

US Rates Strategy

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August 12, 2026

Intraday repo

Although intraday activity is light, we think this could grow to as much as \$1trn or roughly 1/3 of overnight SOFR volumes. But while the demand to manage liquidity and collateral more efficiently is strong, wider adoption requires more operational development.

- Intraday repo allows banks and dealers to coordinate the timing of their payment and collateral in- and outflows. **It improves repo market efficiency by smoothing out the troughs in funding liquidity while allowing collateral to be (re)used more efficiently throughout the day.**
- **The intraday market is currently small, but we think it could grow to \$1trn as dealers and banks shift to “as needed” temporary repo financing**. Bank lenders can use the market to earn an extra return on cash that still is deposited at the Fed at the end of the day.
- **We expect borrowers to replace their use of the daylight overdraft credit provided by the clearing banks with intraday repo.** Most of this credit is very short-term – generally less than an hour.
- Excluding “late return fees” we think the intraday repo rates might be below (pro-rated) overnight rates. Clearing banks’ daylight overdraft charges are likely the ceiling for intraday repo rates.
- **Operational issues could slow the expansion of intraday repo.** Currently, transactions are not subject to clearing and regulatory reporting is based on end-of-day balances.
- Importantly, transactions must settle seamlessly; **trades that fail to unwind on time could cause a cascade of other fails and a surge in borrowing.**

Intraday liquidity

Banks process their large value payments over Fedwire, an interbank payment network. Settlements require the movement of reserves from one bank to another on a gross, un-netted basis. On an average day in June 2026, \$5trn in payments were processed over Fedwire. Securities payments are processed over a similar network. The Fed’s securities wire processes about \$2.8trn/day in settlements.

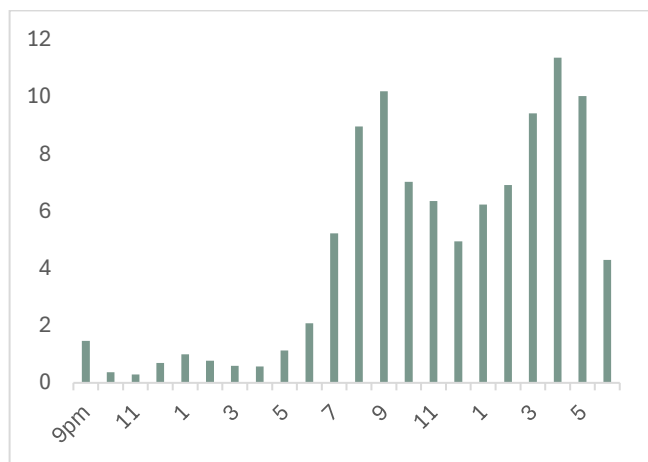
Often the demand for liquidity doesn’t line up neatly with a 24hr borrowing cycle. **And the timing of payments on either wire is not steady throughout the day.** Payments over Fedwire peak in the morning and later in the afternoon (Figure 1).¹ By contrast settlements over the securities wire are heavily concentrated at the market open (Figure 2). The lumpiness in payment flows reflects customer flows while the timing of securities flows reflects the fact that custody banks begin charging dealers daylight overdraft

¹ See, “Dueling Intraday Demands on Reserves”, A. Copeland and S. Yu Wang, Liberty Street Economics, Federal Reserve Bank of New York, October 21, 2024.

fees if their clearing accounts are not fully funded by 8.30am. Dealers face other demands on their morning liquidity including margin.

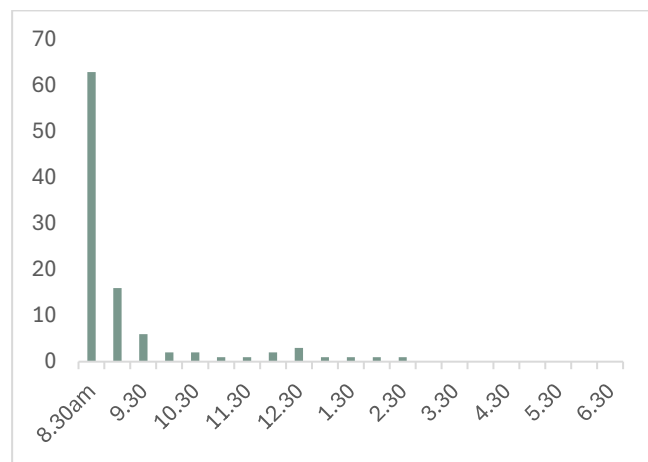
Lumpiness in payments and settlements means that large, money center banks with big markets businesses are often sending out payments *before* they have started receiving inflows. This imbalance requires them to do either of three things: delay sending out their outflowing payments until sufficient inflows have come in, raise temporary liquidity, or maintain sufficiently large precautionary cash buffers scaled to their peak intraday outflows. Raising funds can come from the fed funds and repo markets or directly from the Federal Reserve’s discount window using pre-pledged collateral. Collateralized “daylight” loans from the Fed are interest-free. Loans are closed out when the bank’s payment inflows top up their clearing account. Despite the volume of transactions processed over both wires and free “daylight” liquidity from the Fed, overdrafts barely average \$0.5bn/week because banks maintain large precautionary reserve buffers well above their regulatory minimums.

Figure 1: Fedwire settlements (% distrib)



Source: Copeland et al (2024), SMBC Nikko

Figure 2: Fed Securities wire (% distrib)



Source: Copeland et al (2024), SMBC Nikko

Outside of the Fed’s “daylight” loans, banks and dealers typically borrow for terms longer than their liquidity needs. Rather than borrowing for just the periods in Figure 1 when outflows peak, the structure of fed funds and repo trades means they have extra cash on hand during the off hours in between. Similarly, dealers may only need extra cash at the market open but instead raise it for the entire day.

An expanded intraday repo market would allow banks and dealers to tie the maturity of their borrowings more closely to the tenor of their funding needs. Collateral would not need to be locked up all day and instead, might be re-used after the intraday trade unwound. Likewise, banks could borrow on an “as needed basis” – reducing their need for thick, precautionary reserve cushions at the Fed. Similarly, non-banks could reduce the surplus cash they hold above their initial margin requirements if they knew they could turn to the repo market to temporarily raise cash to top up their margin balances. At the same time, banks could put their cash to work during the day, and once the intraday repo trades unwound, return it to their reserve accounts at the Fed to earn IORB.

Demand for intraday repo

These efficiency gains suggest that the intraday repo market should be larger than it is. Intraday trading occurs in traditional tri-party and over a [distributed ledger](#). In April, Broadridge reported that its distributed ledger repo service was processing an average daily volume of \$368bn/day against all tokenized real assets.² BNY's intraday repo market builds off its existing tri-party framework. Users can specify the maturity of their trade or use the default intraday setting (8.30-15.30). Interest is calculated by the second up to the end time. The trade will automatically unwind at the end time provided the borrower has enough cash in its tri-party account. If there isn't enough cash to unwind the trade the maturity is extended and BNY's programs will "continually look for available liquidity" to close it out.³

We estimate the intraday market might grow to \$1trn. Using data from a survey of global central bank large value payments networks, Alexandrova Kabadjova et al calculate the amount of intraday liquidity used by banks. US banks required \$630bn of intraday liquidity each day in 2020.⁴ Scaling up this figure to account for the growth in Fedwire volumes since 2020 suggests that banks' currently need about \$1trn of intraday liquidity for the smooth functioning of the payments wire (Figure 3). Elsewhere, estimates based on a survey of three banks that assumes they shift 15% of their traditional overnight repo to intraday tokenized repo are smaller – between **\$200-\$500bn** if scaled to the size of the overnight SOFR market.⁵ It is not clear why banks might only shift 15% of their overnight repo given the large efficiency gains from intraday trading. That said, the lower volume might reflect preferences to stay in traditional tri-party rather than shifting to blockchain technology.

What rate?

Our sense is that intraday repo might trade differently from overnight repo. **Our sense is that excluding "late return fees" the rate might be below (pro-rated) overnight rates and less than clearing banks' daylight overdraft charges.**

Intraday lenders can earn a yield on their cash which previously earned nothing until the following day. As a result, provided they can get their cash back in time to be invested in overnight markets, the extra yield on the intraday tenor is effectively "icing on the cake" – money that they would otherwise not have earned. Pricing their intraday cash too aggressively could turn away borrowers and keep them from earning more than they would ordinarily earn with end-of-day money (IORB).⁶

For borrowers the cost of intraday is tied to their alternative sources of financing. As banks have access to the discount window, they should be unwilling to borrow intraday at any rate above 0%. That said, our sense is that banks are more likely to be lenders in the intraday repo market. **We expect non-bank borrowers to replace their use of daylight overdraft credit provided by the clearing banks with intraday repo.** More than half (64%) of daylight overdrafts occur before 10am, and 1/3 are resolved *within a minute*.⁷ As a result, we think daylight overdraft charges are likely to be the ceiling on intraday repo

² See, "Repo Achieves 268% Year Over Year Growth in April", Broadridge, May 4, 2026, press release. Our sense is that this total includes both the reverse and repo sides. It is unclear what portion is against Treasury collateral.

³ See, "[Bank of New York, Intraday Factsheet](#)", Bank of New York.

⁴ See, "Intraday Liquidity Around the World", B. Alexandrova Kabadjova et al., Bank for International Settlements, April 11, 2023.

⁵ See, "Bank Balance Sheet Benefits from Intraday Distributed Ledger Repo", J. Galper, Broadridge and Finadium, 2026

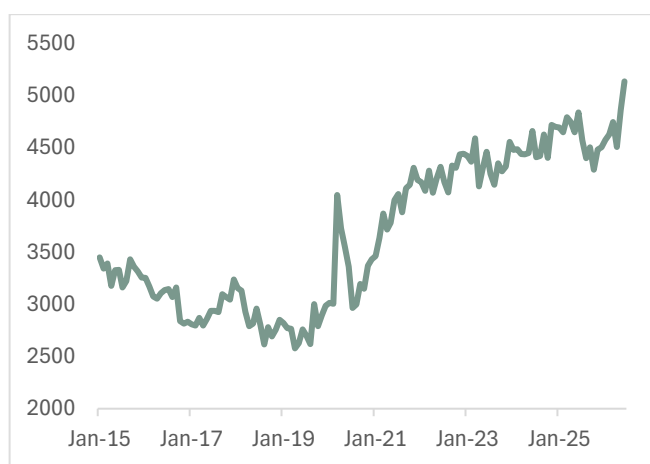
⁶ We think money funds might be more reluctant than banks to lend in the intraday market as they have few alternatives for late returning money.

⁷ Nearly all (86%) are resolved within an hour. See, "TBAC presentation to Treasury, August 2026", US Treasury

rates. Overdraft charges vary with the credit quality of the borrower. Both lenders and borrowers face some risk of late returning intraday money. **Our sense is that each would agree to a fee for “late returns” to ensure cash and collateral are returned on time.**

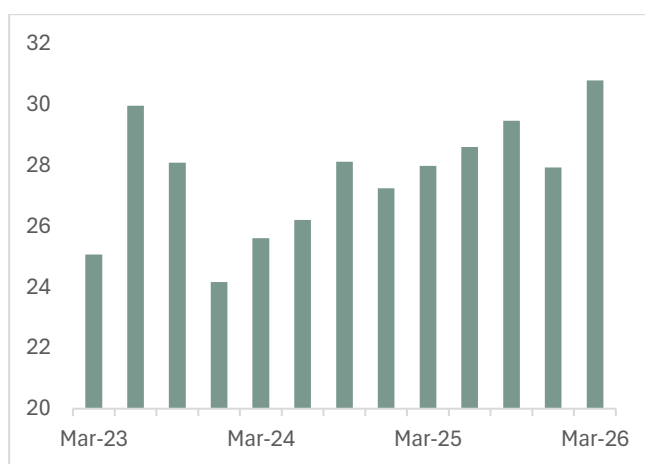
The TBAC estimated that the intraday rate would trade 25bp *above* fed funds based on the behavior of FHLB interbank deposit accounts (IBDAs). Banks use these deposit accounts to raise liquidity throughout the day. However, our sense is that FHLBs use these accounts because banks accept money late in the day which allows the Agency to hold onto its cash throughout the day in case there is an unexpected increase in the demand for advances. Balances have grown since the FHFA loosened the counterparty credit restrictions on these accounts to match those in the fed funds market (Figure 4).

Figure 3: Fedwire volumes (\$bn)



Source: Federal Reserve, SMBC Nikko

Figure 4: FHLB IBDA balances (\$bn)



Source: FHLB, SMBC Nikko

Operational considerations

Before intraday repo picks up several operational issues need to be resolved. **Late returns have the potential to create cascading systemic risk.** Depending on how interconnected intraday borrowing and lending becomes, delays create daisy chains of fails that require rapid, replacement (intraday) borrowing to cover obligations while waiting for the earlier repo trades to unwind.

Separately, borrowers and lenders in the intraday market need accurate forecasts not only of their overall funding needs but the timing of their cash flows. This requires more forecast precision than simply overstocking a cash buffer that is roughly large enough to cover any cash flow surprises.

Finally, as bank and repo market regulations focus on end-of-day balances they might miss a build-up of intraday leverage or a concentration of trades that all unwind at the same time. Under current rules, intraday trades are not covered by the SEC’s clearing mandate. But central clearing platforms are still working out ways to clear these transactions that allow for balance sheet netting.

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