any Exchange Act provision by rule, regulation or order, to the extent that the exemption is necessary or appropriate in the public interest and consistent with the protection of investors.

² 15 U.S.C. 78a *et seq.*

³ 17 CFR 240.0-12. Exchange Act Rule 0-12 sets forth procedures for filing applications for orders for exemptive relief pursuant to section 36. The application is attached as an Appendix to this notice (“Application”). Defined terms in this notice are the same as used in the Application, unless we note otherwise.

⁴ 15 U.S.C. 78o(c)(3).

⁵ See 17 CFR 15c3-3(a)(16) (defining PAB account as a proprietary securities account of a broker-dealer (which includes a foreign broker-dealer, or a foreign bank acting as a broker-dealer) other than a delivery-versus-payment account or a receipt-versus-payment account. The term does not include an account that has been subordinated to the claims of creditors of the carrying broker-dealer.)

qualified clearing agency resulting from transactions in U.S. Treasury securities in customer accounts that have been cleared, settled, and novated by the clearing agency in cases where the broker-dealer has delivered the margin collateral on a net, omnibus, basis, rather than on a gross, customer-by-customer basis, subject to certain conditions discussed below.⁶ The Commission is publishing this notice to provide interested persons with an opportunity to comment.

I. Background

Rule 15c3-3 under the Exchange Act, known as the broker-dealer customer protection rule, requires broker-dealers that hold customer cash and securities (“carrying broker-dealers”) to treat these assets in a manner that facilitates their prompt return to customers if the broker-dealer fails financially.⁷ To meet this objective, Rule 15c3-3 requires a carrying broker-dealer to take two primary steps to safeguard customer assets, which are designed to protect customers by segregating their securities and cash from the carrying broker-dealer’s proprietary business activities.⁸ The first step requires a carrying broker-dealer to maintain physical possession or control over customers’ fully paid and excess margin securities.⁹ The second step requires that a carrying broker-dealer maintain a reserve bank account that must hold cash or qualified securities (e.g., U.S. Treasury securities) in an amount determined by a computation of the net cash owed to the carrying broker-dealer’s customers pursuant to a formula set forth in Exchange Act Rule 15c3–3a, the customer reserve computation.¹⁰

⁶ See 17 CFR 240.15c3-3a, Note H(b)(2)(i).

⁷ See *Daily Computation of Customer and Broker-Dealer Reserve Requirements Under the Broker-Dealer Customer Protection Rule*, Exchange Act Release No. 102022 (Dec. 20, 2024) [90 FR 2790 (Jan. 13, 2025)] (“Daily Rule 15c3-3 Reserve Computation Final Rule”).

⁸ See *id.* at 2794.

⁹ See 17 CFR 240.15c3-3(d).

¹⁰ See *Daily Rule 15c3-3 Reserve Computation Final Rule*, 90 FR at 2794. See also *Financial Responsibility Rules for Broker-Dealers; Final Rule*, Exchange Act Release No. 70072 (July 30, 2013) [78 FR 51824,

Under the customer reserve computation, the broker-dealer adds up customer credit items (for example, credit balances in customer securities accounts and cash obtained through the use of customer margin securities) and subtracts customer debit items (for example, margin loans). The goal of Rule 15c3-3 is to place a broker-dealer in a position where it is able to wind down in an orderly self-liquidation without the need of financial assistance provided by the Securities Investor Protection Corporation through a formal proceeding under the Securities Investor Protection Act of 1970.¹¹

On December 13, 2023, the Commission adopted rules under the Exchange Act to amend the standards applicable to certain clearing agencies to enhance risk management practices for central counterparties in the U.S. Treasury market and facilitate additional clearing of U.S. Treasury securities.¹² Included in the Treasury Clearing Adopting Release, the Commission also adopted amendments to Rule 15c3-3a to permit margin required and on deposit at qualified clearing agencies providing central counterparty services for U.S. Treasury securities to be included by broker-dealers as a debit in their customer reserve computation, subject to certain conditions.¹³

Included among these conditions is paragraph (b)(1) to Note H, which requires that in order to include a debit in Item 15 of its customer reserve computation, a broker-dealer must

51826 (Aug. 21, 2013)] (“Financial Responsibility Rules for Broker-Dealers; Final Rule”). *See also* 17 CFR 240.15c3-3a (Formula for determination of customer and PAB account reserve requirements of broker-dealers under Rule 15c3-3.).

¹¹ *See* Financial Responsibility Rules for Broker-Dealers; Final Rule, 78 FR at 51869; Daily Rule 15c3-3 Reserve Computation Final Rule, 90 FR at 2791.

¹² *See Standards for Covered Clearing Agencies for U.S. Treasury Securities and Application of the Broker-Dealer Customer Protection Rule With Respect to U.S. Treasury Securities*, Exchange Act Release No. 99149 (Dec. 13, 2023), [89 FR 2714 (Jan. 16, 2024)] (“Treasury Clearing Adopting Release”).

¹³ *See id.* at 2760-68. *See also* 17 CFR 240.15c3-3a, Note H. As discussed in the Treasury Clearing Adopting Release, the debit in Item 15 of Rule 15c3-3a, and the related requirements of Note H apply to both the customer and PAB reserve computations. *See* Treasury Clearing Adopting Release, 89 FR at 2768.

deliver customer cash, U.S. Treasury securities, or qualified customer securities¹⁴ to a qualified clearing agency on a customer-by-customer basis, or otherwise temporarily prefund a specific customer's margin requirement with proprietary U.S. Treasury securities, subject to certain conditions.¹⁵ Another condition, in paragraph (b)(2)(i) of Note H, requires that any customer margin required and on deposit at the qualified clearing agency is treated in accordance with rules requiring the qualified clearing agency to calculate a separate margin amount for each customer of the broker-dealer, and the broker-dealer to deliver that amount of margin for each customer on a gross basis.¹⁶ The Commission adopted this requirement to ensure that the risk of one customer's positions could not be offset by the risk of another customer's positions in determining the amount of customer margin the broker-dealer would need to have on deposit at the qualified clearing agency.¹⁷ Thus, under existing Note H requirements, a broker-dealer is not

¹⁴ See 17 CFR 240.15c3-3a, Note H(c) (defining "qualified customer securities" to mean the securities of a customer of the broker-dealer (other than U.S. Treasury securities) that are held in custody by the broker-dealer for the customer and that under the rules of the qualified clearing agency are eligible to be used to margin U.S. Treasury securities positions of the customer that are cleared, settled, and novated by the qualified clearing agency).

¹⁵ See 17 CFR 240.15c3-3a, Note H(b)(1). The Commission permitted broker-dealers to temporarily prefund a specific customer's margin requirement to address instances where a qualified clearing agency may call for margin arising from a customer's cleared U.S. Treasury securities transactions before the customer can deliver the requisite margin to the broker-dealer, but limited the permissible proprietary assets the broker-dealer could use exclusively to U.S. Treasury securities to ensure that only the safest, most liquid securities of the broker-dealer are commingled with the customer cash and securities in the account. See Treasury Clearing Adopting Release, 89 FR at 2763. For further discussion on the Commission's reasoning in permitting a broker-dealer's use of proprietary assets to temporarily prefund a margin requirement resulting from a customer's U.S. Treasury securities positions cleared, settled, and novated at the qualified clearing agency, see *id.* at 2762-63.

¹⁶ See 17 CFR 240.15c3-3a, Note H(b)(1) and (b)(2)(i).

¹⁷ See Treasury Clearing Adopting Release, 89 FR at 2764. For a discussion of the Commission's consideration of the alternative of tailoring the requirement to permit a debit based on a margin amount posted to the qualified clearing agency that is calculated on a net basis across all the broker-dealer's customers, as is the case under Item 13 and Note F in Rule 15c3-3a for margin required and on deposit with the Options Clearing Corporation ("OCC") for all option contracts written or purchased in customer accounts, see *id.* at 2764-65.

permitted to deliver assets belonging to one customer to meet the margin requirement of another customer, and margin must be calculated and delivered on a gross basis.¹⁸

II. Summary of the Application and Proposed Conditions

In the Application, SIFMA requests that, pursuant to section 36 of the Exchange Act, the Commission grant exemptive relief from section 15(c)(3) of the Exchange Act and Rule 15c3-3a, Note H(b)(1) and (2)(i) thereunder to permit broker-dealers to include a debit in their reserve computations for customer margin required and on deposit with a qualified clearing agency resulting from transactions in U.S. Treasury securities in customer accounts that have been cleared, settled, and novated by the clearing agency, in cases where the broker-dealer has delivered the margin collateral on a net, omnibus, basis, rather than on a gross, customer-by-customer basis, subject to certain conditions.¹⁹

In its Application, SIFMA stated that as broker-dealers have commenced implementing the operational and system changes necessary to comply with the gross (i.e., customer-by-customer) margin calculation and posting requirements connected with Note H, it has become apparent that such an approach entails more significant drawbacks than anticipated at the time of the Commission's proposal and subsequent adoption of Note H. In particular, SIFMA stated in the Application that a strict customer-by-customer framework requires highly granular systems to map positions, margin requirements, and collateral flows to individual customers across clearing, settlement, and internal records, as well as complex intraday reconciliation and enhanced data infrastructure that SIFMA stated is not aligned with the existing omnibus-based operational models used in Treasury intermediation.

¹⁸ See Treasury Clearing Adopting Release, 89 FR at 2764.

¹⁹ See Application, at pp.1-2.

Further, SIFMA stated that customer-by-customer gross margining and collateral delivery requirements applied within the evolving U.S. Treasury clearing model become increasingly difficult to scale as clearing expands to a broader set of market participants and intermediated relationships, and may introduce significant operational complexity and capital inefficiencies.²⁰ SIFMA additionally stated that these inefficiencies and operational complexities associated with a gross margin calculation and delivery requirement may impair broker-dealers' ability to efficiently intermediate access to centrally cleared U.S. Treasury markets, particularly for smaller or indirect participants, and may therefore undermine the Commission's objective of broadening participation in central clearing. In its Application, SIFMA stated that for broker-dealers that elect not to implement the full systems and processes necessary to support scalable gross, customer-level margining, the resulting reserve computation treatment may not reflect the economic substance of customer facilitation activity in U.S. Treasury clearing, instead giving rise to duplicative capital and liquidity requirements that are misaligned with actual risk exposure and the manner in which broker-dealers intermediate customer access to central clearing.²¹

²⁰ See Application, at p.4. See also Letter from Kevin Zambrowicz, Deputy General (Institutional) & Managing Director, SIFMA, to the Honorable Gary Gensler, Chair, Commission (Oct. 23, 2024) (Application of the Broker-Dealer Customer Protection Rule with Respect to U.S. Treasury Securities Clearing), *available at*: <https://www.sec.gov/comments/S7-23-22/s72322-834280-2549193.pdf>; and Letter from Kevin Zambrowicz, Deputy General Counsel, SIFMA, to the Honorable Paul Atkins, Chair, Commission (Nov. 19, 2025) (Treasury Clearing – The OCC-Model Approach under Rule 15c3-3), *available at*: <https://www.sec.gov/comments/S7-23-22/s72322-834300-2549193.pdf>.

²¹ See Application, at p.4. SIFMA further stated that these constraints may have the unintended effect of increasing the cost of clearing intermediation and reducing broker-dealers' willingness or ability to facilitate customer access to centrally cleared U.S. Treasury markets, with a disproportionate impact on smaller or less frequent market participants that choose not to access central clearing on a gross margining basis due to participation costs and related operational requirements. Further, SIFMA stated that over time, these frictions could reduce participation and liquidity in the U.S. Treasury market and undermine the policy objectives of expanded central clearing by discouraging efficient access pathways and increasing operational burdens without a corresponding reduction in systemic risk.

In its Application, SIFMA stated that one well-established model for facilitating omnibus-based intermediary clearing activity is the customer clearing structure used by the OCC.²² Specifically, SIFMA stated that under the OCC framework, broker-dealer clearing members intermediate customer access to centrally cleared markets through omnibus customer accounts, with margin and risk managed at the clearing member level in a manner that promotes operational efficiency while preserving strict customer protection standards, including segregation of customer assets and strong default management protections.²³ SIFMA requests in its Application that the Commission provide exemptive relief to permit either (1) the calculation and delivery of customer margin on a net (i.e., omnibus) basis; or (2) the calculation of margin on a gross (i.e., customer-by-customer) basis and the delivery of margin on a net (i.e., omnibus) basis.²⁴

SIFMA stated in the Application that this relief would enable broker-dealers to more efficiently intermediate access to centrally cleared U.S. Treasury markets, while remaining consistent with the customer protection and reserve computation framework under Rule 15c3-3.²⁵ SIFMA has further stated that the current customer-by-customer, gross margining and delivery requirement may impose disproportionate capital and operational burdens when broker-dealers serve smaller customers, particularly given applicable minimum cash margin

²² See Application, at p.4.

²³ See *id.* SIFMA further stated that this structure has supported broad participation in centrally cleared markets, including by smaller market participants that would otherwise lack direct access to central clearing.

²⁴ See Application, at p.4.

²⁵ See *id.* Specifically, SIFMA stated that recognizing net (omnibus) customer margin collateral delivered to a qualified clearing agency for U.S. Treasury securities as a debit in the customer reserve computation aligns reserve formula treatment with the protections provided through central clearing, and that absent such treatment, the customer reserve computation would impose duplicative requirements on assets already subject to segregation and risk management within a regulated clearing environment. See Application, at p.6.

requirements. SIFMA stated that the requested relief would provide broker-dealers with greater flexibility and alleviate these constraints, thereby supporting broader market access, enhancing liquidity, and advancing the Commission’s objective of promoting a deep, resilient, and inclusive U.S. Treasury market.²⁶ Additionally, SIFMA stated that this approach would take into account the various customer account types that clearing agencies currently offer to market participants for clearing transactions in U.S. Treasury securities, and as such, would help facilitate a smoother implementation of the Commission’s 2023 amendments from the Treasury Clearing Adopting Release.²⁷

Further, SIFMA stated in the Application that the proposed “lesser of” framework (which is found within the proposed conditions for the requested relief, as discussed further below), reflects a conservative approach that ties the debit treatment directly to actual customer-related exposures to prevent any overstatement of debits, and preserve the integrity of the broker-dealer’s customer reserve computation.²⁸ More specifically, SIFMA stated in its Application that each of the three caps reflected within the proposed “lesser of” framework serves a distinct risk-limiting function: (i) the customer margin collected cap limits recognition to customer-derived funds; (ii) the margin delivered cap confines limits recognition to amounts actually transferred to the qualified clearing agency; and (iii) the qualified clearing agency margin requirement cap ensures that any margin collected or posted in excess of the clearing agency’s

²⁶ See Application, at p.4.

²⁷ See *id.*

²⁸ See Application, at p.6.

required customer margin amount is not recognized in the customer reserve computation and is effectively “pulled back” by the broker-dealer.²⁹

SIFMA proposes certain conditions in the Application in support of its request for exemptive relief from certain conditions of Rule 15c3-3a, Note H.³⁰ Specifically, SIFMA proposes that:

1. Eligibility Limitation: The relief applies solely to margin required and on deposit with a qualified clearing agency in connection with the following types of transactions in U.S. Treasury securities in customer accounts that have been cleared, settled, and novated by the qualified clearing agency: (i) purchases and sales of U.S. Treasury securities; and (ii) repurchase and reverse repurchase agreements in U.S. Treasury securities.
2. The broker-dealer delivers the following cash and securities to the qualified clearing agency to meet the customer margin requirement:
 - (i) Proprietary or customer cash;
 - (ii) Proprietary or customer U.S. Treasury securities;
 - (iii) Qualified customer securities; or
 - (iv) Any combination of clauses (i) through (iii) above.
3. Permitted Debit: The amount the broker-dealer includes in the Item 15 debit in the customer reserve computation must equal the lesser of:

²⁹ See Application, at p.6. Relatedly, SIFMA stated in its Application that because the Item 15 debit is limited to margin required and on deposit at the qualified clearing agency, the broker-dealer has an incentive to obtain the prompt return of excess margin collateral held by the qualified clearing agency that is in the form of securities. Specifically, the amount of the excess margin would remain a credit in the customer reserve computation with no offsetting debit if the excess margin amount is no longer required by the qualified clearing agency. See Application, at p.6, n.16. See also Treasury Clearing Adopting Release, 89 FR at 2765 and 2767.

³⁰ See section II. of the Application.

- (i) The amount of margin collected from customers in connection with U.S. Treasury securities transactions of the broker-dealer's customers that are cleared, settled, and novated by the qualified clearing agency;
 - (ii) The amount of margin required for U.S. Treasury securities positions of the broker-dealer's customers that are cleared, settled, and novated by the qualified clearing agency; or
 - (iii) The total of: (A) customer cash, (B) customer U.S. Treasury securities, and (C) qualified customer securities, delivered by the broker-dealer to the qualified clearing agency to meet margin requirements arising from U.S. Treasury securities positions of the broker-dealer's customers that are cleared, settled and novated by the qualified clearing agency.
- 4. Documentation: The broker-dealer must maintain books and records sufficient to identify the amount of customer margin collected and delivered to the qualified clearing agency.
- 5. Qualified Clearing Agency Rulebook Amendments: The rules of the qualified clearing agency must comply with the conditions of any exemptive order the Commission may issue in response to the Application.
- 6. Procedures: The broker-dealer must adopt and implement written policies and procedures reasonably designed to ensure ongoing compliance with the conditions of any exemptive order the Commission may issue in response to the Application.
- 7. To the extent a broker-dealer delivers margin to a qualified clearing agency pursuant to the Application, such margin remains subject to the other applicable conditions of Note H not exempted by the Commission pursuant to the Application, including paragraphs (b)(2)(ii) through (v).

Finally, SIFMA requested that the relief in any exemptive order the Commission may issue pursuant to its Application provide broker-dealers with the same relief as to their PAB account holders and PAB reserve computation under Rule 15c3-3a, subject to the same conditions as those proposed above to the customer reserve computation.³¹

III. Request for Comment

We request and encourage any interested person to submit comments regarding the Application, including whether the Commission should grant the request. In particular, we solicit comment on the following questions:

1. Do commenters agree with SIFMA's reasons described in the Application³² in support of the Commission finding that the exemptive relief is consistent with section 36 of the Exchange Act? If so, why or why not.
2. Are there other or alternative conditions not outlined in the Application, or modifications to the conditions proposed within the Application, that the Commission should consider? If so, please describe those conditions or modifications.
3. In connection with proposed condition (i) under "Permitted Debit" above,³³ are broker-dealers currently capable of tracking and recording the portion of any margin required and on deposit with a qualified clearing agency that is attributable to customers in connection with transactions in U.S. Treasury securities that have been cleared, settled, and novated by the qualified clearing agency? If so, how does a broker-dealer track and record this margin? For example, do broker-dealers generally record repurchase and reverse repurchase transactions in U.S. Treasury securities in a

³¹ See section II. of the Application.

³² See, e.g., sections I. and III. of the Application; see also section II. of this notice.

³³ See proposed condition (3)(i) in Application, at p.5.

- separate securities account for each customer? If broker-dealers cannot track and record this portion of any margin required and on deposit with a qualified clearing agency that is attributable to customers in connection with transactions in U.S. Treasury securities that have been cleared, settled, and novated by the qualified clearing agency, will they need to modify their current operational systems to comply with the conditions proposed in this Application? If so, how?
4. Does the relief proposed in the Application to permit broker-dealers to include a debit in their reserve computations for margin required and on deposit with a qualified clearing agency resulting from transactions in U.S. Treasury securities that have been cleared, settled, and novated by the qualified clearing agency, when the broker-dealer has delivered the margin collateral on a net, omnibus, basis, rather than a gross, customer-by-customer, basis raise any potential customer protection concerns or risks?³⁴ If so, please describe. What modifications to the proposed conditions, or additional conditions, if any, should the Commission consider to address any potential risks posed by the requested relief?
5. Is the relief requested in the Application more relevant to a particular type of U.S. Treasury securities transaction (e.g., cash U.S. Treasury securities transactions or U.S. Treasury securities repurchase and reverse repurchase agreements, etc.)? If so, how?

³⁴ See, e.g., Treasury Clearing Adopting Release, 89 FR at 2764-65 (discussing the Commission's rationale for requiring margin to be calculated and delivered on a gross, customer-by-customer basis under Note H, rather than, in response to a commenter's suggestion, modifying this requirement to be consistent with the requirements of Item 13 and Note F to the customer reserve computation, which covers margin required and on deposit with OCC where the permitted debit is based on a margin amount posted to OCC that is calculated on a net basis across all the broker-dealer's customers with listed options.)

6. What are the operational issues, if any, that broker-dealers face that stem from the existing requirements to calculate and deliver margin on a gross, customer-by-customer basis, as required by Rule 15c3-3a, Note H? How would the relief requested in the Application address these issues?
7. Do commenters agree with SIFMA that the gross, customer-by-customer margin requirement approach causes disproportionate capital and operational constraints that may result in duplicative capital and liquidity requirements? If so, would the exemptive relief proposed in the Application relieve those constraints? If so, how?
8. How much time would be necessary, and what steps would be needed, for qualified clearing agencies to modify their own rulebooks and systems to be able to conduct operations consistent with the exemptive relief requested in the Application?
9. In considering whether to issue an exemptive order requested in the Application, should the Commission also consider clarifying the application of any Notice H notices issued or that the Commission may issue under paragraph (b)(3) under Rule 15c3-3a, Note H, as they relate to the proposed conditions in the Application? If so, how?
10. Would the exemption requested in the Application have a competitive impact—either positive or negative—on broker-dealers and their customers in the context of clearing for U.S. Treasury securities? What would be the potential benefits and costs of this exemptive relief? Would the exemption and conditions impact investor protection? If so, what would those impacts be?

Comments should be received on or before [INSERT DATE 30 DAYS FROM THE DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/comments/s7-2026-26/notice-application-securities-industry-financial-markets-association-exemption-pursuant-section-36>); or
- Send an email to rule-comments@sec.gov. Please include File Number S7-2026-26 on the subject line.

Paper Comments:

- Send paper comments to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number S7-2026-26. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method of submission. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules-regulations/public-comments/s7-2026-26>). Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

For further information, you may contact Raymond A. Lombardo, Acting Associate Director; Sheila Dombal Swartz, Senior Special Counsel; or James Wintering, Special Counsel at

(202) 551-5500, Office of Broker-Dealer Finances, Division of Trading and Markets, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-7010.

By the Commission.

Sherry R. Haywood,

Assistant Secretary.

Note: The following appendix containing the Application will not appear in the *Federal Register*.

Appendix: The application for an exemption pursuant to section 36 of the Exchange Act.



June 24, 2026

Via Electronic Submission

Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: ***Request for Exemptive Relief Under Section 36 of the Securities Exchange Act of 1934
Relating to Certain Centrally Cleared U.S. Treasury Transactions***

Dear Ms. Countryman:

Pursuant to Rule 240.0-12¹ under the Securities Exchange Act of 1934 (“Exchange Act”), the Securities Industry and Financial Markets Association (“SIFMA”)² respectfully requests that the Securities and Exchange Commission (“Commission”) grant exemptive relief from Section 15(c)(3) of the Exchange Act³ and certain conditions of Note H of Exhibit A to Exchange Act Rule 15c3-3 (“Rule 15c3-3a, Note H” or “Note H”).⁴

Specifically, pursuant to Section 36 of the Exchange Act,⁵ SIFMA requests that the Commission permit broker-dealers, subject to the conditions set forth below, to include a debit in

¹ 17 CFR 240.0-12.

² 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>.

³ 15 U.S.C. 78o(c)(3).

⁴ 17 CFR 240.15c3-3a, Note H.

⁵ 15 U.S.C. 78mm. Section 36(a)(1) of the Exchange Act gives the Commission the authority to exempt any person, security or transaction or any class or classes of persons, securities or transactions, conditionally or unconditionally, from any Exchange Act provision by rule, regulation or order, to the extent that the exemption is necessary or appropriate in the public interest and consistent with the protection of investors.

the customer and PAB⁶ reserve computations (collectively, “reserve computations”) for margin required and on deposit with a qualified clearing agency resulting from transactions in U.S. Treasury securities in customer accounts that have been cleared, settled, and novated by the clearing agency, in cases where the broker-dealer has delivered the margin collateral on an omnibus basis, rather than on a customer-by-customer basis.⁷ The requested relief would apply to customer accounts at a qualified clearing agency where the qualified clearing agency calculates customer margin on either a net or gross, omnibus or segregated (customer-by-customer) basis that otherwise meets the conditions of Note H (i.e., that are not exempted under this proposed request). Terms used in this request will be the same as used or defined in Rule 15c3-3a, Note H unless stated otherwise.⁸

The requested exemption is necessary and appropriate in the public interest and consistent with investor protection. Absent such relief, applying Notes H(b)(1) and (b)(2)(i) in the evolving U.S. Treasury clearing model, without other available alternatives, would impose capital, liquidity, and operational constraints that impair broker-dealers’ ability to efficiently intermediate customer access to centrally cleared markets, discourage participation by smaller market participants, and reduce overall market liquidity.

I. Background

The Commission’s 2023 amendments governing the clearance and settlement of U.S. Treasury securities were adopted to facilitate the transition to expanded central clearing of U.S. Treasury cash and repurchase and reverse repurchase transactions.⁹ In particular, the Commission required covered clearing agencies that clear U.S. Treasury securities to implement margining practices for direct participants providing customer clearing services that are designed to enhance risk management. As part of the 2023 amendments, the Commission also amended the reserve formula for computing reserve account requirements under Rule 15c3-3, the broker-dealer customer protection rule.¹⁰ The amendments to the formula—which are set forth in Rule

⁶ See 17 CFR 15c3-3(a)(16) (defining PAB account as a proprietary securities account of a broker-dealer (which includes a foreign broker-dealer, or a foreign bank acting as a broker-dealer) other than a delivery-versus-payment account or a receipt-versus-payment account. The term does not include an account that has been subordinated to the claims of creditors of the carrying broker-dealer.)

⁷ See Note H(b)(2)(i) to Exhibit A to Rule 15c3-3, 17 CFR 240.15c3-3a. Broker-dealers also would need an exemption from Note H(b)(1) which requires a broker-dealer to deliver customer cash or securities to a qualified clearing agency on a customer-by-customer basis or to temporarily prefund a specific customer’s margin requirement with its own proprietary U.S. Treasury securities.

⁸ For simplicity, the background and conditions reference the customer reserve computation. As discussed in the Adopting Release, the debit in Item 15 of Rule 15c3-3a and the related requirements of Note H also apply to the PAB reserve computation. See Adopting Release, 89 FR at 2768.

⁹ See Standards for Covered Clearing Agencies for U.S. Treasury Securities and Application of the Broker-Dealer Customer Protection Rule with Respect to U.S. Treasury Securities, Exchange Act Release No. 99149 (Dec. 13, 2023), 89 FR 2714 (Jan. 16, 2024) (“Adopting Release”).

¹⁰ See Adopting Release, 89 FR at 2760-68. 17 CFR 240.15c3-3 (“Rule 15c3-3”). Rule 15c3-3 requires a broker-dealer to compute the net amount of cash owed to customers and PAB account holders under a formula in Rule 15c3-3a. Generally, broker-dealers must perform their reserve computations and make any required deposits in a special reserve account at a bank weekly or daily. See paragraph (e)(3) to Rule 15c3-3. The customer reserve computation permits a broker-dealer to offset customer credit items only with customer debit items. See paragraph

15c3-3a—permit broker-dealers to include margin required and on deposit with a qualified clearing agency as a debit when computing their customer reserve computation, subject to certain conditions. In particular, the 2023 amendments added Item 15 to the customer reserve computation on which to record the value of the debit and prescribed conditions—set forth in Note H to Item 15—for including the debit in the computation. Each of the conditions in Note H needs to be met for a broker-dealer to include a debit equal to the amount of customer margin required and on deposit at the qualified clearing agency.

Although the amendments in the Adopting Release do not require broker-dealers to collect margin from customers, a broker-dealer may recognize a debit in the customer reserve computation under Rule 15c3-3a with respect to customer margin only to the extent it collects such margin from the customer and passes it through to the qualified clearing agency on a customer-by-customer basis.¹¹ More specifically, Note H(b)(2)(i) of Rule 15c3-3a conditions a broker-dealer’s ability to include certain debits in the customer reserve computation on compliance with requirements that a qualified clearing agency calculate margin for each customer separately and that such margin be delivered on a gross, customer-by-customer basis. This condition is intended to align reserve computation treatment with the customer protection objectives of the central clearing framework by mitigating fellow-customer risk – i.e., ensuring that margin attributable to one customer is not used to meet obligations arising from another customer’s transactions.¹² In addition, Note H(b)(1) requires a broker-dealer to deliver customer cash or securities to a qualified clearing agency on a customer-by-customer basis or to temporarily prefund a specific customer’s margin requirement.¹³

As broker-dealers have commenced implementing the operational and systems changes necessary to comply with the gross (i.e., customer-by-customer) margin calculation and posting requirements, it has become apparent that such an approach entails more significant drawbacks than anticipated during the proposal and adoption of Note H.¹⁴ In particular, a strict customer-by-customer framework requires highly granular systems to map positions, margin requirements, and collateral flows to individual customers across clearing, settlement, and internal records, as well as complex intraday reconciliation and enhanced data infrastructure that is not aligned with

(e)(2) to Rule 15c3-3. In addition, a deposit requirement resulting from the customer reserve computation cannot be satisfied with excess debits from the PAB reserve computation. See paragraph (e)(4) to Rule 15c3-3.

¹¹ In addition, cash delivered by a customer to a broker-dealer that is posted by the broker-dealer to a qualified clearing agency will need to be included in Item 1 (Free credit balances and other credit balances in customers’ security accounts) to the customer reserve computation. As part of the Adopting Release, the Commission amended Note B to Item 2 of Rule 15c3-3a to instruct broker-dealers to include as a credit in Item 2 the market value of customers’ securities on deposit at a “qualified clearing agency” as defined in Note H. See Adopting Release, 89 FR at 2761.

¹² Adopting Release, 89 FR at 2897 & n.499.

¹³ See Note H(b)(1) and Adopting Release, 89 FR at 2762-63.

¹⁴ See Letter from Kevin Zambrowicz, Deputy General (Institutional) & Managing Director, SIFMA, to the Honorable Gary Gensler, Chair, U.S. Securities and Exchange Commission (Oct. 23, 2024) (Application of the Broker-Dealer Customer Protection Rule with Respect to U.S. Treasury Securities Clearing), available [here](#), and Letter from Kevin Zambrowicz, Deputy General Counsel, SIFMA, to the Honorable Paul Atkins, Chair, U.S. Securities and Exchange Commission (Nov. 19, 2025) (Treasury Clearing – The OCC-Model Approach under Rule 15c3-3), available [here](#).

existing omnibus-based operational models used in Treasury intermediation. These requirements become increasingly difficult to scale as clearing expands to a broader set of market participants and intermediated relationships and may introduce significant operational complexity and capital inefficiencies. For broker-dealers that elect not to implement the full systems and processes necessary to support scalable gross, customer-level margining, the resulting reserve computation treatment may not reflect the economic substance of customer facilitation activity in U.S. treasury clearing, instead giving rise to duplicative capital and liquidity requirements that are misaligned with actual risk exposure and the manner in which broker-dealers intermediate customer access to central clearing.

These constraints may have the unintended effect of increasing the cost of clearing intermediation and reducing broker-dealers' willingness or ability to facilitate customer access to centrally cleared U.S. Treasury markets, with a disproportionate impact on smaller or less frequent market participants that choose not to access central clearing on a gross margining basis due to participation costs and related operational requirements.¹⁵ Over time, these frictions could reduce participation and liquidity in the U.S. Treasury market and undermine the policy objectives of expanded central clearing by discouraging efficient access pathways and increasing operational burdens without a corresponding reduction in systemic risk.

One well-established model for facilitating this type of intermediary clearing activity is the customer clearing structure used by the Options Clearing Corporation. Under that framework, broker-dealer clearing members intermediate customer access to centrally cleared markets through omnibus customer accounts, with margin and risk managed at the clearing member level in a manner that promotes operational efficiency while preserving strict customer protection standards, including segregation of customer assets and strong default management protections. This structure has supported broad participation in centrally cleared markets, including by smaller market participants that would otherwise lack direct access to central clearing.

The requested relief would permit either (1) the calculation and delivery of customer margin on a net and omnibus basis; or (2) the calculation of margin on a gross (i.e., customer-by-customer) basis and the delivery of margin on an omnibus basis. This requested relief would enable broker-dealers to more efficiently intermediate access to centrally cleared U.S. Treasury markets while remaining consistent with the customer protection and reserve computation framework under Rule 15c3-3. The current customer-by-customer, gross margining and delivery requirement may impose disproportionate capital and operational burdens when broker-dealers serve smaller customers, particularly given applicable minimum cash margin requirements. The requested relief would provide broker-dealers with greater flexibility and alleviate these constraints, thereby supporting broader market access, enhancing liquidity, and advancing the Commission's objective of promoting a deep, resilient, and inclusive U.S. Treasury market. Finally, this approach would take into account the various customer account types that clearing agencies currently offer market participants for clearing transactions in U.S. Treasury securities and, as such, would help facilitate a smoother implementation of the Commission's 2023 amendments.

¹⁵ Id.

In light of the foregoing, SIFMA respectfully requests that the Commission grant the exemptive relief below pursuant to Section 36 of the Exchange Act to address the capital and operational constraints described above, while preserving the risk-mitigating objectives of the Commission's central clearing framework.

II. Requested Relief

SIFMA respectfully requests that the Commission, pursuant to Section 36 of the Exchange Act, issue an order exempting broker-dealers from the application of Exchange Act Section 15(c)(3) and Rule 15c3-3a, Note H(b)(1) and (2)(i) thereunder, to permit them to treat as a debit in their customer reserve computation customer margin delivered to a qualified clearing agency in connection with centrally cleared U.S. Treasury transactions on an omnibus basis, rather than on a customer-by-customer basis, as required under Rule 15c3-3a, Note H, subject to the conditions below:

1. Eligibility Limitation: The relief applies solely to margin required and on deposit with a qualified clearing agency in connection with the following types of transactions in U.S. Treasury securities in customer accounts that have been cleared, settled, and novated by the qualified clearing agency: (1) purchases and sales of U.S. Treasury securities; and (2) repurchase and reverse repurchase agreements in U.S. Treasury securities.
2. The broker-dealer delivers the following cash and securities to the qualified clearing agency to meet the customer margin requirement:
 - (i) proprietary or customer cash;
 - (ii) proprietary or customer U.S. Treasury securities;
 - (iii) qualified customer securities; or
 - (iv) any combination of clauses (i) through (iii) above.
3. Permitted Debit: The amount the broker-dealer includes in the Item 15 debit in the customer reserve computation must equal the lesser of:
 - (i) the amount of margin collected from customers in connection with U.S. Treasury securities transactions of the broker-dealer's customers that are cleared, settled, and novated by the qualified clearing agency;
 - (ii) the amount of margin required for U.S. Treasury securities positions of the broker-dealer's customers that are cleared, settled, and novated by the qualified clearing agency; or
 - (iii) the total of: (A) customer cash, (B) customer U.S. Treasury securities, and (C) qualified customer securities, delivered by the broker-dealer to the qualified clearing agency to meet margin requirements arising from U.S. Treasury securities positions of the broker-dealer's customers that are cleared, settled, and novated by the qualified clearing agency.

4. Documentation: The broker-dealer must maintain books and records sufficient to identify the amount of customer margin collected and delivered to the qualified clearing agency.
5. Qualified Clearing Agency Rulebook Amendments: The rules of the qualified clearing agency must comply with the conditions of any exemptive order the Commission may issue in response to this request.
6. Procedures: The broker-dealer must adopt and implement written policies and procedures reasonably designed to ensure ongoing compliance with the conditions of any exemptive order the Commission may issue in response to this request.
7. To the extent a broker-dealer delivers margin to a qualified clearing agency pursuant to this request, such margin remains subject to the other applicable conditions of Note H not exempted under this request, including paragraphs (b)(2)(ii) through (v).

SIFMA further requests that any relief in any exemptive order the Commission may issue pursuant to this request provide broker-dealers with the same relief as to its PAB account holders and PAB reserve computation under Rule 15c3-3a, subject to the same conditions as those proposed above to the customer reserve computation.

III. Basis for Relief

The requested relief is consistent with the purposes of Rule 15c3-3, which is designed to protect customer funds and securities and prevent their misuse by broker-dealers. Recognizing omnibus customer margin collateral delivered to a qualified clearing agency for U.S. Treasury securities as a debit in the customer reserve computation aligns reserve formula treatment with the protections provided through central clearing. Absent such treatment, the customer reserve computation would impose duplicative requirements on assets already subject to segregation and risk management within a regulated clearing environment.

The proposed “lesser of” framework further reflects a conservative approach that ties the debit treatment directly to actual customer-related exposures. Each of the three caps serves a distinct risk-limiting function: (i) the customer margin collected cap limits recognition to customer-derived funds; (ii) the margin delivered cap confines limits recognition to amounts actually transferred to the qualified clearing agency; and (iii) the qualified clearing agency margin requirement cap ensures that any margin collected or posted in excess of the clearing agency’s required customer margin amount is not recognized in the customer reserve computation and is effectively “pulled back” by the broker-dealer.¹⁶ Together, these constraints

¹⁶ The Item 15 debit is limited to margin required and on deposit at the qualified clearing agency. Moreover, because the debit is limited to margin required and on deposit at the qualified clearing agency, the broker-dealer has an incentive to obtain the prompt return of excess margin collateral held by the qualified clearing agency that is in the form of securities. Specifically, the amount of the excess margin would remain a credit in the customer reserve computation with no offsetting debit if the excess margin amount is no longer required by the qualified clearing agency. See Adopting Release, 89 FR at 2765 and 2767.

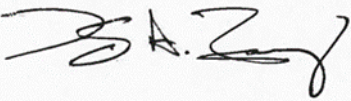
prevent any overstatement of debits and preserve the integrity of the broker-dealer's customer reserve computation.

As described above, the inefficiencies and operational complexities associated with a gross margin calculation and delivery requirement may impair broker-dealers' ability to efficiently intermediate access to centrally cleared U.S. Treasury markets, particularly for smaller or indirect participants, and may therefore undermine the Commission's objective of broadening participation in central clearing. Granting the requested relief would align the Rule 15c3-3 reserve framework with the Commission's central clearing reforms by eliminating these inefficiencies and operational complexities while preserving the full protection of both the customer reserve and clearing agency margining regimes.

IV. Conclusion

For the reasons described above, the requested exemptive relief is necessary and appropriate in the public interest and consistent with the protection of investors. It reflects the economic realities of centrally cleared Treasury transactions, provides flexibilities to broker-dealers, and supports the Commission's broader objectives for the U.S. Treasury market. SIFMA respectfully requests that the Commission grant the requested relief pursuant to Section 36 of the Exchange Act and welcomes the opportunity to discuss this request and provide any additional information that may assist the Commission in its consideration. Please contact me at 202-962-7386 or Mark Attar at Stradley Ronon Stevens & Young, LLP, who assisted in the preparation of this request, at 202-419-8406, if you have any questions.

Sincerely,



Kevin A. Zambrowicz
Deputy General Counsel
SIFMA

cc: Division of Trading and Markets
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