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2025 Financial Markets Group Fall Conference Recap

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On November 19, 2025, the Financial Markets Group (FMG) of the Federal Reserve Bank of Chicago hosted its 12th annual Fall Conference. The theme of the 2025 conference was Crosscurrents in Centrally Cleared Markets: The Evolving Technology, Digital Asset, and Regulatory Landscape. This event featured participants across the clearing, trading, asset management, and regulatory spaces.

The conference was held under the Chatham House Rule, with no press in attendance.

Participants discussed the ways that ongoing technological innovation and changes in regulation can create opportunities to mitigate longstanding risks in clearing but may also expose the financial system to new risks. They also suggested how some of these new risks could be addressed through public policy. Key insights from participants included the following:

- Implementation of the U.S. Securities and Exchange Commission's (SEC) Treasury clearing mandate, which will increase the volume of trading activity that is centrally cleared, has raised questions about the available capacity from central counterparty (CCP) clearing members to support this market structure shift.¹ Innovation and competition in clearing—which include enabling multiple clearing access models for clients, cross-margining across CCPs, and new entrants to Treasury clearing—could result in more clearing capacity. Such changes could also create new capital efficiencies, further bolstering clearing capacity. Some suggested that the cost of clearing Treasury securities could shift more repurchase agreement (repo) activity into overnight maturities and that the Federal Reserve could do more to encourage term repo trading (i.e., trading in repos maturing over the course of days, weeks, or months) to enhance financial stability. Given this shift in market structure, some suggested that the New York Fed's standing repo operations could be centrally cleared to enhance their effectiveness.
- A move to 24/7 trading could encourage the use of stablecoins and other tokenized collateral in clearing, creating both opportunities and risks. In a 24/7 trading environment, proponents claimed that stablecoins could enable frequent risk-management activities, such as margin collection and near-instant settlement of payments to and from CCPs over the weekend when traditional large-value payment systems are not available. However, some argued that such changes in market plumbing could introduce significant new liquidity and credit risks, among other potential challenges. Some speakers suggested that the plans for the Fedwire Funds Service (Fedwire) to transition to operating 22 hours per day, six days per week (22/6) is welcome but occurring belatedly, allowing stablecoins to potentially gain market share in the meantime.
- Operational resilience remains a key focus area for the financial sector, especially given the role of rapid technological innovation in increasing concentration and interconnectedness in the cleared ecosystem. Threats from cyber incidents, as well as from lapses of service from critical third-party service providers, were highlighted as key risks that market participants must manage. The rise of artificial intelligence (AI) has also increased the urgency of ensuring financial institutions keep pace with technological innovation. Speakers argued that regulators should play a substantive role in both increasing transparency about third-party concentration and facilitating information sharing regarding management practices at third-party service providers.

In the rest of this article, we provide more details on the day's discussions.

U.S. Treasury clearing mandate implementation

With the December 2026 and June 2027 deadlines to clear eligible Treasury cash and repo transactions under the SEC's clearing mandate approaching,² many at the conference expressed confidence that the largest players in the Treasury market are largely ready to clear or are already clearing their Treasury transactions. However, as some pointed out, questions remain

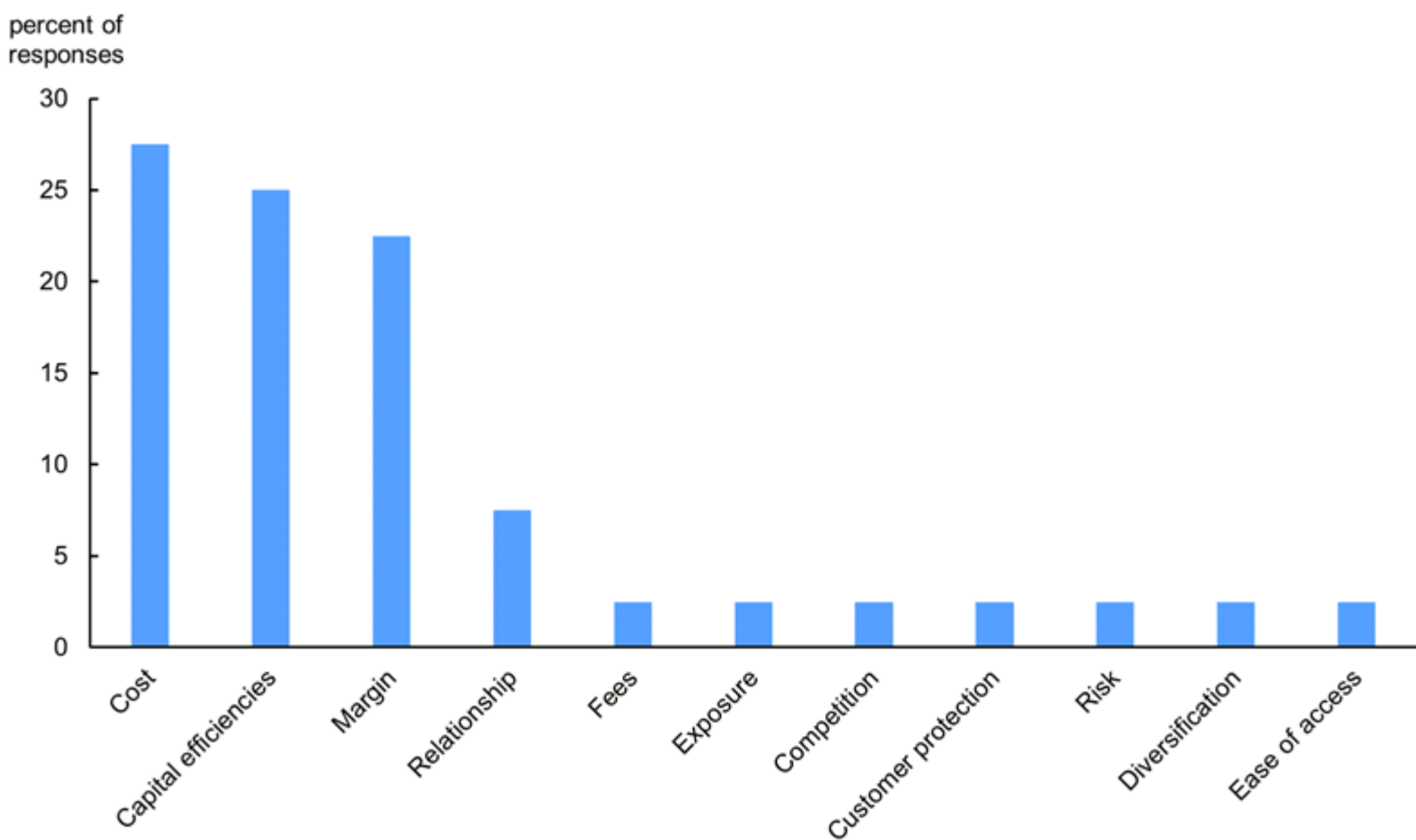
about capacity among CCP clearing members amid an expected increase in cleared transaction volumes, the potential benefits of new entrants to Treasury clearing, and what the new clearing environment will mean for the official sector (including the Federal Reserve, the U.S. Treasury Department, and financial market regulators).

Capacity concerns were top of mind for conference participants for three reasons. First and foremost, ongoing growth in the Treasury market, along with the increase in repo transactions that will fund this growth, will likely lead to an increase in clearing capacity needs in the near future. Second, intermediaries may face significant balance sheet constraints on key reporting dates that limit their aggregate repo capacity. And third, as one participant noted, there may be capacity spillover effects in light of the SEC mandate, as increased demand for clearing in the Treasury market could reduce clearing capacity in other markets. Policymakers may have a role to play in addressing these balance sheet concerns, and some noted that the recently announced reforms to the enhanced supplementary leverage ratio (eSLR) represented a positive step in this direction.³

During the discussion, participants cited several factors that could expand clearing capacity. Many noted that the Fixed Income Clearing Corporation’s (FICC) Sponsored Service for clearing repos, which has expanded notably in recent years, could likely already handle clearing much of the repo volumes that are not already centrally cleared by the time the mandate goes into effect. Others also pointed to FICC’s new Collateral-in-Lieu (CIL) service, which was expected to help increase clearing capacity by reducing margin requirements and capital costs for intermediaries. FICC’s agent clearing model, which is not yet widely used, was suggested as a means to provide more substantive opportunities for netting⁴ once more broadly adopted. Some suggested that “done-away” trading that will be offered by several CCPs, in which trades are executed with one counterparty but cleared with another, could also increase clearing capacity, but its potential impact was less clear. In particular, some questioned whether there would be client demand for done-away trading and its potential impact on existing vital client–dealer relationships.

In addition to capacity concerns, conference participants discussed the benefits and challenges of multiple firms offering Treasury securities clearing services. They generally agreed that having several active CCPs would reduce operational risk in the Treasury market while also promoting competition that could ultimately result in new capital efficiencies for clearing members. This optimism was tempered by the idea that a multi-CCP market may produce initial margin (see note 1) and balance sheet inefficiencies if cash lenders and cash borrowers are not clearing their trades at the same CCP. As a result, some participants urged for the exploration of more substantive innovations, such as netting transactions across different CCPs. Regarding what factors would decide where market participants would choose to clear their Treasury activity in a multi-CCP environment, an audience poll showed the biggest deciding factor is cost, with margin and capital efficiencies the second and third most mentioned factors (see figure 1).

1. Primary motivation for where to clear U.S. Treasury transactions



Notes: Forty audience members at the 2025 Financial Markets Group Fall Conference participated in this poll, and each person was limited to one response. The shares (calculated by the authors) may not total to 100% because of rounding.

Regarding the role of the official sector’s post-mandate implementation, participants raised two issues related to Fed policy and operations. One participant argued that the mandate would encourage more repo activity to shift into the overnight tenor, as central clearing incentivizes dealers to net their trades, which would require meeting the demand of repo cash lenders, such as money market funds, that primarily invest at the overnight maturity. Given this would increase liquidity risk in the repo market, the participant noted that the Fed could take a more active role in encouraging term repo trading through its own policy implementation operations, although no specifics were provided. Another participant highlighted that with the Treasury repo market moving toward greater central clearing, the New York Fed should consider clearing its own standing repo operations to enhance their effectiveness.

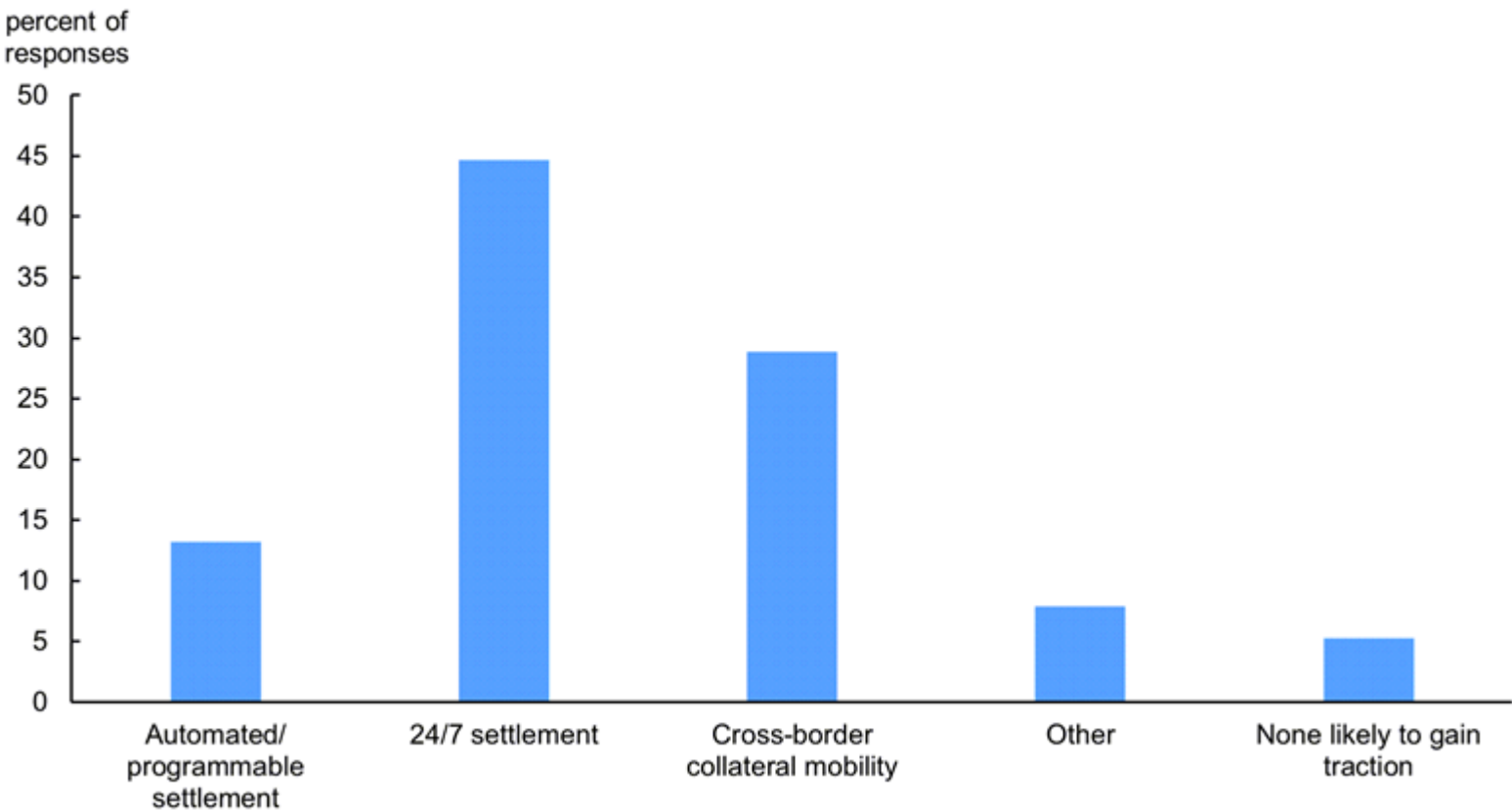
Digital assets, stablecoins, and risk management

Throughout the day, participants discussed the use cases for stablecoins and digital assets in the financial system, including centrally cleared markets. A survey of the audience revealed that over 70% of respondents were already actively exploring use cases for stablecoins or using them.

Conference participants suggested a wide range of stablecoin use cases. Beyond the current primary use of stablecoins for facilitating both retail and institutional crypto trading, some noted developing use cases related to corporate cash management and cross-border payments. In their view, stablecoins may make it easier to facilitate cross-border payments, given the longstanding frustrations with the speed and cost of relying on legacy payment systems. The ability to use stablecoins to create and resolve so-called smart contracts also stood out as an important innovation with use cases beyond crypto trading. Moreover, participants claimed that stablecoins could be used as a base layer to create other tokenized assets, serving as a bridge between tokenized and traditional assets.

Consistent with audience polling (see figure 2), there was consensus among participants that the most promising use case for stablecoins was their potential to become a payment instrument that facilitates 24/7 settlement in financial markets. Some participants argued this could become a significant value-add for stablecoins given the current lack of availability of large-value payment systems like Fedwire during weekends and holidays. Participants viewed this as a promising use case over the next three years, reflecting a recent trend of exchanges, market participants, and regulators evaluating 24/7 trading capabilities for different segments of securities and derivatives markets.

2. Most likely financial market use cases for stablecoins



Notes: Thirty-eight audience members at the 2025 Financial Markets Group Fall Conference participated in this poll about stablecoins, and each person was limited to one response. The shares (calculated by the authors) may not total to 100% because of rounding.

When asked about how stablecoins would operate in a 24/7 trading and clearing environment, some participants noted that if stablecoins were used as a settlement asset they could help CCPs make a number of improvements to the current clearing model. Some participants argued that the level of transparency offered by assets custodied on blockchains could motivate CCPs to lower haircuts on stablecoins used as collateral. Some also argued that CCPs could use stablecoins to more dynamically calculate and collect margin on nights and weekends rather than rely on static prefunded margin buffers.

Other conference participants pushed back on the idea of using stablecoins as collateral, contending that their non-interest-bearing nature makes it unlikely that market participants would want to use them. Several shared their concerns about the liquidity and credit risk of stablecoins, raising questions around the design of haircuts on stablecoin collateral. Finally, some

participants questioned the general wisdom of enabling 24/7 trading across more financial market segments given potential issues related to monitoring emergent risks and responding to them with more-limited staff during weekends—which may be a financial stability vulnerability.

Because of current fragmentation in the stablecoin space, interoperability stood out as a barrier to widespread stablecoin usage. According to participants, in order to have a global stablecoin system, the market has to have defined pathways to move from one stablecoin to another. How that interoperability framework will be maintained during periods of financial stress is another outstanding question.

Given the hurdles to widespread adoption of stablecoins as collateral, some participants pointed out that the growth in stablecoin use in recent years stemmed in part from the growing frustration with legacy payment systems. They also argued that legacy systems have become outdated and face several shortcomings, including daylight overdraft fees, settlement crowding around the end of the day, a lack of programmability and transparency, and the inability for nonbank financial institutions to access these payment rails.

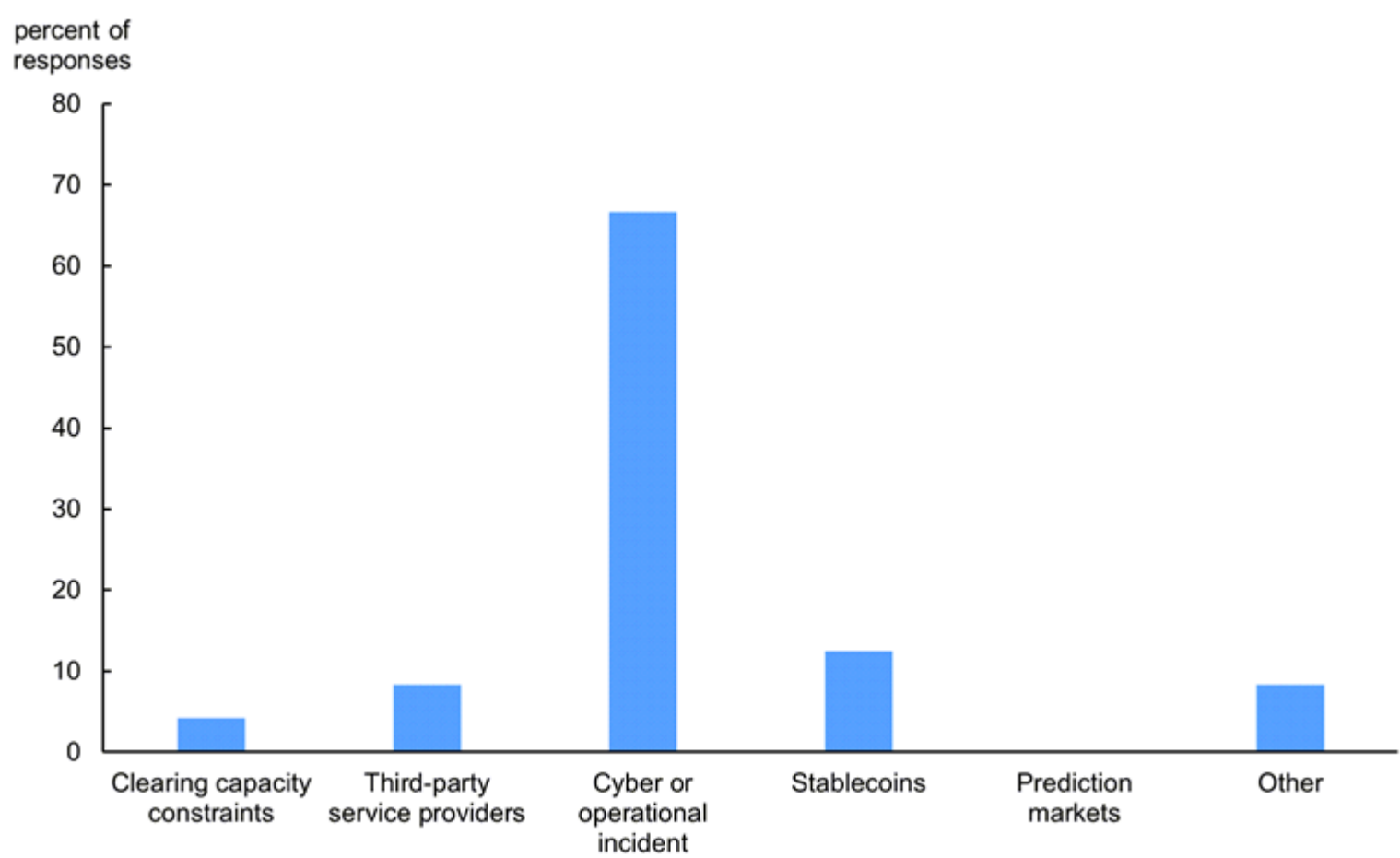
Still, participants acknowledged several valuable aspects of the current payment systems, namely, their ability to move large volumes of money. Some highlighted the plans for Fedwire to expand to 22/6 operations by 2028 or 2029, and they discussed whether the expanded availability of this large-value payment system will shrink the business proposition for stablecoins. In general, Fedwire was expected to continue to play a significant role in large-value settlement, especially if the service continues to progress toward 24/7 operations.

Participants raised several points about regulatory gaps that remain to be resolved in the digital assets space. For example, many expressed concerns about the use of digital assets in illicit finance. Regulatory changes have also complicated stablecoins’ expansion. Participants said the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act, while providing a framework for stablecoin issuance, created a bifurcation in the market between compliant and noncompliant stablecoins. This could, in their view, produce cross-border fragmentation in cases where the most popular stablecoins in other countries are not GENIUS-Act-compliant. Participants also mentioned that domestically, it is still unclear whether there will be competition among compliant stablecoins or whether one stablecoin will capture most of the market.

Concentration, interconnectedness, and operational resilience

Across panels and fireside chats, participants raised operational resilience as a key point of concern. When asked in an audience poll regarding the most likely near-term source of financial stability risk in the clearing ecosystem, nearly two-thirds of respondents pointed to cyber or operational incidents, including data breaches, cyberattacks, and faulty software updates or other accidental system failures (see figure 3). Participants noted that these concerns have become even more salient amid rapid technological innovation, including the rise of artificial intelligence.

3. Most likely source of financial stability risk in the clearing ecosystem



Notes: Twenty-four audience members at the 2025 Financial Markets Group Fall Conference participated in this poll, and each person was limited to one response. The shares (calculated by the authors) may not total to 100% because of rounding.

For several representatives of CCPs, questions about third-party operational risk and resilience strategies centered around their increasing use of cloud-based clearing technology. Some participants highlighted that cloud integration provides greater continuity and speed to clearing transactions. Indeed, cloud-services users noted that platforms have historically fared well in financial stress scenarios. However, these users also acknowledged that new risks can arise in unexpected and potentially catastrophic ways. Finding the most prudent balance of innovation and risk mitigation was considered especially pressing given the impending Treasury clearing mandate implementation deadlines. Moreover, in the eyes of participants, the rise of AI could empower malicious actors to launch more sophisticated cyberattacks.

When asked about how they are addressing these risks, participants shared strategies that fell into two distinct categories. Some are continuing to outsource services such as data storage, transaction surveillance, trade routing, and information technology (IT) security while at the same time building backup servers and making redundancy part of their system designs to protect against potential service provider failure. Others are focused on strengthening in-house systems and minimizing third-party involvement to maintain more control over their data and systems. In response to a question about the optimal balance between outsourcing and using in-house systems, some participants noted that the proper balance is contingent upon how firms build their operational architecture in relation to third-party services. The extent to which contingency plans are built into an operational infrastructure mix informs whether the risks from a third-party system are adequately accounted for, they argued. Participants noted the need for developing and sustaining resiliency testing to adapt to market structure changes, including the transition to central clearing. They also saw crisis response plans and pre-established channels of communication as key steps for maintaining Treasury market clearing stability. And while AI-empowered cyberattacks were a point of concern, some also pointed out that AI could allow for the development of more robust cyber defenses and help mitigate other risks, such as reducing settlement failures and optimizing payment flows.

Risks from concentration and interconnectedness in third-party provider usage also stood out to participants as critical. To address this issue, one participant argued that regulators should map what third-party service providers are being used most extensively and implement reporting requirements for those firms. They also expressed the need for cross-border communication among regulators—specifically a formalized set of communication channels—to be prepared for the possibility of a fast onset of service provider failures. While that participant acknowledged the benefits of concentration, particularly as it pertains to cross-border system resilience and economies of scale, this individual also argued financial market institutions should have the right to audit third-party service providers so that they can better understand the risks associated with using a given provider. As a precedent for domestic regulators, the same participant pointed to ongoing work of the International Organization of Securities Commissions (IOSCO) in identifying critical third-party services across the financial system. From a peer-to-peer communication standpoint, some participants also emphasized the need to develop practices around proactive engagement to share risk control best practices and lessons learned from past risk events.

Participants discussed another set of risks related to interconnectedness, namely, the increasing use of novel but sometimes opaque information. Some suggested that data on price activity in cryptocurrencies and stablecoins were increasingly used by retail participants as market signals for other assets. While this information is mostly transparent to and understood by regulators, other new sources of information sources, including prediction market data and private credit activity, are also being used to generate market signals to buy or sell traditional assets. In other words, information from nontraditional markets is starting to be used to influence trading activity in traditional financial markets. However, some of these new sources of information are ambiguous, so their impact on traditional markets is still not well understood, including by regulators.

Conclusion

The 2025 FMG Fall Conference prompted in-depth discussions covering several topics, including progress toward meeting the SEC's U.S. Treasury clearing mandate, the rise of stablecoins and tokenized assets, and the increasing concentration in the clearing ecosystem and growing threats to operational resilience. Participants shared how they are responding to these and other changes in the financial markets landscape, and they expressed both excitement and some concern about the path ahead. The Financial Markets Group at the Federal Reserve Bank of Chicago looks forward to facilitating, as well as contributing to, the ongoing discussions about these topics.

Notes

¹ The definitions of key terms related to CCP clearing (including clearing member and initial and variation margin) are [available online](#) from the Basel Committee on Banking Supervision.

² The [SEC has mandated](#) central clearing for the majority of secondary cash Treasury security and Treasury repo transactions by December 31, 2026, and June 30, 2027, respectively (with [certain exemptions](#), such as trades involving central banks or sovereign entities).

³ Largely following the proposed rule, the final rule reforming the eSLR for U.S. global systemically important bank holding companies (G-SIBs) was issued by the federal banking agencies (the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency) on November 25, 2025, less than a week after the 2025 FMG Fall Conference was held.

⁴ Netting is the process in which a dealer's assets and liabilities can be offset, reducing balance sheet commitments and, by extension, liquidity requirements of the dealer. To net repo and reverse repo exposures, a dealer must face the same counterparty (such as a CCP) on each trade, with the same maturity.

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