

Transcript: Navigating Central Clearing and Treasury Market Transformation

Good morning, good afternoon, good evening, and welcome to our webinar on navigating the central clearing mandate in the U.S. Treasury market. I'm Nate Wuerffel, Global Head of Market Structure and the Product Lead for our Global Collateral platform, and I'm delighted you can join us today. We're going to talk about the most significant change to the U.S. Treasury market in decades, the move to central clearing under the SEC's rule. It'll reassemble the Treasury market with the majority of trading activity shifting into central clearing. And that'll change the way that market participants trade and settle their transactions, but also their relationship with counterparties, risk management practices, pricing and liquidity. BNY has a long and interconnected history with U.S. Treasury market. Our founder, Alexander Hamilton negotiated the first loan to the U.S. government from the Bank of New York all the way back in 1789. Today, BNY holds a unique position in the market. We're the primary settlement provider for the Treasury market, settling an average of \$20 trillion in transactions daily. We custody more than \$10 trillion in the Treasury securities across the bank. That's more than 1/3 of securities outstanding. We're the largest triparty liquidity venue in the world for Treasury securities, supporting repo financing each day of more than \$2.4 trillion. And we're one of the top intermediaries in centrally cleared Treasury repo financing and the world's leading agent lender. Given our role, we see it as an important responsibility to help the marketplace transition smoothly to central clearing. So today we'll explain what that transition looks like and then we're going to focus on the preparation and the solutions that we are offering at BNY. I'm really delighted to be joined by a panel of experts on this topic — Victor O'Laughlen, the Executive Platform Owner of our Global Clearing platform, Jim Palmer, the Head of Liquidity, Margin & Cleared Repo Sales, Sofia Pavlidou, Central Clearing Products on our Global Collateral platform and Ted Leveroni, the Global Head of Margin Services. So let me start by a quick overview of the rule. Many of you will know this by now, but it's helpful to review the background on the rule and some of our solutions. You'll see on the next slide that the rule calls on most of the Treasury market transactions to be centrally cleared. In the cash market, that's purchase and sale transactions. Transactions between dealers or on interdealer platforms will need to be centrally cleared. That's roughly half of the cash market. In the repo market, almost all repo transactions will need to be centrally cleared under the Treasury mandate. The FICC has done a survey and estimated that some \$4 trillion of Treasury transactions will need to move into the central clearing under the mandate. That will mean that liquidity transitions as well. So today most liquidity is available within the uncleared markets of the Treasury market where transactions are settled bilaterally or in triparty. But as this move to central clearing, we'll see transactions increasingly be centrally cleared and the liquidity

will move along with that transition to central clearing. There are a few exceptions under the rule. Certain entity types are not required to centrally clear, for example, central banks or fiscal arms of different sovereign institutions. However, we do view that most transactions will be centrally cleared. Overall, in terms of readiness across the marketplace, what we're seeing is that there is a big shift today that we've moved from in the last six months to better understanding the rule to getting ready to implement it. So not just what is the rule, but how can it be actually implemented? We recently did a survey called the Value Exchange Survey that was sponsored by SIFMA, BNY, Broadridge and DTCC. And that survey indicated that about 47% of respondents were very confident of meeting the new deadlines. And those deadlines are by the end of this year, cash purchase and sale transactions that fall under the mandate need to be centrally cleared. And by the end of June of 2027, repo transactions that fall under the mandate need to be centrally cleared. So 47% or about half the marketplace feels very confident that they can hit those deadlines. Another 41% are somewhat confident that they can hit those deadlines. So we're talking about close to 90% of the market that's either very confident or somewhat confident in meeting these deadlines. So what I would say is that if you're not in those categories, it's time to get there because those deadlines are coming up quickly. And what we've understood is that the industry has asked for an extension. That extension has now occurred. We've now seen those dates from the original rule moved back by one year. So those due dates have moved back by one year since the original rule was put out in December of 2023. We're not expecting the SEC to extend those dates further. So market participants really need to be thinking about getting ready by the end of this year for cash purchase and sale transactions and the end of June for repo transactions. We have seen some important updates recently from the CCPs in the U.S. Treasury market. Currently, the Fixed Income Clearing Corporation (FICC) is the CCP in the Treasury market. The Chicago Mercantile Exchange (CME) was recently approved as a CCP, and ICE has also applied to be, the Intercontinental Exchange, has applied to be a CCP in the Treasury market as well, and their application is still pending. So we've seen quite a bit of new developments on the clearing model front. FICC in particular has also been rolling out a series of new clearing models that we'll hear about later today, both in triparty and DVP based clearing models. And so we're seeing evolution in the models that are available to centrally clear transactions. We've also seen some regulatory updates recently. There was a question about whether agency MBS triparty transactions or general collateral (GC) trades needed to be centrally cleared. Those have now been ruled out of the mandate. So agency MBS general collateral trades no longer need to be centrally cleared under the SEC's interpretive guidance. There is also part of the rule that requires the clearing of inter-affiliate transactions. So many of you may know that large global institutions conduct repo on an inter-affiliate basis to manage liquidity and move collateral. Those inter-affiliate

transactions are subject to the clearing rule. There is the ability to exempt those trades, but it requires then that any externally facing repo be centrally cleared. The industry has asked the SEC for some additional flexibility around the inter-affiliate rule exemption that would allow a small percentage of an organization's repo book to be done on a non-centrally cleared basis by non-U.S., non-CCP member affiliates. We have yet to hear from the SEC on that, but we're hopeful that that flexibility would be provided because it could allow firms to focus on the majority of their activity rather than a small portion of activity that's being done in non-U.S. affiliates. So that's a quick rundown of the rule, the current status in the industry, and then some of the recent updates that we've seen on the regulatory front. I'd like to turn now to our solutions at BNY and what it takes to get ready for this rule. We've often talked about the four things that industry participants need to consider when preparing for the rule — 1) to understand the scope of the rule, what transactions you conduct today that are subject to the rule. That involves your own legal analysis, but it also may involve talking with your counterparties about whether they need to centrally clear your transactions. 2) thinking about the models that you will use to clear. Once you understand the rule, then you have to decide what model, what approach to clear those transactions. Again, that could be you as an intermediary or if you're an end client, talking with your counterparties about what approach they're going to use to clear your transactions. 3) you really need to think about the risk management considerations around centrally cleared transactions. Centrally cleared transactions require margin liquidity commitments. They also require in some cases additional capital, especially from intermediaries and that may be passed on to end participants in the treasury market through price or margin. And then finally 4) getting prepared, getting ready. What is your internal plan to get ready for the rule? Making sure you have a robust one. You now have one year to go, just under a year to go for the central clearing of cash purchase and sale transactions. But you need to be thinking about legal documentation systems, counterparty readiness and don't underestimate how long those things will take and the investment that they will take. Here at BNY we have a series of solutions that we think will really help the marketplace transition into central clearing. They involve clearing your transactions. So you may be conducting transactions today and we can clear those trades. You may need collateral management to be done on repo transactions that can be done on our Global Collateral platform and that can be essentially cleared through that platform. We'll hear about that. You may need direct financing on a centrally cleared basis. We'll talk about our 'done-with' financing program. And finally, margin solutions. You may need to be able to post margin to your CCPs. That can also be done through a series of solutions that we have. So let me turn now to some of our panelists who can talk about some of our solutions in more detail. And I'd like to start with Victor, who heads up our Global Clearing platform. And Victor, you know the, as I mentioned the cash purchase and sale deadline is

really approaching fast with the, the date at the end of 2026. You know, obviously purchase and sale transactions require different sort of clearing models and considerations. And I wonder how should firms be thinking about this requirement, What kind of access models are available and what is BNY thinking about in terms of transitioning our client base and helping the client base through that transition? Yeah, sure. So thank you, Nate. Nice to be with everyone again. Victor O'Laughlen, I lead our Global Clearing business at BNY. I'll start off by providing an overview of the three core products that BNY Global Clearing provides and then I can dive into the underlying services that are relevant for today's discussion, along with some considerations for clients and prospects, including the different access models for the purchase and sale of U.S. Treasury securities. So first off, Global Clearing's Fed clearance product settles bilateral Fed-eligible activity today, including the purchase and sale of treasury securities. Our role in the market and this product offering is not changing as part of the mandate. So we'll continue to settle bilateral Treasury cash trading activity that doesn't require clearing through a CCP per the mandate rule. We'll also continue to bilaterally settle Fed-eligible activity that is cleared via a central counterparty as we do today. So for example, FICC is a current client of ours and we expect to settle more activity from FICC as more trades are cleared via three access models. One direct FICC members or CCP members submitting executed purchase and sale transactions via FICC or CME and soon to be ICE. We expect via the normal direct model, 2) via the sponsored DVP model where direct members can submit executed purchase and sale transactions on behalf of their sponsored members and 3) via the Agency Clearing Service (ACS) model. We will also provide bilateral settlement for any other CCP involved in the treasury market, including CME and ICE, given our position as the settlement agent in the U.S. market. Global Clearing also provides a product called Outsourced Clearing which is delivered via our BNY Pershing broker dealer. Some call it corresponding clearing. As part of this offering, we are a general clearing member of FICC, NSCC and other CCPs. So BNY Pershing submits trades to CCPs on behalf of bank and broker dealer clients and can help settle this activity as an end-to-end compliance solution to access the U.S. market, including the purchase and sale of U.S. Treasury securities via FICC. We'll dig into this a bit further when we speak about the Agency Clearing Service in more detail. And then finally, our third product is called International Clearance. Also known as a global custody model, we provide settlement agent services for turn around activity in 100+ markets, 12 of which we are direct including North America, UK and the major European markets. So if we can turn to the next slide, I'm going to revert back to our Outsourced Clearing product and provide a quick overview of the Agency Clearing Service model. We will also host an in more depth session scheduled next week on February 5th for those interested in learning more about the ACS model and we have an additional session scheduled for February 10th that's more APAC (Asia Pacific) friendly. The Agency Clearing Service is offered to U.S. and

international bank and broker dealer clients who want access to FICC in order to clear and settle in-scope purchase and sales of U.S. Treasury securities. The benefits of this offering are 1) there's no requirement to be a direct member of FICC, therefore you can forego the legal documentation and the financial obligations of FICC membership. 2) BNY Pershing will pay the default fund and the initial and variation margin as required to support this cleared activity, so we provide that as a service. Clients and prospects retain their existing trading relationships while leveraging BNY Pershing to provide automated clearing and settlement. So you can retain your existing BNY custody accounts to settle these clear transactions. So if you're an existing Fed clearance client accessing the Treasury market, you can continue to leverage that existing account. If you're an International Clearance client using our GSP application, you can continue to use that account as well to settle these clear transactions. So what does this do? It's essentially reduces account setups and simplifies the onboarding and settlement process. We also offer an accelerated onboarding process that requires, again, no FICC documentation and it essentially requires only one contract with BNY Pershing. So that being said, everyone needs to make a decision very soon to ensure we can support what is expected to be a rush to comply with the mandate. And I'll leave it with a few different use cases that we think clients may be interested in. In the ACS model 1) clients trading on interdealer platform. So for example, a firm executing on a venue such as broker tech that requires FICC clearing, but you in that particular example are not a direct member of FICC. We've been getting some inquiries about bank branches that particularly are overseas. That have another branch that is a FICC member, but they don't want to clear through that affiliate branch. There's an opportunity for us to be able to service those prospects and clients as well. And then also Nate mentioned firms not otherwise in scope that need a clearing solution. So there's going to be a lot of liquidity in the cleared products. And so you may voluntarily want to clear transactions just to be able to access that liquidity. And then finally, government securities dealers, government securities brokers and broker dealers trading with other FICC members, but they're not an FICC member themselves. We can help facilitate access to FICC. Thank you. Thanks Victor. And you make a really great point about those that may not be subject to the rule or you may not have some transaction types that fall under the rule's scope. That being said, given the shift that we're expecting in liquidity, it could be that you're going to get much better pricing if you can centrally clear a transaction. And a couple reasons for that are that dealers can get the balance sheet benefit of having the same exposure on, for example, repo transactions. But it also could just be a matter of liquidity that the non-centrally cleared markets are much smaller. Is that how you see it, Victor? Yeah, absolutely. I think you want to have options. We don't necessarily know how, like there's going to be changes in pricing and liquidity. We believe being ready for that as a defensive measure as well is going to be an important tool in your toolkit, whether you

decide to use it or not. I think it's good to have connectivity to the cleared models to be able to ensure that you get that pricing and that liquidity. Yeah, that's a great point. Let me turn it over now to Jim Palmer. So Jim in your role as Head of Liquidity, Margin & Cleared Repo Sales, you're looking at how we develop business with our clients around the sponsored repo business, which as I mentioned before is one of the leading sponsored repo providers. Give us some sense of our perspective on the repo clearing requirement and how you think about the shift of central clearing and what's the role that that our sponsored repo desk can provide to clients in the industry. Yeah. Thank you, Nate, and good morning, good afternoon and good evening to everyone participating in today's webinar. My name is Jim Palmer and I run the sales for our Liquidity, Margin & Cleared Repo program. And as Nate and Victor have set the table here, our goal with this seminar is to provide an overview of our central clearing solutions across the franchise and to highlight how clients are leveraging these capabilities to support their liquidity, financing and clearing needs. With an eye on the mandate, we have existing products and we're rolling out new enhancements for the future. So we're excited to share where we stand with those today. To Nate's point, I'll be covering the 'Done-with' business. And to help frame this discussion, I wanted to first start out by outlining where this business sits within the organization. Our team is part of the Liquidity & Financing platform within our Markets franchise and we have aligned the commercial organization accordingly, enabling our team to engage with clients holistically around their cash investment and collateral financing needs. And we have a waterfall of solutions across the platform. And the sponsored repo business fits nicely as a solution for clients looking to invest cash in U.S. Treasury repo or finance U.S. Treasury collateral. That's the commercial side that 'done-with' sponsored repo portfolio itself sits within our securities finance business and many of the folks, many of the clients and partners on this call experience or have a relationship with that team. Today, we support clients through our agency business. We're a market leader as an agent lender. We have a very significant and meaningful principal business providing term financing with BNY (Bank of New York) as a counterparty. We also have prime solutions as part of that portfolio as well. And we also have this sponsored 'done-with' business and there's connectivity for clients across each of these depending on their needs. By way of background, our sponsor 'done-with' program was launched nearly a decade ago and today it sits as a market leader across the marketplace. When we look at the numbers nearly \$2.5 trillion in Treasury repo already participates voluntarily, so before the June of 2027 date, in sponsored activity and our trading desk supports nearly 20% of that overall flow. So really meaningful scale for our clients. Notably this activity is predominantly overnight repo, although we are seeing some term activity for up to one week. Collateral eligibility is both treasuries and agencies. Although as Nate pointed out, the clearing rule doesn't require agencies to be centrally cleared, but we have seen a nice uptick in clients looking to fund agency MBS within the

platform. So that being said, let's dive into the rule and who is impacted and Nate's touched on this already, but let's zero in on it. The rule requires that members of the central clearing agency and today that volume flows through FICC. If you trade U.S. Treasury repo with a member of a central clearing agency, then that member is subject to complying with the rule. And therefore folks on this call, money funds, state treasurers, asset owners, hedge funds, corporates, you will need to be thinking about setting up access for cleared markets with your dealers with their own repo desks. But through this 'done-with' program at BNY, you can look to BNY to be another repo counterparty. A 'done-with' trade means that BNY transacts as a counterparty within the repo transaction. We are the trading counterparty. Clients can either be a repo buyer, a cash provider, or a repo seller, a collateral provider. The repo trade is executed facing BNY and then the clearing and novation process is managed by BNY. We assume the role of processing agent as part of the trade. Clients only deal with BNY and our trading desk and I want to emphasize this because it comes up often. Clients exposure is initially to the bank BNY and ultimately transitions to the clearing house as the ultimate counterparty on the repo once the trade is novated and as shown here in the slide. Each sponsored client faces only BNY and does not face the other sponsored clients within BNY. Their exposure again is solely to us at the point of trade until it becomes FICC. These repo transactions with our desk provide access through which clients can comply with the rule and enjoy many of the benefits of central cleared trades, in particular repo trades ultimately with the credit exposure of FICC. But the clients do not then bear the responsibility of being a direct member and the cost associated with that. That is our role as a sponsor. And given that this activity is a sponsor and largely an off balance sheet financing product for us, this portfolio has historically been able to provide consistent daily funding of Treasury collateral and has been an excellent execution point for cash investment options for buying Treasury repo. From a trade execution perspective, our teams leverage Bloomberg as well as BNY's LiquidityDirect investment portal to purchase FICC repo. This fits in nicely with how clients manage their repo activity today. We also leverage BNY's infrastructure and triparty (the Global Collateral platform) to support the settlement of this activity. We utilize sponsored GC. We also support DVP for collateral provider settlement and we recently announced at the end of last year our team did the industry's first Collateral in lieu (CIL) trade. I know Sofia will touch on this next, but we have found the Collateral in lieu trade to be a very meaningful way to engage with our repo investor clients. This new capability alleviates our need as a sponsoring bank from guaranteeing the performance of the sponsored client, our counterparty to FICC. As long as the cash investor grants the lien on the collateral to FICC with that collateral being held in triparty. Again, we don't need to guarantee the performance. And as a result of this and Nate touched on, on some of this earlier, we anticipate that leading to greater efficiency and more capacity for BNY and other dealers as

they look to leverage Collateral in lieu with their counterparties as well. A few other things we wanted to highlight here. What are we hearing from clients? What's top of mind? First and foremost, the June 2027 deadline is coming. Documentation takes time. There's a lot of excitement and a growing pipeline globally from clients both in and out of scope. Both Nate and Victor touched on that. We anticipate a continued shift towards cleared markets. So for clients out of scope by the rule, by nature of the rule or based on the type of documentation, we do suggest pursuing a sponsor relationship to ensure you have appropriate access to liquidity because we do anticipate market liquidity to move to the cleared market generally. There's also significant excitement around the triparty platform capabilities that Sofia and Ted will touch on. I've mentioned Collateral in lieu, but 'done-away', we think this will be able to support access to cleared markets for dealer and cash investor activities. So Ted will have highlights there, but we're really excited about that offering as well. And lastly, this group as well as my colleagues across the globe, we've been spending a lot of time and Nate touched on this around how BNY can support global counterparties, in particular counterparties that are wrapped into the rule because of their affiliate exposure to the netting member in the U.S. We're here to help that audience of clients. We've had significant success in supporting clients across Europe and Asia and through our 'done-with' program, we've seen that to be a nice outlet to help solve for repo clearing. I'll pause there, Nate, I'll turn it back to you and look forward to the Q&A at the end. Thanks, Nate. Thanks, Jim. And Jim, one of the things you and I have spent a lot of time traveling around the world talking about central clearing both, you know, the range of solutions we have across the enterprise. But one of the things that's always struck me is that, you know, there are still there are, you know, a lot of marketplace is not centrally clear today and therefore there's still not widespread familiarity with some of the clearing models. And so if you're in the repo market, you're doing financing and Treasury securities and you need to get exposure to how central clearing works. You know, coming to us and our 'done-with' program is a great way to understand how that can work and do it in a way that's efficient and with a counterparty that can provide lots of liquidity because they're one of the leading repo counterparty desks. You know, how's that conversation gone? And do you see that the same way, Jim? Yeah, no, Nate agreed. And I think that's been the message that we've seen from clients across the globe. It's step one — what is the rule and how I, how am I impacted? So there's an educational part. But then what's really resonated with clients is sponsored exists. It's a mature market today. People are voluntarily participating. People can get ahead of the deadline by signing up sponsored agreements today. And then as we'll cover here, these additional access by signing up the sponsored model, they'll then be ready to access the new models as they become ready for the marketplace. That's great. And your point about signing up early, I think is a really important one, right. So those sponsored documentation, they can take several months to

go through the whole process of negotiating those sponsored agreements because the sponsor is guaranteeing the performance of their client to the CCP under the sponsored GC model. And so that requires some serious negotiation about what that guarantee looks like. Going through that process can be lengthy. And so having the legal capacity to do it, having the time to do it with your counterparty is super important. And you don't want to be at the end of a long line of market participants who's trying to get your, you know, the latest legal counsel to come over and help out because they're helping out everybody else or, or jammed with your counterparties and their legal department. So that discussion needs to start as soon as possible, I think. And so, you know, what our 'done-with' program as a counterparty providing financing. It can be the way that you introduce yourself into clearing now ahead of the mandate. It can be a way that you can diversify your counterparty relationships because you're going to need more capacity or you can just grow your capacity with us because more needs to be centrally cleared in the future. OK. So we've talked a little bit about if you're doing transactions in the cash market and you need to outsource that clearing to get it centrally cleared, Victor's Global Clearing platform can do that through our outsourced service. Jim has talked about if you need centrally cleared financing from us as a counterparty, we do that through our 'done-with' repo business. I'm gonna turn it over to Sofia now because we also have a platform here that supports any dealer and cash investor and increasingly even buy-side participants in centrally clearing their transactions. So, Sofia, tell us a little bit about the platform and what are some of the solutions that we're rolling out right now? Sure, Nate. And hi, everyone. And you hit it there, Nate. I'd like to start by building a little bit on some of the points that Jim and Victor made in our role at BNY as a financing counterparty and sponsor as well as clearing agent. The way to think about our Global Collateral platform is that we really provide the infrastructure where all of that activity can take place at scale. Indeed, the entire platform supports more than \$7 trillion of financing activity across various straight types, asset classes and markets. And we support the whole collateral life cycle from eligibility to optimization settlement. If I were to put this in really simple words, what we do is help our clients get the right assets to the right place at the right time. Focusing on the SEC central clearing rule, our platform here plays a key role as it becomes really the operational fabric where our clients meet CCPs supporting their clearing, margin and collateral obligations. From a U.S. CCP perspective, we support today FICC and we're currently working with CME on their independent and supported user access models as well as with ICE who have recently announced their plans to enter the space. Our goal here is to simply enable our clients to give them flexible and seamless access across the different CCPs and actually the different services within each one of them. Our recent product launches and these have been mentioned already include FICC'S Collateral in Lieu (CIL) and the Agent Clearing (ACS) Triparty Service as well as 'Done-away'. And those really building an existing set of CCP

services on our platform, which is FICC's GCF repo service and sponsored GC, which have been on our platform for several years. And indeed what we've seen since the rule finalization in 2023 is that the sponsored GC services in particular and its volumes have more than quadrupled since the finalization of the rule reaching approximately \$700 billion by the end of 2025, which shows us that clients are proactively switching into cleared channels ahead of the full implementation of the mandate. And to support this transition from the goal of our collateral perspective, we have introduced various enhancements to support this transition. And to give some flavor here, we have recently introduced a novation status features so that both clearing members and their clients can see the novation status and have transparency into the novation process. Just three days ago, FICC's announced that there's an extended settlement cut off for centrally cleared BNY triparty repo from 5:30 into 7:00 PM. So what this really does is that it aligns the centrally cleared triparty repo with a settlement time frame of the non-centrally cleared triparty repo, which is well after the 3:00 PM cut off of the Fed DVP trades. And also now CCPs can set minimum haircuts in their models of our platform when using our collateral services. And on the legal side, I would say we have remained really focused on documentation efficiency. And a recent example here is the single signature adherence agreement which focuses on FICC services. To give some perspective here, one dealer facing 15 counterparties using three access models before they would have to sign 45 signatures and then this would be another 45 signatures for their counterparties. That is in total 90 signatures overall. By using this adherence agreement, we bring this down to 16. This is one single signature for the dealer and one signature per each of the 15 counterparties. That is an 82% decrease in signatures required, which leads to faster operational setup and actual go-live, which is really key as we're moving into central clearing. And now let's get a little bit into more detail. In our most recent product launches, one of the first ones is FICC's Collateral in lieu. And we actually, as Jim mentioned, we saw the first trade in December last year. One of the key topics around the mandatory clearing discussion is the increase in margin requirements and CIL, which is the abbreviation for Collateral in lieu is a direct response to that. So Collateral in lieu is an extension of the existing sponsored GC service on our platform where FICC takes a targeted lien on the collateral allocated in the cash investors dedicated CIL triparty account. So this lien structure achieves two things here. First of all, it removes the sponsoring members obligation to guarantee the sponsored members' performance to FICC which leads to reduced capital costs. And second of all, in more circumstances, it removes the need for the sponsoring member to post margin to FICC for the sponsored member side of the trade, which leads to lower margin overall being posted. And this model now can use joint trading accounts leading to further operational efficiencies on our platform. Another up-and-coming offering is FICC's Agent Clearing (Triparty) Service , which can now settle through our Global Collateral platform. This

enables agent clearing members and their executing firm customers to continue enjoy the benefits of the existing bilateral version of the agent clearing model, including potential margin efficiency through net margining, but also unlocks the scalability of triparty. Operationally, ACS triparty trades can route into the same agent clearing omnibus account at FICC as the DVP activity and on the Global Collateral side. What is key here is that this structure utilizes the same legal and operational framework as the existing well established sponsored GC service. And for both of these models, I would like to call out and for the existing sponsored GC service, they will be available on a both 'done-with' and 'done-away' basis on our platform, which is another way to give more flexibility and optionality for market participants to access central clearly through our Global Collateral platform. And to bring it all together. Because I've mentioned many models here, the way we think about our Global Collateral platform is that it is key infrastructure to provide centrally cleared repo with scale, transparency and the control and with a simplified onboarding that really the market needs as we transition smoothly into central clearing. Thanks, Sofia. I think that's a great point you make about the Global Collateral platform. You know, the scalability of the Global Collateral platform is really such a benefit to the users of it, not just operationally. That's of course a big benefit of not having to manage all of the collateral, the deliveries, the potential for fails, but also the scalability of the liquidity because of how many participants are on the platform and now plugging into any CCP that is out there to be able to centrally clear your trades. Yes, correct. That's a key benefit of the triparty platform because we think about as infrastructure, but also as a network because this is where all of our clients meet and have access to each other, but also to different liquidity pools. And now with the central clearing mandate with the CCPs, and this is what we do, we really make it easy to give client access to each one of them seamlessly by being under the same network here, Nate. Yeah, that's a great point. And to your point about the ease of use, you know, we've talked to clients a lot about just getting the information about whether their transaction has been centrally cleared because that's a process to go through the novation process, right? And our platform just makes that super easy and now has that information available. Correct. And we've been hearing that a lot, especially from clients who are not direct participants to CCPs that do not have access to this information real time. And by having that network and actually our platform, we can give that visibility into all clients who might not be directly related to FICC or CME or ICE in the future. So yeah. Very helpful. You know one other thing I just want to highlight and then and then I'd like to turn it over to Ted to talk a little bit about 'done-away'. But I think your point about the ability for the Global Collateral platform to make triparty repo more efficient, again, not just operationally, but the structures that we're able to operate within Global Collateral platform because they can offer things like the lien structures that that guarantee that that collateral is going to be available to the lien holder that has these significant benefits. So for example, an FICC's

Collateral in lieu product, you know, margin can be a two to three basis point cost per transaction and the capital for a dealer associated with guaranteeing their client and declaring can be eight to ten basis points of cost collateral. And Collateral in lieu actually reduce both of those costs because of the ability of a triparty repo and Global Collateral platform to be safe and secure for the CCP. So you no longer require the margin and you don't require that guarantee to happen. So it's a big benefit if you're able to leverage that capability. All right. So Ted, maybe now it's time to turn over to you. We've been talking about outsource clearing. We've talked about 'done-with' financing through our sponsored repo desk in the Global Collateral platform that can support many dealers, whether that's BNY as a dealer or any other dealer in being able to do triparty repo on the Global Collateral platform. All of this has been in the context of transactions that you do, you know, for the most part with each other on in repo. But what is it? So maybe you could just explain, and Victor talked about this a little bit earlier, but just explain what is 'done-away' mean in the Treasury market? And then what is the offering that we're contemplating in the 'done-away' space? Sure, sure. Thank you, Nate and welcome everybody. Good afternoon and good morning. So 'done-away' is a product that we're very excited that we're going to be launching and we view it as an important component of any money fund, cash provider or FICC dealer preparedness program. So to fully understand the value that 'done-away' brings, you really want to think about what the world would look like and what preparedness would look like if there were no 'done-away' service. So say you're a money fund or cash provider you may trade with, and I'm just gonna throw out numbers here, for example, 15 counterparties, say you may have sponsored arrangements with one or two of those counterparties, but you trade with all 15. So without a 'done-away' service, you have two choices. You can either focus all of your trading and move it to your existing sponsored counterparty relationships or if you want to retain those 15 counterparty relationships, you would need to execute sponsorship arrangements with the remaining 13. And I think that Nate, you actually talked about it really importantly. I think everyone touched on it is the burden that that could create in terms of legal capacity and in terms of prioritization and resource. If you are a dealer, the FICC dealer, you may trade with 15 collateral cash providers and a whole stable of collateral providers. You may be sponsoring some of those, may not be sponsoring any of those without 'done-away', you would need to go and execute sponsorship arrangements with every one of those counterparties if you want to retain the trading relationship with them. And this is very onerous, very difficult. You're creating this web of contracts, competing with resource, competing with internal resource, competing with counterparty legal resources, hugely expensive. So you have to ask your question, is this the right use of resources? You know, you're a trading firm or you're a money manager. This isn't what you want to be doing. And then as you mentioned, in our own experience, we've seen it take up to six to eight months to execute some of these sponsorship

agreements. So our service, our 'done-away' service is one that we are building on top of our existing 'done-with' SMP, sponsor member program, book that that you mentioned. We have relationships with most of the major cash providers today in the market. And so we can add an addendum to that existing agreement and that will allow us to sponsor trades at those entities execute away from us provided that the dealer that they are executing that trade with is part of our program as well. So we will launch this service and sign the addendums with its cash providers. We are going out to the dealers today that are interested in this service and signing them up to allow us to clear the transactions that they execute with our stable of collateral providers. And this allows everyone to retain their existing relationships without focusing on the very difficult and labor intensive task and expensive task of contracting with every one of their counterparties. So ultimately the way this works, it's very straightforward. As long as two members, counterparties that are in our program, execute a transaction, they would submit that transaction to our triparty platform very similar to what they do today. We would know that that is a 'done-away' transaction. We would know that we are responsible transaction and then we take on the responsibility of notifying FICC to novate that transaction. FICC would know would message us back telling us that that that trade has been novated. We would notify the counterparties that the trade has been executed. At no point during that flow does BNY become a counterparty to that trade. The counterparty and the risk is between the two executing entities pre-novation and once the trade is novated, both counterparties are facing FICC. The benefits we see here are really threefold. The first is it allows you to retain your existing trading relationships without having to go through the process of either launching a sponsored program or adding them to a sponsored program or becoming a sponsored member to your counterparty. It also adds scalability to your business. If you want to add a new counterparty, whether it's a new cash provider or it's a new dealer to your counterparty mix, all you have to do is enter the trading relationship. You are not going to have to also go through the task, the work of adding them and negotiating a sponsored agreement. And then finally, one of the main benefits is it fits within the current triparty flow today that that most firms are familiar with. So that's this product 'done-away' that we're launching. It should be launched in Q1 of this year (2026). We've already been speaking to both cash providers and dealers about this. There's a lot of interest in this. We don't envision this to be the turnkey to allow them to trade with all of their counterparties. Most of the firms that we've talked to think that they will sponsor or be sponsored by a number of their counterparties. But for a portion of their book, they believe that this is a perfect solution for them. Yeah, Ted, thank you so much. You know, it's interesting. As pencils have gotten sharper around central clearing, people are increasingly thinking about the capacity that they have, whether if you're a dealer to clear all of your clients or if you're a client, you know, where are you going to go to access funding or to invest your cash and, and does your

counterparty have the capacity? And it seems like 'done-away' is an important part of the solution to that, not just for an individual, but at a sort of a market-wide level. Do you agree with that? I think it is. I think that, and I've said this before and I haven't got any pushback, I think it is a given that 'done-away' is going to be a part of the overall industry solution. Ultimately, you don't want regulations to impact the way you trade. You want to comply with the regulations, you want to enjoy the safety and security of those regulations provide, but you don't want it to impact who you trade with or how much you trade. And 'done-away' is going to be key to ensure that doesn't happen. Yeah, I agree with that. Well, thank you so much. I know we're at time here, so I'm going to ask our panelists one last question. And this never really works, but I'll ask them to do it in one sentence. So I think it's important we're all getting ready for these deadlines that are coming up. What's the one thing you believe that firm should be doing now to prepare for these deadlines for the central clearing mandate? We'll run down the list in order. So maybe Victor, you could go first. Just a couple of comments. One, this is a global mandate, so be sure whether you're in scope or out of scope. We believe the Agency Clearing Service model for purchase and sale of U.S. Treasuries is one of the most margin efficient models out there. And the BNY Pershing offering has what we believe to be one of the quickest paths to compliance in the market. So please join us on February 5th or February 10th for the ACS deep dive. And if you haven't received an invite, please contact the e-mail address here and we'll get you on the list. So thank you. Yeah. Thanks, Victor. That was one excellent sentence. Turn it over to you, Jim. Yeah, Nate, thank you. It's all about access and options. So today we have a sponsored repo book that can help trade or help provide access as a trading counterparty using that relationship leveraging 'done-away', our suggestion would be to prioritize the 'done-with' so then you're in the stable and ready to participate in 'done-away' once launched. That's great, Sofia. Like all of the other comments. I would say give yourselves optionality and sign up on BNY's Global Collateral platform and really sign up for the adherence agreement which really unlocks all the FICC models on our platform. And then you can decide later which is the model that suits your needs. And then sign up for the other CCP documentation when these are up and running. So documentation is my one word, Nate. Great. And Ted? No firm has unlimited capacity in terms of capital or legal resource or focus. So run the numbers, prioritize that capacity, and then leverage solution providers to fill out your entire book and your entire preparedness. That's great. Yep. Know the scope, run the numbers to know what model you need, consider the risks, and get your program up and running so you can hit these deadlines. If you need to know more, reach out to your BNY representative. You can also, there's a ton of material available about the central clearing mandate on * bny.com/centralclearing (or email central.clearing@bny.com) . And with that, I want to thank you all for joining us. Have a great day.