



# Commodity Futures Trading Commission

## Office of Public Affairs

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## Proposed Rulemaking Q & A

### **What is the goal of the proposed rulemaking?**

The notice of rulemaking proposes to establish a system for reporting swap position in swaps that are economically equivalent to regulated futures (and option) contracts.

The proposed reports would enable the Commission to meet its statutory responsibility for enforcing aggregate position limits that cover economically equivalent swaps in the absence of other sources of positional swaps data.

### **Which commodities are covered by the proposed regulation?**

Forty-six specific exempt and agricultural commodities are covered by the proposed regulations.

Exempt commodities broadly include, but are not limited to, gold, silver, copper, platinum, palladium, uranium, ethanol, wood pulp, steel, crude oil, coal, natural gas, heating oil, and gasoline.

Agricultural commodities broadly include, but are not limited to, 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 proposed regulation?**

The proposed rules would require position reports on economically equivalent swaps from clearing organizations, their members and swap dealers.

### **How many entities will be required to make reports under this regulation?**

The Commission estimates that roughly 180 clearing members and swap dealers transact in physical commodity swaps and would be required to report under the proposed rules. 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, clearing organization members, and swap dealers will make daily reports of applicable records by 9 AM EST of the following business day.

### **Why is the Commission proposing to collect this information?**

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 instructs the Commission to establish aggregate position limits on physical commodity futures contracts as well as swaps that are economically equivalent to those futures contracts. A swap position reporting system allows the Commission to combine traders' futures and swap positions and monitor those positions against aggregate positions limits.

### **How will the Commission receive this information?**

The Commission is in the preliminary stages of implementing the technological steps necessary for collecting and processing swaps position records, but envisions specifying a standard format for the data record which 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 this proposed regulation, a swap may be economically equivalent to a futures contract either:

1. because the floating price of the swap refers to a covered futures contract settlement price; or
2. the swap is priced on the same commodity delivered at the same location, or another location so long as the other delivery location has similar supply and demand characteristics, 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 will the proposed swaps reporting system be different than Swap Data Repositories (SDRs)?**

Congress mandated the CFTC consider establishing aggregate positions limits before SDRs will be established. Therefore, the swaps reporting system would serve as a pioneering yet interim program to collect swap position data until SDRs are functioning and able to fulfill this need.

### **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.