



## U.S. COMMODITY FUTURES TRADING COMMISSION

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Division of Clearing and Risk

CFTC Letter No. 17-62  
No-Action  
November 20, 2017  
Division of Clearing and Risk

Mr. Karl Chen  
Chief Financial Officer  
Shanghai Clearing House  
No. 2 East Beijing Road  
Huangpu District  
Shanghai, People's Republic of China

Re: Extension of No-Action Relief with Regard to Section 5b(a) of the Commodity Exchange Act and Commission Regulations Thereunder

Dear Mr. Chen:

By letter dated May 31, 2016 (CFTC Letter No. 16-56),<sup>1</sup> the Division of Clearing and Risk (“Division”) of the Commodity Futures Trading Commission (“Commission”) stated that it will not recommend that the Commission take enforcement action against Shanghai Clearing House (“SHCH”) for failure to register as a derivatives clearing organization (“DCO”) pursuant to the requirements of Section 5b(a) of the Commodity Exchange Act (the “CEA”) and Commission regulations thereunder, subject to certain conditions described in the letter.

Under the terms of the letter, SHCH is permitted to clear certain swaps subject to mandatory clearing in the People's Republic of China for the proprietary trades of SHCH clearing members that are U.S. persons or affiliates of U.S. persons. The letter was intended to provide relief to SHCH while the Division reviews SHCH's petition<sup>2</sup> to the Commission for an exemption from registration as a DCO pursuant to Section 5b(h) of the CEA.

Before the Commission grants an exemption from DCO registration, it must first execute a Memorandum of Understanding (“MOU”) with the clearing organization's home country regulator. Discussions with SHCH's regulator, the People's Bank of China, regarding a potential MOU are ongoing. In addition, due to the time that has passed since its petition was initially filed, SHCH submitted updated and revised petition documents to the Commission on October 26, 2017. To permit time for the Division to review the new material and to allow the Commission time to make

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<sup>1</sup> CFTC Letter No. 16-56 granted relief until May 31, 2016. The relief was extended until November 30, 2017, by CFTC Letter No. 17-26 (May 16, 2017).

<sup>2</sup> Petition received November 22, 2016.

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a decision regarding the petition, as well as to complete the MOU process, the Division is extending the relief initially provided in CFTC Letter No. 16-56 to February 28, 2018.

Extension of No-Action Relief

Based on the facts presented and the representations SHCH has made, the Division will not recommend that the Commission take enforcement action against SHCH for failure to register as a DCO pursuant to the requirements of Section 5b(a) of the CEA, subject to the conditions specified in CFTC Letter No. 16-56. The no-action relief shall expire at the earlier of: (i) February 28, 2018, or (ii) the date on which the Commission exempts SHCH from registration as a DCO under Section 5b(h) of the CEA.

The position taken herein concerns enforcement action only and does not represent a legal conclusion with respect to the applicability of any provision of the CEA or the Commission's regulations. In addition, the Division's position does not necessarily reflect the views of the Commission or any other division or office of the Commission. Because this position is based on the representations contained in SHCH's original request letter, any different, changed, or omitted material facts or circumstances may require a different conclusion or render this letter void. Finally, as with all no-action letters, the Division retains the authority to condition further, modify, suspend, terminate, or otherwise restrict the terms of the no-action relief provided herein, in its discretion.

Should you have questions regarding this matter, please contact Brian Baum, Special Counsel (bbaum@cftc.gov, 202-418-5654), or Eileen Donovan, Deputy Director (edonovan@cftc.gov, 202-418-5096).

Sincerely,

Brian A. Bussey  
Director