



Commodity Futures Trading Commission

Office of Public Affairs

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Q & A – Final Rulemaking on Agricultural Swaps

What is the purpose of the rulemaking?

The final rulemaking adopts rules to repeal and replace Part 35 of the Commission's regulations and which will explicitly permit swaps in an agricultural commodity. The rules were originally proposed on February 3, 2011 (See Commodity Options and Agricultural Swaps, 76 FR 6095). The rules contained in new Part 35 will provide that swaps in an agricultural commodity are permitted to transact subject to the same provisions of the Commodity Exchange Act (CEA) – and any rule, regulation, or order thereunder – applicable to all other swaps.

What is the scope of the final rulemaking?

The Notice of Proposed Rulemaking issued on February 3, 2011 included (1) proposed rules for swaps in an agricultural commodity and (2) proposed rules for commodity options, including agricultural options. At this time, the Commission is only finalizing the agricultural swaps piece of the proposed rules (repealing and replacing Part 35), and is continuing to review and consider the comments received on the proposed commodity options rules. Any final rules addressing commodity options will be issued at a later date.

What are the revisions to Part 35?

The Dodd-Frank Act prohibits swaps in an agricultural commodity unless conducted pursuant to a rule or order adopted pursuant to the Commission's authority in CEA section 4(c). Accordingly, the rules replacing existing Part 35 are being adopted pursuant to CEA section 4(c) (and also pursuant to CEA section 4c(b)) and will explicitly permit the transaction of swaps in an agricultural commodity subject to the same provisions of the CEA – and any rule, regulation, or order thereunder – applicable to all other swaps. New Part 35 will also explicitly provide that swaps in an agricultural commodity may transact on a swap execution facility (SEF) and/or designated contract market (DCM) to the same extent that any other swap may transact on a SEF and/or DCM.

What will be the effective date of the final rules?

Absent further Commission action, the repeal of existing Part 35 and the addition of new Part 35 (the new agricultural swaps rules) will both have an effective date of December 31, 2011.