



Commodity Futures Trading Commission

Office of Public Affairs

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Q & A – Clearing Member Risk Management

What is the goal of the proposed rulemaking?

The goal of the proposed rulemaking is to facilitate customer access to clearing and to bolster risk management at the clearing member level.

How would the proposed rulemaking affect risk management programs of clearing members?

The proposed rulemaking would require swap dealers, major swap participants, and futures commission merchants that are clearing members to: (1) establish credit and market risk-based limits based on position size, order size, margin requirements, or similar factors; (2) use automated means to screen orders for compliance with the risk-based limits; (3) monitor for adherence to the risk-based limits intra-day and overnight; (4) conduct stress tests of all positions in the proprietary account and all positions in any customer account that could pose material risk to the futures commission merchant at least once per week; (5) evaluate their ability to meet initial margin requirements at least once per week; (6) evaluate their ability to meet variation margin requirements in cash at least once per week; (7) evaluate their ability to liquidate positions they clear in an orderly manner, and estimate the cost of the liquidation at least once per month; and (8) test all lines of credit at least once per quarter.

What registrants are covered by the proposed regulations?

The proposed regulations would apply to swap dealers, major swap participants, and futures commission merchants that are clearing members.

By when must comments on the rules be submitted?

Comments on the rules must be submitted within sixty (60) days of the publication of the proposal in the Federal Register.

Do the proposed risk management procedures allow clearing members to have flexibility in developing procedures that meet their needs?

Yes. The Commission recognizes that an individual firm must have the flexibility to implement specific policies and procedures unique to its circumstances. The proposed regulations would establish the general elements to be included in the design and testing of a swap dealer's, major swap participant's, or futures commission merchant's risk management program.