



# Commodity Futures Trading Commission

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## Proposed Rule on Procedures to Establish Appropriate Minimum Block Sizes for Large Notional Off-Facility Swaps and Block Trades; Further Measures to Protect the Identities of Parties to Swap Transactions (Reproposal)

The Commodity Futures Trading Commission (Commission) is further proposing rules to group swaps into separate swap categories, establish methodologies for setting appropriate minimum block sizes for block trades and large notional off-facility swaps in each category, and prevent disclosure of the identities of swap counterparties in connection with the real-time public reporting of swap transaction and pricing data.

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

Section 727 of the Dodd-Frank Act amends the Commodity Exchange Act (CEA) by inserting section 2(a)(13). Section 2(a)(13) sets out several requirements that are relevant to the Commission's proposed rules. First, this section requires public availability of swap transaction data in such form and at such times as the Commission determines appropriate to enhance price discovery. Section 2(a)(13) further requires the Commission to specify criteria for determining what constitutes a "large notional swap transaction (block trade)" for the purposes of applying time delays for reporting such transactions to the public. Finally, section 2(a)(13) requires the Commission to protect the identities and maintain the anonymity of business transactions and market positions of swap counterparties.

### Further Proposal to Establish Appropriate Minimum Block Sizes and Protect Swap Counterparty Identities

On December 7, 2010 the Commission published a notice of proposed rulemaking that proposed: (1) definitions for "large notional off-facility swap" and "block trade"; (2) a methodology for determining appropriate minimum block sizes that would be subject to time delays for public reporting; and (3) provisions to protect swap counterparties by limiting disclosure of transaction information and data, including notional cap sizes. On December 20, 2011 the Commission adopted a final rule, limiting establishing time delays for the public dissemination of large notional off-facility swaps and block trades, as well as interim notional cap sizes.

In responding to public comments on the proposed rule and in order to effectively implement the framework of the final rule, the Commission is further proposing provisions to: (1) specify the criteria for determining swap categories and methodologies for determining the appropriate minimum block sizes for large notional off-facility swaps and block trades; and (2) provide increased protections for the identities of swap counterparties to large swap transactions and certain other commodity swaps, which were not fully addressed in the final rule.

### Swap Categories in Each Asset Class

The further proposed rules define specific swap categories within the five asset classes previously established by the real-time public reporting final rule: interest rate, credit, equity, foreign exchange, and other commodity. Swaps within each asset class are generally grouped based on common risk and liquidity profiles, as determined by the Commission.

## Setting Minimum Block Sizes

The Commission would set appropriate minimum block sizes based on the swap categories within each asset class. The Commission's further proposal would implement a two-period, phased-in approach. The Commission proposes to prescribe appropriate minimum block size during an initial period, which would last for a minimum of one year. During that year, registered swap data repositories would collect at least one year of reliable data for each asset class. The Commission then would analyze and use this data to establish post-initial appropriate minimum block sizes for each swap category using a 67-percent notional amount calculation. The Commission proposes to update these post-initial appropriate minimum block sizes no less than once a year.

## Anonymity Provisions

As noted above, the further proposal establishes measures to protect the identities of swap counterparties and to maintain the anonymity of their business transactions and market positions in connection with the public dissemination of publicly reportable swap transactions.

The further proposal would amend existing Commission regulations to establish cap sizes for notional and principal amounts that would mask the total size of a swap transaction if it equals or exceeds the appropriate minimum block size for a given swap category. The term cap size is defined as the maximum limit of the principal or notional amount of a swap that is publicly disseminated.

The further proposal also would establish limits on the public dissemination of certain publicly reportable swap transactions in the other commodity asset class, which have specific delivery or pricing points.