



# Commodity Futures Trading Commission

## Office of Public Affairs

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## Q & A – Final Regulations Regarding Large Trader Reporting for Physical Commodity Swaps

### What is the goal of the final rulemaking?

The final rulemaking establishes a system for reporting swap positions in swaps that are economically equivalent to regulated futures (and option) contracts.

The reports would enable the Commission to meet its regulatory responsibilities by implementing and conducting effective surveillance of economically equivalent physical commodity futures, options and swaps; supporting transparency initiatives such as its Commitments of Traders and Index Investment Data Reports; and monitoring compliance with any trading requirements of the Commodity Exchange Act.

### Which commodities are covered by the regulations?

Forty-six physical commodities are covered by the regulations.

They include crude oil, coal, natural gas, heating oil, gasoline, gold, silver, copper, platinum, palladium, uranium, ethanol, steel, corn, oats, rice, soybeans, soybean meal, soybean oil, wheat, butter, cheese, dry whey, feeder cattle, live cattle, milk, dry milk, lumber, cocoa, coffee, orange juice, sugar, and cotton.

### Which market participants will be affected by the regulations?

The regulations would require routine position reports on economically equivalent swaps from clearing organizations, their members and swap dealers, and would also apply to reportable swap trader positions.

### How many entities will be required to make reports under these regulations?

The Commission estimates that roughly 100 clearing members and 100 swap dealers will be required to report. The number of clearing organizations required to make reports is expected to be approximately five.

### How frequently will swap position reports be required?

Clearing organizations will make daily reports of applicable records by 9 AM EST of the next business day. Clearing members and swap dealers will make daily reports of applicable records by 12 PM EST of the second business day following the reporting day.

### Why will the Commission collect this information?

The Commission will collect this data in order to conduct effective market surveillance, enhance its transparency initiatives, and monitor compliance with any trading requirements of the Commodity Exchange Act.

### How will the Commission receive this information?

The Commission is implementing the technological steps necessary for collecting and processing swaps position records, and it will specify a standard format for the data record that will be transmitted electronically to the Commission. The collection of swap position data will be similar to the Commission's current collection of large trader futures position data.

### **What makes a swap economically equivalent to a futures contract?**

For the purposes of these regulations, a swap may be economically equivalent to a futures contract either:

- 1) because the floating price of the swap refers to a futures contract settlement price; or
- 2) the swap is priced on the same commodity delivered at the same location or locations as that of a covered contract.

### **Will swaps position data be publically available?**

No. The Commission is prohibited from divulging disaggregated position or transaction data by Section 8(a)(1) of the Commodities Exchange Act.

### **How is the swaps reporting system different than the proposed Swap Data Repositories (SDRs)?**

A physical commodity SDR will likely require time to become operational as there currently is no functional and accepted data repository for swaps in the energy, metal or agricultural commodity asset categories. In addition, even after SDRs have been established, because they are fundamentally transaction repositories, it may be a considerable time before SDRs are able to reliably convert transaction data into positional data. Therefore, the Commission has determined to adopt the swaps reporting system.

### **In what other ways will the Commission use swap position data?**

The proposed swap position reports for physical commodity swaps would be the first systematic survey of the size and complexity of both the cleared swap as well as the uncleared or "opaque" swaps market. This information has great value to the Commission for a number of reasons, and aggregate statistics on the size of the swaps market are also of use to Congress, academia, and the press, as is the case presently with aggregate futures market information released through the Commitments of Traders reports.