



U.S. COMMODITY FUTURES TRADING COMMISSION

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Division of Clearing and Risk

CFTC Letter 16-06
No-Action
February 9, 2016
Division of Clearing and Risk

Muthukrishnan Ramaswami
Director
Singapore Exchange Derivatives Clearing Limited
2 Shenton Way, #19-00 SGX Centre
Singapore 068804

Re: Request for Time-Limited No-Action Relief from Commission Regulation 39.19(b)(1)

Dear Mr. Ramaswami:

This responds to your letter dated January 7, 2016 (“Letter”), to the Division of Clearing and Risk (“Division”) of the Commodity Futures Trading Commission (the “Commission”). In the Letter, Singapore Exchange Derivatives Clearing Limited (“SGX-DC”), a Commission-registered derivatives clearing organization (“DCO”), requests time-limited no-action relief from complying with Commission Regulation 39.19(b)(1).

Background

Section 5b(c)(2)(J) of the Commodity Exchange Act (the “CEA”) requires a DCO to report to the Commission all information that the Commission determines to be necessary to conduct oversight of the DCO.¹ To implement this requirement, the Commission adopted Regulation 39.19, which sets forth various reporting requirements for DCOs. In particular, Regulation 39.19(b)(1) requires each DCO to provide “the information required by [the regulation] to the Commission electronically and in a format and manner specified by the Commission,” and Regulation 39.19(c)(1) requires each DCO on a daily basis to report for each clearing member, by house origin and by each customer origin, all futures, options, and swaps positions, and all securities positions held in a segregated account or pursuant to a cross margining agreement.

Consistent with Regulation 39.19(b)(1), the Division publishes the Guidebook for Daily Reports Under Regulation 39.19(c)(1) (the “Guidebook”), which provides the Commission’s instructions to DCOs for submitting daily reports under Regulation 39.19(c)(1). On September 25, 2015, the Commission provided DCOs with upcoming revisions to the Guidebook (the

¹ 7 U.S.C. § 7a-1(c)(2)(J).

“Guidebook Revisions”), which include updated technical FIX Protocol standards and instructions regarding how DCOs should report data to the Commission in FIXML format. In particular, the Guidebook Revisions contain a data dictionary and examples of the data record layouts that are required for cash flow and end of day position data elements. The Guidebook Revisions are meant to ensure that the Commission receives information from DCOs in a usable format. The current deadline for compliance with the Guidebook Revisions is February 16, 2016.

By order issued December 27, 2013, the Commission granted SGX-DC registration as a DCO. As a registered DCO, SGX-DC must comply with the reporting requirements of Regulation 39.19.

Statement of Facts

Based on the representations made by SGX-DC in the Letter, the Division understands the relevant facts to be as follows:

SGX-DC represents that it cannot meet the February 16, 2016 deadline for compliance with the Guidebook Revisions. SGX-DC is currently implementing several major system enhancements, including an overhaul of its derivatives trading and clearing platforms. According to SGX-DC, the extensive technical effort required for such enhancements must be complete before it undertakes the effort required to comply with the Guidebook Revisions, rendering SGX-DC unable to meet the Division’s February deadline.

SGX-DC has represented that it will continue to submit the information it is required to submit under Regulation 39.19(c)(1). Additionally, SGX-DC represents that in September 2015, SGX-DC suspended its USD interest rate swap contract due to a lack of clearing activity. Moreover, SGX-DC currently only has one clearing member that is registered as a futures commission merchant with the Commission.

Discussion of Request for Time-Limited No-Action Relief

The Division accepts SGX-DC’s representation that it is actively implementing several major system enhancements in 2016, and that this activity renders it unable to comply with the Guidebook Revisions by the February 16, 2016 deadline. Based upon SGX-DC’s representations, the Division will allow SGX-DC a reasonable period of time to meet its obligations under Regulation 39.19(b)(1) and the Guidebook Revisions.

The Division notes that, notwithstanding this no-action relief, SGX-DC must otherwise continue to report the information required by Regulation 39.19(c)(1) as provided herein.

Grant of Time-Limited No-Action Relief

Based on the facts presented and representations of SGX-DC, the Division will not recommend that the Commission take enforcement action against SGX-DC for failure to comply with Regulation 39.19(b)(1) and the Guidebook Revisions, subject to the following conditions:

- (1) Limited Duration. This relief shall expire on the earlier of: (i) such time as SGX-DC is able to comply with the Guidebook Revisions; or (ii) October 31, 2016.
- (2) Continued Compliance with Regulation 39.19(c)(1). SGX-DC must continue to comply with Regulation 39.19(c)(1) during the pendency of the period of relief provided herein, including by providing required data submissions in CSV file format.

Conclusion

The relief provided in this letter does not excuse SGX-DC from any other obligation under the CEA or Commission regulations.

The position taken in this letter 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 upon the representations made by SGX-DC to the Division, including the representations contained in its no-action request dated January 7, 2015, 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 in this letter, in its discretion.

If you have any questions concerning this correspondence, please contact Michael H. Margolis, Special Counsel, Division of Clearing and Risk, at mmargolis@cftc.gov or (312) 596-0576.

Sincerely,

Jeffrey M. Bandman
Acting Director
Division of Clearing and Risk