

CFTC expands interest rate swap clearing requirement

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On September 28 2016 the Commodity Futures Trading Commission (CFTC) expanded the existing clearing requirement to interest rate swaps through an amendment to Regulation 50.4(a), requiring that market participants submit a covered swap for clearing by a derivatives clearing organisation.

(1)

The amendment expanded four interest rate swap classes to require clearing by a derivatives clearing organisation:

- fixed-to-floating interest rate swaps denominated by the Australian dollar, Canadian dollar, Hong Kong dollar, Mexican peso, Norwegian krone, Polish zloty, Singapore dollar, Swedish krona or Swiss franc;
- basis swaps denominated in Australian dollars;
- forward rate agreements denominated in Norwegian krone, Polish zloty or Swedish krona; and
- overnight index swaps (OIS) denominated in Australian or Canadian dollars, as well as US dollar, euro and sterling-denominated OIS with termination dates up to three years.

Unlike the proposed rulemaking, Australian dollar-denominated forward rate agreements were not included in the final rule. Compliance with the final rule will be phased in over a two-year period according to an implementation schedule based on when analogous clearing requirements will take effect in other jurisdictions.

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Endnotes

(1) The final rule is available at www.cftc.gov/idc/groups/public/@newsroom/documents/file/federalregister092816.pdf, the question and answer document is available at www.cftc.gov/idc/groups/public/@newsroom/documents/file/irsclearing_qa092816.pdf.

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