

CFTC extends no-action relief to swap execution facilities and designated contract markets

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On June 10 2016 the US Commodity Futures Trading Commission (CFTC) [issued](#) a no-action letter extending the relief provided in CFTC Letter 15-24, which expires on June 15 2016. The no-action letter provides relief to swap execution facilities and designated contract markets to correct clerical or operational errors that cause a swap to be rejected for clearing and thus become void, as well as errors discovered after a swap has been cleared.

Specifically, if, within one hour of a trade being rejected for clearing, the swap extension facility or designated contract market corrects an error by permitting a new, pre-arranged trade with terms and conditions that match the terms and conditions of the original trade, other than any such error and time of execution, the trade will be permitted. Moreover, if an error is discovered after a trade has been cleared, the swap execution facility or designated contract market can enter into a pre-arranged trade between the original parties to offset the swaps carried on the derivative clearing organisation's books.

The swap execution facility or designated contract market may also permit the original or intended counterparties to enter into a pre-arranged transaction that reflects the correct terms to which the parties agreed.

The no-action letter extends relief to the earlier of June 15 2017 or the effective date of revised CFTC regulations that establish a permanent solution to addressing clerical or operational errors.

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