

MEMO# 30288

October 3, 2016

CFTC Mandates Clearing of Additional Interest Rate Swaps

[30288]

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TO: CLOSED-END INVESTMENT COMPANY MEMBERS No. 18-16
DERIVATIVES MARKETS ADVISORY COMMITTEE No. 50-16
EQUITY MARKETS ADVISORY COMMITTEE No. 38-16
INVESTMENT ADVISER MEMBERS No. 19-16
ICI GLOBAL TRADING & MARKETS COMMITTEE No. 46-16
SEC RULES MEMBERS No. 55-16 RE: CFTC MANDATES CLEARING OF ADDITIONAL INTEREST RATE SWAPS

The Commodity Futures Trading Commission (“CFTC” or “Commission”) has extended the clearing requirement to certain additional interest rate swaps.[\[1\]](#) Specifically, the new clearing requirement determination requires market participants to submit a swap that is identified in expanded regulation 50.4(a) for clearing by a derivatives clearing organization (“DCO”) that is registered with the Commission or has been exempted from registration under the Commodity Exchange Act.

The determination requires the clearing of the following interest rate swap classes:

- 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;[\[2\]](#) and
- overnight index swaps (“OIS”) denominated in AUD and CAD as well as US dollar-, euro-, and sterling-denominated OIS with termination dates up to three years.

The Commission decided to adopt a phase-in implementation schedule not by market participant type but according to when analogous clearing requirements have taken, or will take, effect in non-US jurisdictions.

The compliance date for each interest rate swap product covered by the determination will be the earlier of: (i) the first date that US markets are open 60 calendar days after any person is first required to comply with an analogous clearing requirement that has been

adopted by a regulator in a non-US jurisdiction, provided that any such date for any swap covered by the final rule shall not be earlier than the date which is 60 calendar days after the Commission's final rule is published, or (ii) the first date US markets are open two years after the Commission's final rule is published in the Federal Register. If the compliance date falls on a Saturday, Sunday, or US federal public holiday, the compliance date will be the next available business day.

The CFTC provided a chart identifying the projected compliance date for each of the products subject to the determination. A copy of the chart is below.

Product

First Clearing Requirement Compliance Date in a Non-U.S. Jurisdiction¹⁷⁵

CFTC Clearing Requirement Compliance Date

AUD-denominated

Fixed-to-floating interest rate swap

April 4, 2016

60 days after publication of this final rulemaking in the Federal Register

CAD-denominated

Fixed-to-floating interest rate swap

May 9, 2017

July 10, 2017

CHF-denominated

Fixed-to-floating interest rate swap

None to date.

No later than 730 days after publication of this final rulemaking in the Federal Register

HKD-denominated

Fixed-to-floating interest rate swap

July 1, 2017

August 30, 2017

MXN-denominated

Fixed-to-floating interest rate swap

April 1, 2016

60 days after publication of this final rulemaking in the Federal Register

NOK-denominated

Fixed-to-floating interest rate swap

February 9, 2017

April 10, 2017

PLN-denominated

Fixed-to-floating interest rate swap

February 9, 2017

April 10, 2017

SEK-denominated

Fixed-to-floating interest rate swap

February 9, 2017

April 10, 2017

SGD-denominated

Fixed-to-floating interest rate swap

None to date.

No later than 730 days after publication of this final rulemaking in the Federal Register

AUD-denominated basis swap

April 4, 2016

60 days after publication of this final rulemaking in the Federal Register

175

NOK-denominated FRA

February 9, 2017

April 10, 2017

PLN-denominated FRA

February 9, 2017

April 10, 2017

SEK-denominated FRA

February 9, 2017

April 10, 2017

EUR-denominated OIS
(2-3 year term)

June 21, 2016

60 days after publication of this final rulemaking in the Federal Register

GBP-denominated OIS
(2-3 year term)

June 21, 2016

60 days after publication of this final rulemaking in the Federal Register

USD-denominated OIS
(2-3 year term)

June 21, 2016

60 days after publication of this final rulemaking in the Federal Register

AUD-denominated OIS

October 3, 2016

60 days after publication of this final rulemaking in the Federal Register

CAD-denominated OIS

May 9, 2017

July 10, 2017

Jennifer S. Choi
Associate General Counsel

endnotes

[1] Clearing Requirement Determination under Section 2(h) of the Commodity Exchange Act for Interest Rate Swaps (Sept. 28, 2016), *available at* <http://www.cftc.gov/idc/groups/public/@newsroom/documents/file/federalregister092816.pdf>.

[2] The CFTC had proposed to subject AUD-denominated FRAs to the clearing requirement but decided not to include this swap in the final rule.

should not be considered a substitute for, legal advice.