



Commodity Futures Trading Commission

Office of Public Affairs

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Final Rule on Derivatives Clearing Organizations and International Standards

The Commodity Futures Trading Commission (CFTC or Commission) has finalized rules to establish additional standards for systemically important derivatives clearing organizations (SIDCOs) that are consistent with the Principles for Financial Market Infrastructures (PFMIs). These final rules are intended to address all of the remaining gaps between part 39 of the Commission's regulations and the PFMIs.

Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)

Section 725(c) of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") amends Section 5b(c)(2) of the CEA by revising certain core principles and adding new ones. The Dodd-Frank Act also allows the Commission to adopt implementing rules and regulations for the core principles pursuant to its rulemaking authority under Section 8a(5) of the CEA.

Section 805(a) of the Dodd-Frank Act allows the Commission to prescribe regulations for SIDCOs.

Final Rules

These final rules relate to governance, financial resources, liquidity resources, system safeguards, special default rules and procedures for uncovered losses or shortfalls, risk management, additional disclosure requirements, efficiency, and recovery and wind-down procedures.

Together with the existing derivatives clearing organizations (DCOs) rules, these rules establish Commission regulations that are consistent with the PFMIs and allow SIDCOs to continue to be Qualifying Central Counterparties for purposes of international bank capital standards.

In addition, the Commission included procedures by which derivatives clearing organizations other than SIDCOs may elect to become subject to these additional standards so that they may also be considered to be Qualifying Central Counterparties.

Qualifying Central Counterparties

A Qualifying Central Counterparty is defined by the Basel Committee for Banking Supervision as, in relevant part, a central counterparty that is prudentially supervised in a jurisdiction where the relevant regulator has established and publicly indicated that it applies to the central counterparty, on an ongoing basis, domestic rules and regulations that are consistent with the PFMIs.

International bank capital standards provide incentives for banks, including their subsidiaries and affiliates, to clear derivatives through Qualifying Central Counterparties by setting lower capital charges for derivatives cleared through a Qualifying Central Counterparty.