



Commodity Futures Trading Commission

Office of Public Affairs

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Supplemental CICI Utility Designation

On July 23, 2012, the Commodity Futures Trading Commission (CFTC) issued an Order designating DTCC-SWIFT as the provider of the legal entity identifiers—to be known as CFTC Interim Compliant Identifiers (CICIs) until establishment of the global LEI system—to be used by registered entities and swap counterparties in complying with CFTC’s swap data reporting regulations.

Background

The CFTC’s final swap data recordkeeping and reporting rule requires swap counterparties to be identified in recordkeeping and swap data reporting under CFTC jurisdiction by a legal entity identifier (LEI). The rule provides that the Commission will determine, prior to the start of swap data reporting, based on factors set forth in the rule, whether an identifier system satisfying the requirements of the rule is available to provide identifiers to swap market participants required to comply with the rule. If the Commission determines that an appropriate identifier source is available, the rule calls for the Commission to designate it as the provider of identifiers to be used in complying with the rule, by means of a Commission order.

CFTC is participating in an international process, coordinated by the Financial Stability Board (FSB), to establish governance principles and reference data requirements for a global LEI and implement a global LEI system. Until establishment of the global LEI system, the Commission is referring to the identifier to be used in reporting under CFTC jurisdiction as the CFTC Interim Compliant Identifier (CICI). Once the global LEI system is implemented and operational, CFTC anticipates that the identifier now called the CICI will transition into the global LEI, and be referred to as the LEI.

Importance of the CICI

As noted in the CFTC swap data reporting rule and in the CPSS-IOSCO Report on OTC Derivatives Data Reporting and Aggregation Requirements, “a standard system of LEIs is an essential tool for aggregation of OTC derivatives data.” LEIs will be crucial to the ability of CFTC and other financial regulators to use swap data to fulfill the systemic risk monitoring and mitigation, market transparency, and market abuse prevention purposes of the Dodd-Frank Act. As recognized by President Obama, “The Legal Entity Identifier (LEI) initiative will support better understanding of true exposures and interconnectedness among and across financial institutions. We need such understanding to assess and reduce risks to the financial system.” The importance of LEIs to the world financial system has been recognized by the G-20 Leaders.

Determination and Designation Process

On March 9, 2012, CFTC issued a public request for submissions from industry participants that wished to be considered for designation by the Commission as the provider of CICIs. Four submissions were received, and requirements for a written demonstration of ability to meet the Commission’s requirements, and for an on-site, live demonstration of the submitter’s process for issuing CICIs, were sent to each submitter. Commission staff, joined by staff of the Office of Financial Research in an observer role, reviewed all the written and on-site, live

demonstrations in light of the CFTC requirements established in Part 45 and set forth in the requirements document provided to submitters.

Determination and Designation Order

Based on the results of the determination and designation process, and pursuant to Part 45 of its regulations, the Commission today issued an Order making the following findings of fact:

1. An LEI is available that: satisfies the requirements of the Commission's regulations; is provided by a utility fully set up by June 1, 2012, as required; and can be provided to market participants sufficiently in advance of the initial compliance date for swap data reporting to enable compliance with the Commission's regulations. That LEI is the LEI provided by DTCC-SWIFT. DTCC-SWIFT met all Commission requirements and evaluation criteria.
2. The LEI provided by DTCC-SWIFT is the only available LEI that: satisfies the requirements of the Commission's regulations; is provided by a utility fully set up by June 1, 2012; and can be provided to market participants sufficiently in advance of the initial compliance date for swap data reporting to enable compliance with the Commissions' regulations.

Based on these findings of fact, the Commission's Order designates DTCC-SWIFT as the provider of LEIs, to be known as CICIs until establishment of the global LEI system or further action by the Commission, to be used in recordkeeping and swap data reporting pursuant to parts 45 and 46 of the Commission's regulations.

This designation is subject to four conditions. (1) DTCC-SWIFT's website and other facilities and documents must refer to the CICI rather than the LEI. (2) DTCC-SWIFT must continue to comply with all CFTC LEI-related requirements, including the requirement to be subject to supervision by a governance structure that includes the Commission and other financial regulators in any jurisdiction requiring use of LEIs pursuant to applicable law. (3) DTCC-SWIFT must pass to the global LEI system, once established, all CICI identifiers and associated reference data and all CICI intellectual property. (4) The designation is made for a limited term of two years, and is terminable on six months' notice in connection with establishment of a global LEI system. At the conclusion of the two-year term, if the global LEI system is not yet operational, CFTC may consider the feasibility of having multiple CICI providers and of coordination among them to avoid duplicative LEIs. If CFTC believes this is feasible, it may consider submissions from DTCC-SWIFT as well as from other parties that seek to become CICI providers.

Finally, the Commission's Order directs registered entities and swap counterparties subject to CFTC jurisdiction to use CICIs provided by DTCC-SWIFT to comply with the LEI requirements of parts 45 and 46 of the Commission's regulations.