



# Commodity Futures Trading Commission

## Office of Public Affairs

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## Q & A – Clearing Requirement Determination under Section 2(h) of the CEA

### **Some DCOs clear interest rate swaps in 17 different currencies, does the proposed clearing requirement apply to all 17 currencies?**

No, the proposed clearing requirement would apply to only four currencies: U.S. dollar, euro, British pound sterling, and Japanese yen. Examination of market data revealed the existence of significant outstanding notional amounts and trading liquidity in the seventeen currencies identified in the DCO submissions. However, the Commission notes that swaps using the four currencies listed above account for over ninety percent of both notional amounts outstanding and trading volumes for the overall interest rate swap market. For this reason and to avoid introducing too much required clearing too quickly, the Commission is proposing only four currencies at this time.

### **Are tranching CDS required to be cleared?**

No, tranche CDS are not required to be cleared. The Commission recognizes that there is a significant market for tranching swaps using the indices. In these transactions, parties to the CDS contract agree to address only a certain range of losses along the entire loss distribution curve. Other swaps such as first or “Nth” to default baskets, and options, also exist on the indices. However, these swaps are not being cleared currently and were not submitted by any DCO for consideration under § 39.5.

### **Will the clearing requirement apply to swaps entered into prior to 2012?**

No. The proposed rules codify statutory provisions that make clear that any swaps entered into prior to the enactment of the Dodd-Frank Act or prior to the application of the clearing requirement are not required to be cleared.

### **Will the implementation of the clearing requirement be phased?**

Yes, the Commission is proposing to require compliance with the clearing requirement for the identified classes of swaps according to the compliance schedule that was proposed in September 2011, 76 FR 58186 (Sept. 20, 2011), and is finalizing concurrently with this proposal. Under this schedule, compliance with the clearing requirement will be phased by type of market participant entering into a swap subject to the clearing requirement.