UBS AG

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

Re: Notice of Request for Exemptive Relief from Certain Aspects of Rule 17ad-22(e)(18)(iv) – Support for Exemption for Non-U.S. Transactions

Dear Ms. Countryman:

UBS AG ("UBS") appreciates the opportunity to comment on the Securities and Exchange Commission's ("Commission") notice (the "Notice of Request for Comment") regarding the Institute of International Bankers' ("IIB") request for exemptive relief from Rule 17ad-22(e)(18)(iv) (the "Trade Submission Requirement").

UBS strongly supports the Commission's full adoption of the proposed exemptive order to exclude certain 'Non-U.S. Transactions' from the Trade Submission Requirement. We concur with the comprehensive reasoning highlighting the legal, operational, and market challenges of applying the clearing mandate to transactions between non-U.S. direct participants and non-U.S. clients. UBS supports the position taken in the comment letter submitted by the IIB, including support for the request submitted to the Commission on February 27, 2026 as proposed. We caution that imposing any volume-based cap in the future would introduce significant operational complexity and should be well founded and based in evidence. Clearing and settlement arrangements with counterparties are typically structured with an expectation of stability and substantial advance notice for changes; a hard activity cap could force abrupt adjustments that disrupt these long-standing arrangements. We recognize that some market participants have discussed an activity cap as a potential safeguard. If such a measure were considered, it should be phased in over a sufficient time horizon and incorporate appropriate carve-outs to ensure it does not undermine the relief's intended benefits. Moreover, we would urge the Commission to include provisions for formal periodic re-evaluation of any such cap, so it can be adjusted or lifted if it proves unnecessary or overly disruptive. Our firm's global perspective remains unwavering: granting this relief – ideally without an arbitrary cap – is necessary and appropriate in the public interest to preserve a liquid, stable U.S. Treasury market.

Our comments seek to underscore that granting this relief is necessary and appropriate in the public interest. In the comments below, we outline our key reasons for supporting the exemption and address the Commission's specific questions (Q1–Q16) from the Notice of Request for Comment.

UBS is a global financial institution with a significant presence in U.S. Treasury markets. We are a primary dealer and a direct participant in U.S. Treasury clearing, facilitating repo and cash Treasury transactions for a wide range of international clients. This experience gives us first-hand insight into how vital foreign participation and cross-border transactions are for U.S. Treasury market functioning. We are keenly aware that an overly broad extraterritorial clearing mandate would have unintended consequences: it could deter non-U.S. investors from U.S. markets, introduce legal and operational risks, and possibly disincentivize foreign institutions from maintaining direct clearing membership. Such outcomes would run counter to the Commission's goals of expanding central clearing access and enhancing market resiliency. For these reasons, we urge the Commission to grant the requested relief. Our comments below address each of the Commission's questions and explain why the exemption is prudent and warranted.

- Legal Scope and Definitions: UBS believes the requested relief is well-defined and appropriate in scope.
    - Q1: *Support for Relief.* Yes. We strongly agree that the Commission should grant an exemption for eligible secondary market transactions between a 'Non-U.S. Participant' and a 'Non-U.S. Client,' as proposed in the Notice of Request for Comment. Granting this relief will resolve extraterritorial ambiguities in the rule and prevent the negative consequences outlined below, all while preserving the core risk-reducing intent of the Trade Submission Requirement for U.S. markets.
    - Q2: *Definition of U.S. Person (Rule 3a71-3).* Yes. Using the Exchange Act Rule 3a71-3 definition of 'U.S. person' to delineate a 'Non-U.S. Participant' is appropriate and effective. This definition is widely recognized by cross-border market participants (e.g., from its use in Title VII/Dodd-Frank contexts) and precisely identifies those entities with a nexus to the U.S. that should remain subject to the clearing mandate. Relying on this familiar standard provides clarity and consistency, ensuring only truly foreign entities (with no U.S. person status, no U.S. branches, and no U.S.-guaranteed obligations) qualify for the exemption. We emphasize that our support for this clear definition is about maintaining consistency in application – not about seeking any competitive edge. It simply draws the U.S./non-U.S. line transparently, focusing the mandate where it belongs without unintended disparities.
    - Q3: *Scope of "Non-U.S. Participant" Definition.* The scope is properly calibrated. The proposed 'Non-U.S. Participant' definition appropriately excludes any direct participant that is a U.S. person, a U.S. branch, or an entity backed by a U.S. guarantor. In practice, this means the relief would apply only to direct participants that are genuinely non-U.S. in operations and obligations – narrowly targeting the exemption to transactions with minimal U.S. nexus. We do not see a need to broaden or alter this definition; it effectively captures the intended class of foreign institutions without opening loopholes for U.S.-connected transactions. Importantly, UBS is not seeking any competitive advantage over

U.S. firms through this scope. If the Commission deemed it appropriate to extend the same relief to comparable trades by non-U.S. branches of U.S. banks, we would fully support that, provided a clear and consistently understood 'U.S. person' definition is maintained to ensure parity.

- Clearinghouse Risk Management and Systemic Considerations: We believe the exemption will not impair the risk management of clearing agencies, and will in fact support systemic stability.
    - Q11: *Central Counterparty ("CCP") Risk Management of Member Trades.* The relief will not adversely affect a U.S. Treasury clearing agency's ability to manage the risk of its direct participants' transactions. Covered clearing agencies will continue to manage and margin all cleared trades as they do today. Non-U.S. transactions that remain bilateral are outside the CCP's purview, just as they are today in the absence of a mandate. Importantly, by granting relief, the Commission will keep more members in the clearing system who might otherwise exit due to extraterritorial burdens. This preserves a broad membership base and avoids concentrating risk among fewer clearing members, thereby *supporting* the CCP's overall risk management capacity.
    - Q12: *Contagion Risk and Systemic Risk.* The requested exemption will not increase contagion or systemic risk for U.S. Treasury clearing or markets. The key systemic safeguards of central clearing (e.g., rigorous margining and default management) will continue to apply to all significant U.S.-centric activities. Exempting purely foreign-to-foreign trades avoids forcing mismatches into the clearing system, thereby preventing potential points of failure, such as delayed overnight submissions or legal uncertainty in enforcement. In fact, the relief would likely enhance systemic stability by preventing market fragmentation: foreign institutions remain engaged in U.S. clearing and markets, which distributes risk broadly. In short, excluding these Non-U.S. Transactions from the mandate will not meaningfully weaken the cleared network, and it averts scenarios that could have introduced new risks (e.g., legal enforcement issues across jurisdictions).
- Market Liquidity and Foreign Participation: We expect the exemption to preserve liquidity in the U.S. Treasury market and maintain robust foreign involvement.
    - Q9: *Impact on U.S. Treasury Liquidity and Resiliency.* Granting the relief will protect U.S. Treasury market liquidity and resiliency. If Non-U.S. Transactions were subject to mandatory clearing, some foreign dealers and investors might scale back their U.S. Treasury activities due to the burdens involved, which could reduce market liquidity. By exempting these trades, the Commission ensures that foreign institutions can continue their U.S. Treasury trading unimpeded, which helps maintain deep liquidity and stable pricing. The U.S. Treasury market's overall resiliency benefits from broad participation; avoiding a contraction of participants or volume is clearly in the public interest. In our judgment, the relief will have a positive impact – or at worst, a neutral one – on market liquidity, especially relative to the alternative of imposing a requirement that could drive business away.

- Q10: *Impact on Foreign Participation in U.S. Markets.* The relief will encourage continued foreign participation in the U.S. Treasury market. Non-U.S. investors and counterparties will not be discouraged by extraterritorial clearing obligations and can keep transacting with U.S. and foreign primary dealers as they do today. Absent the relief, many non-U.S. clients might reduce their activity or seek other markets (e.g., European or Asian government bonds) to avoid the complications of U.S. clearing. That outcome would clearly undermine U.S. market interests. By adopting the exemption, the Commission avoids this risk and sends a welcoming signal to foreign market participants that they remain a valued part of the U.S. Treasury ecosystem. This helps ensure the broadest possible investor base for U.S. Treasuries, which ultimately supports lower funding costs for the U.S. government and a more resilient market.

- Market Structure and Competitive Effects: The exemption is designed to foster a level playing field among firms and will not create unfair competitive advantages.

    - Q4: *Effect on Trade Structure or Clearing Access Choices.* We do not anticipate the relief causing any significant shifts in how firms structure their repo transactions or access to clearing. If anything, it preserves the status quo for foreign-focused trades, allowing them to continue bilaterally as they do today. With relief, a foreign direct participant can trade with its local clients without needing convoluted workarounds, such as routing trades through a U.S. affiliate or altering its booking model. In the absence of relief, some firms may have considered structural changes – for example, withdrawing from FICC membership or executing all trades via a U.S. broker-dealer entity – purely to avoid the mandate. The exemption *avoids* such distortions. Thus, rather than impacting market structure negatively, the relief prevents potential market fragmentation and keeps participants from having to reorganize their business solely due to cross-border clearing rules.

    - Q5: *Competition: Bank vs. Broker-Dealer Direct Members.* We do not foresee any adverse impact on competition between different types of direct participants (for example, bank-affiliated vs. broker-dealer firms). All direct participants, regardless of charter, would continue to clear the same universe of transactions – namely, those involving U.S.-market activity. The exemption only carves out transactions that are outside the typical scope of U.S. broker-dealers anyway (since U.S.-registered dealers generally do not engage solely in foreign-to-foreign trades). Both banks and broker-dealers that are direct participants will still compete on equal footing for U.S. business, and both will benefit from the clarity that their purely non-U.S. trades are not subject to clearing. In short, the relief does not favor one category of firm over another; it simply recognizes operational realities without altering competitive dynamics in the U.S. market.

    - Q6: *Competition: U.S. vs. Non-U.S. Firms; U.S. Branches.* We believe the relief strikes an appropriate balance that maintains competitive fairness between U.S.-headquartered and non-U.S.-headquartered direct participants. Non-U.S. firms would be relieved from

clearing only when dealing with non-U.S. clients – scenarios where U.S. firms typically are not directly involved. All firms, including foreign banks' U.S. broker-dealer subsidiaries and U.S. banks, would still clear transactions with U.S. counterparties. Thus, in areas where U.S. and foreign firms compete head-to-head (e.g., trades with U.S. investors or on U.S. trading venues), the rules remain the same for everyone. We recognize the concern about a level playing field if foreign banks get relief that U.S. banks technically cannot use. In practice, this concern can be addressed: To the extent that a U.S. bank's foreign branch engages in Non-U.S. Transactions, the Commission could extend the same relief to those trades as well. We would support such an extension for U.S. bank branches dealing with non-U.S. clients to ensure parity. Overall, the exemption's narrowly targeted scope means it creates no meaningful competitive distortion – it merely prevents Non-U.S. Person from being uniquely penalized for their global business activities, without giving them any advantage in the U.S. market itself.

- Q7: *Competition: Direct Participants vs. Non-Members.* The relief will not negatively impact competition between clearing members and non-clearing members. In fact, it helps avoid a potential disadvantage that clearing members would have faced. Without an exemption, direct participants would be mandated to clear certain trades that non-members could continue to do bilaterally – meaning non-members could offer clients continuity (no clearing) while a clearing member would be forced to impose clearing on those same clients. This asymmetry could push some clients toward non-member firms. By granting relief for Non-U.S. Transactions, the Commission ensures that direct participants can transact bilaterally with foreign clients just as non-members can. This preserves a level playing field: clearing members remain competitive in serving all client segments, and clients will not have regulatory reasons to avoid them. In summary, the exemption keeps the competitive landscape fair between members and non-members, and it encourages firms to stay within the clearing framework (since they are not unduly penalized for doing so).

- Tailored Relief, Reporting, and Conditions: The exemption is narrowly tailored and can be implemented without additional conditions, while maintaining transparency and oversight of the market.

  - Q8: *Impact on Reporting and Transparency.* The requested relief will not impair regulatory reporting or market transparency. Transactions exempted from clearing would still be reported through existing channels. For example, U.S. broker-dealer affiliates must report their Treasury trades via FINRA's TRACE system, and large banks (including foreign bank branches) are subject to the U.S. Office of Financial Research's bilateral repo data collection. In other words, regulators will continue to have visibility into these trades even if they are not cleared. The only difference is the data would not flow through a clearinghouse – but alternative reporting mechanisms cover the gap. As a result, there should be no material information loss. Market participants and regulators will still be able to monitor volumes and risks in the bilateral portion of the repo market.

- Q13: *Impact on Rule's Risk-Reduction Benefits.* Exempting Non-U.S. Transactions will not materially diminish the key benefits the Commission identified for the Trade Submission Requirement (e.g., reduced counterparty credit risk, improved default management, increased multilateral netting of exposures). The vast majority of those benefits arise from bringing U.S.-centric transactions into clearing – and that mandate remains fully intact. The Non-U.S. Transactions at issue represent a relatively small subset of activity and typically involve counterparties (foreign clients) that would not all be eligible or inclined to participate in U.S. clearing. Forcing these trades into clearing would likely yield minimal netting benefit (since the trades are largely within separate liquidity pools overseas) while risking the loss of some clearing members altogether. By granting relief, the Commission actually preserves the broader risk-reduction regime – because foreign firms stay in the clearinghouse for U.S. trades, and thus contribute to multilateral netting and default fund resources – rather than leaving in response to an impractical mandate. In short, the core benefits of the Treasury clearing requirement are undiminished: all major U.S. market trades will be cleared, and the systemic risk reduction that comes with that remains intact.

- Q14: *Need for Conditions (e.g., Activity Threshold).* We do not believe additional conditions (such as volume or activity caps on using the exemption) are necessary or ideal. The relief, as requested, is already conditional on clear criteria – applying only to Non-U.S. Participants and Non-U.S. Clients. Imposing an arbitrary threshold (for example, exempting Non-U.S. Transactions only up to a certain percentage of a participant's activity) would introduce unwanted complexity and uncertainty. Firms would struggle with real-time monitoring and might face sudden compliance challenges if a threshold is crossed. Moreover, a strict limit could unintentionally penalize active global dealers or create new instability as the cap is approached. In practice, clearing relationships rely on steady, predictable engagement, and a cap-triggered cutoff could seriously complicate operational and contractual arrangements. That said, we acknowledge that some have raised concerns about unconstrained use of this exemption and suggested a holistic activity cap as a potential safeguard. If the Commission were to consider such a cap, it would be critical that it be phased in over a sufficient time horizon and appropriately calibrated to avoid undue disruption. In particular, any cap should include carve-outs for certain transactions with limited U.S. nexus (e.g., TLC trades, or transactions with non-U.S. counterparties that are neither subsidiaries of a U.S. parent nor affiliates of a U.S. clearing member). A carefully designed, gradual cap with such exclusions could address volume-related concerns while preserving the relief's core benefits. Even so, our view is that the better approach is to grant the exemption as proposed and rely on existing channels of oversight to ensure that the exemption is not abused. If the volume of uncleared Non-U.S. Transactions were to grow unexpectedly, regulators could address that through data gathering or future rulemaking, rather than pre-emptively capping activity. In summary, while we continue to favor granting the exemption as proposed, if any cap were introduced it must be thoughtfully structured – phased in, limited by appropriate carve-outs, well founded, and

subject to periodic Commission review – so that it complements rather than undermines the goal of simplifying extraterritorial application.

- Consistency with Regulatory Objectives: The requested relief is fully consistent with the public interest, investor protection, and the principles of Exchange Act Section 17A.
    - Q15: *Public Interest and Investor Protection (Sections 17A & 36).* The exemption clearly meets the standards of Sections 17A and 36 of the Exchange Act, as it is both necessary in the public interest and consistent with the protection of investors. By preventing a potential withdrawal of foreign liquidity and avoiding legal uncertainties, the relief supports a fair, orderly, and efficient Treasury market, which ultimately protects investors (e.g., from abrupt drops in liquidity or market dislocations). The public interest is served by maintaining confidence and broad participation in the world's deepest government securities market. Meanwhile, no investor is harmed by this exemption – it pertains to inter-bank/institutional transactions, not retail investor protections. The Commission has previously recognized that certain exceptions to a broad clearing mandate can be warranted for public-interest reasons (indeed, several exceptions were included in the final rule for central banks, sovereigns, etc.). This exemption falls squarely in that tradition: the marginal reduction (if any) in centrally cleared volume is outweighed by the public benefits of preserving market stability and legal clarity. Thus, granting the relief would be fully in line with the Commission's mandate to uphold investor protection and the public interest.
    - Q16: *Facilitating Prompt and Accurate Settlement (Section 17A).* Providing this exemption will facilitate prompt and accurate clearance and settlement of U.S. Treasury transactions, as well as the safeguarding of securities and funds, consistent with Section 17A's objectives. The rationale is simple: The proposed exemption avoids forcing transactions into the clearing system that is not operationally equipped to handle in real time (e.g., trades occurring when U.S. CCPs are closed). By allowing those trades to continue settling through established bilateral channels, we ensure they settle on time and without incident. This helps prevent any backlog or delay that could occur if, hypothetically, a foreign trade had to wait hours to be cleared. Additionally, by not over-extending the CCP's mandate, the CCP can concentrate on effectively clearing the in-scope transactions, thereby safeguarding the integrity of the clearing process for everyone. In terms of protecting securities and funds, the exemption averts scenarios where unclear legal enforceability could put assets at risk (e.g., uncertainty about netting in a default could jeopardize a counterparty's funds). In summary, the relief will enable clearing agencies to uphold the highest standards of prompt, accurate settlement for the trades they clear, while avoiding potential settlement risks that might arise from impractical clearing of Non-U.S. Transactions. This approach is entirely congruent with Section 17A's purpose and will promote the *overall* reliability of the clearance and settlement system.

In conclusion, UBS strongly urges the Commission to grant the requested exemptive order for Non-U.S. Transactions. We believe this relief is crucial to maintain a liquid, efficient, and resilient U.S. Treasury

market, and that it can be implemented in a manner that fully preserves the protections of the clearing mandate for U.S. markets. If the Commission deems it necessary to include additional safeguards to address residual concerns, such a measure can be calibrated to avoid eroding the exemption's benefits. The exemption is narrowly targeted, legally sound, and grounded in practical market realities. It will promote fair competition and avoid unintended consequences, such as discouraging non-U.S. participation or prompting clearing members to exit, that would undermine the goals of central clearing. In our view, this action satisfies the requirements of Exchange Act Section 36(a)(1) – it is "necessary or appropriate in the public interest, and consistent with the protection of investors" – and it upholds the spirit of Section 17A by enhancing the overall functioning of the clearance and settlement system. We appreciate the Commission's consideration of our comments on this important matter.

Sincerely,

Callum Nieto

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