



Commodity Futures Trading Commission

Office of Public Affairs

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Q & A – Clearing Requirement Determination under Section 2(h) of the CEA for Interest Rate Swaps

To which swaps does the new clearing requirement apply?

The clearing requirement issued today expands Commission regulation 50.4(a) to require clearing of certain interest rate swaps, in addition to those that have been required to be cleared since 2013 pursuant to the Commission's first clearing requirement. The interest rate swaps subject to expanded regulation 50.4(a) include certain fixed-to-floating interest rate swaps, basis swaps, forward rate agreements, and overnight index swaps denominated in currencies that were not covered by the Commission's first clearing requirement.

The expanded interest rate swap classes include:

- fixed-to-floating interest rate swaps denominated in Australian dollar (AUD), Canadian dollar (CAD), Hong Kong dollar (HKD), Mexican peso (MXN), Norwegian krone (NOK), Polish zloty (PLN), Singapore dollar (SGD), Swedish krona (SEK), and Swiss franc (CHF);
- basis swaps denominated in AUD;
- forward rate agreements (FRAs) denominated in NOK, PLN, and SEK; and
- overnight index swaps (OIS) denominated in AUD and CAD, as well as U.S. dollar-, euro-, and sterling-denominated OIS with termination dates up to three years.

While Australian dollar-denominated FRAs were included in proposal to expand regulation 50.4(a), the Commission decided not to include this swap in the final rulemaking.

Which DCOs are eligible to clear interest rate swaps?

Four DCOs are registered with the Commission: Chicago Mercantile Exchange Inc. (CME), Eurex Clearing AG (Eurex), LCH.Clearnet Ltd. (LCH), and Singapore Exchange Derivatives Clearing Ltd. (SGX). Four other DCOs, which the Commission has exempted from registration, are permitted to clear interest rate swaps for U.S. proprietary accounts: ASX Clear (Futures) Pty Ltd. (ASX); Japan Securities Clearing Corp. (JSCC); Korea Exchange Inc. (KRX); and OTC Clearing Hong Kong Ltd. (OTC Clear).

May the exception and exemptions to the clearing requirement be elected with respect to swaps subject to the expanded clearing requirement?

Yes, just as with the existing clearing requirement, a market participant may elect not to clear an interest rate swap subject to the expanded clearing requirement by electing the end-user exception under regulation 50.50, the exemption for cooperatives under regulation 50.51, or the exemption for swaps between affiliated counterparties under regulation 50.52, provided that the market participant is eligible under 50.50, 50.51, or 50.52 and complies with the applicable requirements.

A market participant may also rely upon an applicable no-action or interpretative letter issued by CFTC staff in connection with the expanded interest rate swap clearing requirement just as with the existing clearing requirement.

Will the implementation of the clearing requirement be phased?

Yes, the Commission has decided to phase compliance with the expanded interest rate swap clearing requirement based on when analogous clearing requirements have taken or will take effect in non-U.S. jurisdictions. To promote certainty for market participants, there is a two-year time limit on the phasing schedule.

Must swaps executed prior to the applicable compliance date be cleared?

No, a market participant must only clear those swaps executed on or after the applicable compliance date.