



## U.S. COMMODITY FUTURES TRADING COMMISSION

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CFTC Letter No. 14-137  
No-Action  
November 10, 2014  
Division of Market Oversight

### **Extension of No-Action Relief from the Commodity Exchange Act Sections 2(h)(8) and 5(d)(9) and from Commission Regulation § 37.9 and Additional No-Action Relief for Swap Execution Facilities from Commission Regulation § 37.3(a)(2) for Swaps Executed as Part of Certain Package Transactions**

On May 1, 2014, the Division of Market Oversight (“DMO” or the “Division”) of the Commodity Futures Trading Commission (“Commission” or “CFTC”) issued a letter (“Package Transaction NAL 14-62”) to phase in compliance with Commodity Exchange Act (“CEA”) section 2(h)(8) (the “trade execution requirement”) by granting no-action relief from the trade execution requirement and CEA section 5(d)(9) and § 37.9 of the Commission’s regulations for certain interest rate and credit default swaps that have been made available to trade (“MAT”) and are executed as part of five specified categories of “package transactions.”<sup>1</sup> Package Transaction NAL 14-62 provides this no-action relief for three of these categories until November 15, 2014 (“November 15 Packages”).<sup>2</sup>

This letter provides further time-limited no-action relief<sup>3</sup> for swaps executed as part of the November 15 Packages.<sup>4</sup> Generally, the letter provides this relief to entities or counterparties

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<sup>1</sup> See CFTC Letter 14-62 at 3 (definition of “package transaction” in Package Transaction NAL 14-62). The categories include package transactions in which at least one individual swap component is made available to trade (“MAT”) and therefore subject to the trade execution requirement; and (1) each of the other swap components is subject to the clearing requirement under CEA section 2(h)(1)(A) and § 50.4 of the Commission’s regulations (“MAT/Non-MAT Cleared Package Transactions”); (2) at least one individual swap component is under the Commission’s exclusive jurisdiction and not subject to the clearing requirement (“MAT/Non-MAT Uncleared Package Transactions”); (3) at least one individual component is not a swap (“MAT/Non-Swap Instruments Package Transactions”); or (4) at least one individual swap component is a swap over which the Commission does not have exclusive jurisdiction (“MAT/Non-CFTC Swap Package Transactions”). Package Transaction NAL 14-62 also provided no-action relief for package transactions in which each of the swap components has been made available to trade (and therefore subject to the trade execution requirement) and all other components are U.S. Treasury securities (“U.S. Dollar Swap Spreads”). The no-action relief expired for MAT/Non-MAT Cleared Package Transactions and U.S. Dollar Swap Spreads on June 1, 2014 and June 15, 2014, respectively. See CFTC Letter 14-62 at 4-7.

<sup>2</sup> The November 15 Packages include MAT/Non-MAT Uncleared Package Transactions; MAT/Non-Swap Instruments Package Transactions, specifically excluding U.S. Dollar Swap Spreads; and MAT/Non-CFTC Swap Package Transactions.

<sup>3</sup> This letter responds to no-action relief requested in the following: (1) Letter from International Swaps and Derivatives Association (“ISDA”), Request for Relief from the Trade Execution Requirement for Package Transactions (Oct. 14, 2014); (2) Letter from Managed Funds Association (“MFA”), Request for Relief from the Trade Execution Requirement for Categories of Package Transactions under CFTC Staff No-Action Letter

from the trade execution requirement; under this relief, the component swaps subject to the trade execution requirement are not required to be executed on a swap execution facility (“SEF”) or designated contract market (“DCM”). Upon expiration of this relief, entities or counterparties must execute such component swaps on a SEF or DCM. During the extended period of trade execution requirement relief and beyond its expiration, however, this letter provides further time-limited no-action relief from CEA section 5(d)(9) and § 37.9 of the Commission’s regulations for certain categories. Under this relief, SEFs and DCMs may offer any method of execution, *i.e.*, a trading system, facility, or platform, for such component swaps;<sup>5</sup> and entities or counterparties must execute such component swaps through any method of execution offered on a SEF or DCM.<sup>6</sup> Additionally, the letter provides time-limited no-action relief to SEFs from § 37.3(a)(2) of the Commission’s regulations, *i.e.*, the “minimum trading functionality” requirement, during which period an Order Book is not required to be offered for any of the swap components of certain package transactions.<sup>7</sup> The length and scope of the no-action relief provided varies by the following categories described below: MAT/Agency MBS Package Transactions; MAT/New Issuance Bond Package Transactions; MAT/Futures Package Transactions; MAT/Non-MAT Uncleared Package Transactions; MAT/Non-Swap Instruments Package Transactions; and MAT/Non-CFTC Swap Package Transactions.<sup>8</sup>

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14-62 (Oct. 15, 2014); (3) Letter from Asset Management Group of the Securities Industry and Financial Markets Association (“SIFMA AMG”), Request for Further Relief from Trade Execution Requirement for Package Transactions (Oct. 21, 2014); and (4) Letter from Federal Home Loan Banks (“FHLBanks”), Request for Relief from the Trade Execution Requirement for Swaps Executed by the FHLBanks as Part of an FHLBank Package Transaction (Apr. 4, 2014). Notwithstanding the scope of relief sought in any of these particular requests, relief is limited to that provided herein.

<sup>4</sup> The Division maintains the definition of “package transaction” provided in Package Transaction NAL 14-62, *see* CFTC Letter 14-62 at 3, for purposes of the relief granted herein. DMO and the Division of Clearing and Risk (“DCR”) (collectively, “the Divisions”) jointly issued Package Transaction NAL 14-62; in addition to providing no-action relief from CEA sections 2(h)(8) and 5(d)(9) and § 37.9 of the Commission’s regulations, the letter also provided time-limited no-action relief from certain requirements of § 37.9(a)(2), § 37.203(a), and § 38.152 of the Commission’s regulations. Pursuant to that additional no-action relief, SEFs and DCMs could establish a “new trade, old terms” procedure to re-submit for clearing the components of a package transaction that are rejected based on the sequence in which they were submitted. *See* CFTC Letter 14-62 at 7-11. On September 30, 2014, the Divisions issued CFTC Letter 14-121 to separately extend that no-action relief until February 16, 2015.

<sup>5</sup> *See infra* note 11.

<sup>6</sup> Section 37.9 of the Commission’s regulations and CEA section 5(d)(9) prescribe the methods of execution that entities or counterparties must use on a SEF or a DCM, respectively, for swaps that must be executed on a SEF or DCM pursuant to the trade execution requirement.

<sup>7</sup> The Division notes that, to the extent such swap components are not executed as part of a package transaction qualifying for relief herein, § 37.3(a)(2) of the Commission’s regulations requires SEFs to offer an Order Book functionality as a method of execution for such swap transactions.

<sup>8</sup> *See infra* at 4-9 for the definitions of each category of package transaction. Some of the package transaction categories established herein are more granular than those categories provided in Package Transaction NAL 14-62. In particular, the following categories would qualify as MAT/Non-Swap Instruments Package Transactions under Package Transaction NAL 14-62: MAT/Agency MBS Package Transactions; MAT/New Issuance Bond Package Transactions; and MAT/Futures Package Transactions. Accordingly, MAT/Non-Swap Instruments

**I. Extension of No-Action Relief from the Commodity Exchange Act Sections 2(h)(8) and 5(d)(9) and from Commission Regulation § 37.9 and Additional No-Action Relief for Swap Execution Facilities from Commission Regulation § 37.3(a)(2) for Swaps Executed as Part of Certain Package Transactions**

**Discussion**

The Division issued Package Transaction NAL 14-62 to phase in compliance with the trade execution requirement upon the expiration of initial no-action relief provided by the Division (“Package Transaction NAL 14-12”).<sup>9</sup> The compliance timeline provided phased-in relief from the trade execution requirement, similar in scope to Package Transaction NAL 14-12 for different categories of package transactions, to entities or counterparties transacting swaps as a part of a package transaction.<sup>10</sup> The compliance timeline also provided phased-in relief from the requirements of § 37.9 of the Commission’s regulations and CEA section 5(d)(9), similar in scope to Package Transaction NAL 14-12 for different categories of package transactions, to SEFs and DCMs, respectively, with respect to swap components of a package transaction for which they facilitate trading.<sup>11</sup>

The Division evaluated the compliance timeline for the November 15 Packages based on ongoing discussions with market participants<sup>12</sup> and letters received from multiple parties requesting, among other things, an extension of the no-action relief provided in Package Transaction NAL 14-62 for the November 15 Packages.<sup>13</sup>

Based on that evaluation, the Division is providing further relief to enable market participants to fully comply with the trade execution requirement with respect to swap

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Package Transactions, as defined herein, includes neither these granular categories nor U.S. Dollar Swap Spreads.

<sup>9</sup> CFTC Letter 14-62. The Division previously issued Package Transaction NAL 14-12 on February 10, 2014, which provided initial relief for all package transactions from the trade execution requirement and § 37.9 of the Commission’s regulations and CEA section 5(d)(9) until May 15, 2014. The Division subsequently issued Package Transaction NAL 14-62 in response to requests for no-action relief that expressed further concerns about the challenges facing SEFs and DCMs in facilitating the trading of swaps subject to the trade execution requirement as part of a package transaction, in a manner compliant with § 37.9 and CEA section 5(d)(9).

<sup>10</sup> Pursuant to the relief provided from CEA section 2(h)(8), entities or counterparties were not required to execute the component swaps subject to the trade execution requirement on a SEF or DCM.

<sup>11</sup> Pursuant to the relief provided from § 37.9 of the Commission’s regulations and CEA section 5(d)(9), SEFs and DCMs were respectively permitted to facilitate the execution of component swaps subject to the trade execution requirement through any method of execution offered on a SEF or DCM, *i.e.*, non-required methods of execution on a SEF or a market and mechanism away from the centralized market of a DCM.

<sup>12</sup> In addition to the letters received, the Division held discussions with swap dealers, hedge funds, asset management firms, commercial banks, government-sponsored entities, SEFs, DCMs, designated clearing organizations (“DCOs”), and industry associations.

<sup>13</sup> See *supra* note 3.

components of the categories defined herein that are subject to the trade execution requirement. This letter provides SEFs and DCMs with flexibility in choosing the methods of execution they may offer for swap components of certain package transactions via their trading systems, facilities, or platforms. Accordingly, market participants will have the opportunity to transition their trading of these swap components onto SEFs and DCMs. Finally, with respect to certain categories of package transactions, the time-limited relief will enable the Division to further assess whether SEFs and DCMs can appropriately offer the capability to transact swap components of such package transactions via competitive means of execution. During the periods of extended relief, the Division anticipates gathering and reviewing trading and volume data associated with the categories of package transactions defined herein.

### **Time-Limited No-Action Relief**

The Division is granting relief for swap components, executed as part of the following categories of package transactions set forth below, for the time periods indicated.<sup>14</sup> For purposes of the relief granted in this letter, a “package transaction” is a transaction involving two or more instruments: (1) that is executed between two or more counterparties; (2) that is priced or quoted as one economic transaction with simultaneous or near simultaneous execution of all components; (3) that has at least one component that is a swap that is made available to trade and therefore is subject to the CEA section 2(h)(8) trade execution requirement; and (4) where the execution of each component is contingent upon the execution of all other components.

#### **1) MAT/Agency MBS Package Transactions**

Package transactions in which each of the swap components is subject to the trade execution requirement and all other components are agency mortgage-backed securities (“MAT/Agency MBS Package Transactions”)<sup>15</sup>:

- a) The Division will grant time-limited no-action relief to: (1) entities or counterparties executing the swap components of a MAT/Agency MBS Package Transaction from the requirements of CEA section 2(h)(8); and (2) SEFs and DCMs, with respect to the swap components of a MAT/Agency MBS Package Transaction for which they

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<sup>14</sup> Appendix A is a summary of the no-action relief granted in this letter and previously expired no-action relief. The Division notes that where a package transaction may be eligible for relief under more than one of the categories established herein, entities or counterparties may avail themselves of the broadest relief among those categories.

<sup>15</sup> The Division understands that an agency mortgage-backed security that may constitute part of a package transaction is a “security,” as defined in section 2(a)(1) of the Securities Act of 1933 or section 3(a)(10) of the Securities Exchange Act of 1934. To the extent that SEFs and DCMs may be facilitating package transactions on their respective trading systems, facilities, or platforms that involve a security, or any component agreement, contract, or transaction over which the Commission does not have exclusive jurisdiction, the Division does not opine on whether such activity complies with other applicable law and regulations. The no-action positions taken herein represent only the positions of the Division and do not bind the Commission, other Commission staff, or any other Federal agency.

facilitate trading, from the requirements of § 37.9 of the Commission's regulations and CEA section 5(d)(9), respectively, until 11:59 p.m. (Eastern time) **May 15, 2015**.

- b) The Division will not recommend that the Commission take enforcement action against any entity or counterparty that executes the swap components of a MAT/Agency MBS Package Transaction without complying with CEA section 2(h)(8), or against any SEF or DCM that facilitates trading in swap components of a MAT/Agency MBS Package Transaction without complying with § 37.9 of the Commission's regulations or CEA section 5(d)(9), respectively, if such swaps are executed before or at the expiration of the no-action relief.

## 2) **MAT/New Issuance Bond Package Transactions**

Package transactions which include at least one individual swap component that is subject to the trade execution requirement and at least one individual component that is a bond issued and sold in the primary market ("MAT/New Issuance Bond Package Transactions")<sup>16</sup>:

- a) The Division will grant time-limited no-action relief to: (1) entities or counterparties executing the swap components of a MAT/New Issuance Bond Package Transaction from the requirements of CEA section 2(h)(8); and (2) SEFs and DCMs, with respect to the swap components of a MAT/New Issuance Bond Package Transaction for which they facilitate trading, from the requirements of § 37.3(a)(2) and § 37.9 of the Commission's regulations, and CEA section 5(d)(9), respectively, until 11:59 p.m. (Eastern time) **February 12, 2016**.
- b) The Division will not recommend that the Commission take enforcement action against any entity or counterparty that executes the swap components of a MAT/New Issuance Bond Package Transaction without complying with CEA section 2(h)(8), or against any SEF or DCM that facilitates trading in swap components of a MAT/New Issuance Bond Package Transaction without complying with § 37.3(a)(2) or § 37.9 of the Commission's regulations, or CEA section 5(d)(9), respectively, if such swaps are executed before or at the expiration of the no-action relief.

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<sup>16</sup> This category specifically excludes package transactions which include at least one individual swap component that is subject to the trade execution requirement and at least one individual component that is a bond transaction that occurs in the secondary market; such transactions would qualify as MAT/Non-Swap Instruments Package Transactions as defined herein. See infra at 7-8. The Division understands that a bond issued and sold in the primary market that may constitute part of a package transaction is a "security," as defined in section 2(a)(1) of the Securities Act of 1933 or section 3(a)(10) of the Securities Exchange Act of 1934. To the extent that SEFs and DCMs may be facilitating package transactions on their respective trading systems, facilities, or platforms that involve a security, or any component agreement, contract, or transaction over which the Commission does not have exclusive jurisdiction, the Division does not opine on whether such activity complies with other applicable law and regulations. The no-action positions taken herein represent only the positions of the Division and do not bind the Commission, other Commission staff, or any other Federal agency.

### 3) **MAT/Futures Package Transactions**

Package transactions which include at least one individual swap component that is subject to the trade execution requirement and all other components that are contracts for the purchase or sale of a commodity for future delivery, i.e., futures contracts (“MAT/Futures Package Transactions”):

- a) The Division will grant time-limited no-action relief to: (1) entities or counterparties executing the swap components of a MAT/Futures Package Transaction from the requirements of CEA section 2(h)(8); and (2) SEFs and DCMs, with respect to the swap components of a MAT/Futures Package Transaction for which they facilitate trading, from the requirements of § 37.3(a)(2) and § 37.9 of the Commission’s regulations, and CEA section 5(d)(9), respectively, until 11:59 p.m. (Eastern time) **November 14, 2015**.
- b) The Division will not recommend that the Commission take enforcement action against any entity or counterparty that executes the swap components of a MAT/Futures Package Transaction without complying with CEA section 2(h)(8), or against any SEF or DCM that facilitates trading in swap components of a MAT/Futures Package Transaction without complying with § 37.3(a)(2) or § 37.9 of the Commission’s regulations, or CEA section 5(d)(9), respectively, if such swaps are executed before or at the expiration of the no-action relief.

### 4) **MAT/Non-MAT Uncleared Package Transactions**

Package transactions which include at least one individual swap component that is subject to the trade execution requirement and at least one individual swap component that is subject to the Commission’s exclusive jurisdiction, but not subject to the clearing requirement under CEA section 2(h)(1)(A) and § 50.4 of the Commission’s regulations (“MAT/Non-MAT Uncleared Package Transactions”):

- a) The Division will grant time-limited no-action relief to entities or counterparties executing the swap components of a MAT/Non-MAT Uncleared Package Transaction from the requirements of CEA section 2(h)(8) until 11:59 p.m. (Eastern time) **February 15, 2015**.
- b) The Division will grant time-limited no-action relief to SEFs and DCMs, with respect to the swap components of a MAT/Non-MAT Uncleared Package Transaction for which they facilitate trading, from the requirements of § 37.3(a)(2) and § 37.9 of the Commission’s regulations, and CEA section 5(d)(9), respectively, until 11:59 p.m. (Eastern time) **February 12, 2016**. During this period of time, SEFs and DCMs may provide a trading system, facility, or platform that facilitates trading of swap components through methods of execution that do not comply with the required

methods of execution in § 37.9 of the Commission's regulations or CEA section 5(d)(9), respectively.<sup>17</sup>

- c) The Division will not recommend that the Commission take enforcement action against any entity or counterparty that executes the swap components of a MAT/Non-MAT Uncleared Package Transaction without complying with CEA section 2(h)(8), or against any SEF or DCM that facilitates trading in swap components of a MAT/Non-MAT Uncleared Package Transaction without complying with § 37.3(a)(2) or § 37.9 of the Commission's regulations, or CEA section 5(d)(9), respectively, if such swaps are executed before or at each respective expiration of no-action relief.<sup>18</sup>

The Division notes that upon the expiration of no-action relief from CEA section 2(h)(8) on February 15, 2015, entities or counterparties must execute the swap components of a MAT/Non-MAT Uncleared Package Transaction that are subject to the trade execution requirement on a SEF or DCM. Entities or counterparties, however, may execute such swap components through any method of execution offered on a SEF or DCM, *i.e.*, a trading system, facility, or platform, pursuant to no-action relief provided from the requirements of § 37.9 of the Commission's regulations and CEA section 5(d)(9), respectively.

## 5) MAT/Non-Swap Instruments Package Transactions

Package transactions which include at least one individual swap component that is subject to the trade execution requirement and at least one individual component that is not a swap ("MAT/Non-Swap Instruments Package Transactions").<sup>19</sup> This category specifically excludes U.S. Dollar Swap Spreads; MAT/Futures Package Transactions; MAT/Agency MBS Package Transactions; and MAT/New Issuance Bond Package Transactions.

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<sup>17</sup> The Division expects that SEFs and DCMs will implement and enforce rules that will allow them to verify that only eligible swap components are executed in reliance on the relief granted in this letter.

<sup>18</sup> If the Commission determines at some future date that all of the swap components that are currently not subject to the clearing requirement are required to be cleared pursuant to CEA section 2(h)(1)(A) and § 50.2 of the Commission's regulations, then this no-action relief would no longer apply to the swap components of a MAT/Non-MAT Uncleared Package Transaction. The Division notes that should this no-action relief no longer apply, however, it would then consider a phased-in compliance schedule for these package transactions.

<sup>19</sup> The Division understands that non-swap instruments that may constitute part of a package transaction include a "security," as defined in section 2(a)(1) of the Securities Act of 1933 or section 3(a)(10) of the Securities Exchange Act of 1934, which includes a "security-based swap." To the extent that SEFs and DCMs may be facilitating package transactions on their respective trading systems, facilities, or platforms that involve a security, or any component agreement, contract, or transaction over which the Commission does not have exclusive jurisdiction, the Division does not opine on whether such activity complies with other applicable law and regulations. The no-action positions taken herein represent only the positions of the Division and do not bind the Commission, other Commission staff, or any other Federal agency.

- a) The Division will grant time-limited no-action relief to entities or counterparties executing the swap components of a MAT/Non-Swap Instruments Package Transaction from the requirements of CEA section 2(h)(8) until 11:59 p.m. (Eastern time) **February 15, 2015**.
- b) The Division will grant time-limited no-action relief to SEFs and DCMs, with respect to the swap components of a MAT/Non-Swap Instruments Package Transaction for which they facilitate trading, from the requirements of § 37.3(a)(2) and § 37.9 of the Commission's regulations, and CEA section 5(d)(9), respectively, until 11:59 p.m. (Eastern time) **February 12, 2016**. During this period of time, SEFs and DCMs may provide a trading system, facility, or platform that facilitates trading of swap components through methods of execution that do not comply with the required methods of execution in § 37.9 of the Commission's regulations or CEA section 5(d)(9), respectively.
- c) The Division will not recommend that the Commission take enforcement action against any entity or counterparty that executes the swap components of a MAT/Non-Swap Instruments Package Transaction without complying with CEA section 2(h)(8), or against any SEF or DCM that facilitates trading in swap components of a MAT/Non-Swap Instruments Package Transaction without complying with § 37.3(a)(2) or § 37.9 of the Commission's regulations, or CEA section 5(d)(9), respectively, if such swaps are executed before or at each respective expiration of no-action relief.

The Division notes that upon the expiration of no-action relief from CEA section 2(h)(8) on February 15, 2015, entities or counterparties must execute the swap components of a MAT/Non-Swap Instruments Package Transaction that are subject to the trade execution requirement on a SEF or DCM. Entities or counterparties, however, may execute such swap components through any method of execution offered on a SEF or DCM, i.e., a trading system, facility, or platform, pursuant to no-action relief provided from the requirements of § 37.9 of the Commission's regulations and CEA section 5(d)(9), respectively.

#### 6) **MAT/Non-CFTC Swap Package Transactions**

Package transactions which include at least one individual swap component that is subject to the trade execution requirement and at least one individual swap component that is a swap over which the Commission does not have exclusive jurisdiction ("MAT/Non-CFTC Swap Package Transactions").<sup>20</sup>

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<sup>20</sup> A "mixed swap," as defined in section 1a(47)(D) of the CEA, is an example of a swap over which the CFTC may share jurisdiction with the U.S. Securities and Exchange Commission. See Further Definition of "Swap," "Security-Based Swap," and "Security-Based Swap Agreement"; Mixed Swaps; Security-Based Swap Agreement Recordkeeping, 77 Fed. Reg. 48208, 48291-93 (Aug. 13, 2012). To the extent that SEFs and DCMs may be facilitating package transactions on their respective trading systems, facilities, or platforms that involve a security, or any component agreement, contract, or transaction over which the Commission does not have

- a) The Division will grant time-limited no-action relief to entities or counterparties executing the swap components of a MAT/Non-CFTC Swap Package Transaction from the requirements of CEA section 2(h)(8) until 11:59 p.m. (Eastern time) **February 15, 2015**.
- b) The Division will grant time-limited no-action relief to SEFs and DCMs, with respect to the swap components of a MAT/Non-CFTC Swap Package Transaction for which they facilitate trading, from the requirements of § 37.3(a)(2) and § 37.9 of the Commission's regulations, and CEA section 5(d)(9), respectively, until 11:59 p.m. (Eastern time) **February 12, 2016**. During this period of time, SEFs and DCMs may provide a trading system, facility, or platform that facilitates trading of swap components through methods of execution that do not comply with the required methods of execution in § 37.9 of the Commission's regulations or CEA section 5(d)(9), respectively.
- c) The Division will not recommend that the Commission take enforcement action against any entity or counterparty that executes the swap components of a MAT/Non-CFTC Swap Package Transaction without complying with CEA section 2(h)(8), or against any SEF or DCM that facilitates trading in swaps as part of a MAT/Non-CFTC Swap Package Transaction without complying with § 37.3(a)(2) or § 37.9 of the Commission's regulations, or CEA section 5(d)(9), respectively, if such swaps are executed before or at each respective expiration of no-action relief.

The Division notes that upon the expiration of no-action relief from CEA section 2(h)(8) on February 15, 2015, entities or counterparties must execute the swap components of a MAT/Non-CFTC Swap Package Transaction that are subject to the trade execution requirement on a SEF or DCM. Entities or counterparties, however, may execute such swap components through any method of execution offered on a SEF or DCM, i.e., a trading system, facility, or platform, pursuant to no-action relief provided from the requirements of § 37.9 of the Commission's regulations and CEA section 5(d)(9), respectively.

## **II. Conclusion**

Industry participants should note that the no-action positions taken herein do not excuse affected persons from compliance with any other applicable requirements of the CEA or the Commission's regulations thereunder.<sup>21</sup> This letter, and the no-action positions taken herein,

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exclusive jurisdiction, the Division does not opine on whether such activity complies with other applicable law and regulations. The no-action positions taken herein represent only the positions of the Division and do not bind the Commission, other Commission staff, or any other Federal agency.

<sup>21</sup> The applicable swap reporting requirements are set forth under parts 43, 45, and 50 of the Commission's regulations. The applicable clearing requirements are set forth under CEA section 2(h)(1) and part 50 of the Commission's regulations. The applicable pre-execution credit check requirements are set forth under § 1.73 of

represent the positions of the Division only, and do not necessarily represent the positions of, or bind, the Commission, any other division or office of the Commission's staff, or any other Federal agency. 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 herein, in its discretion.

If you have any questions concerning this correspondence, please contact Nancy Markowitz, Deputy Director, at (202) 418-5453 or [nmarkowitz@cftc.gov](mailto:nmarkowitz@cftc.gov), Nhan Nguyen, Special Counsel, at (202) 418-5932 or [nnguyen@cftc.gov](mailto:nnguyen@cftc.gov), or Roger Smith, Special Counsel, at (202) 418-5344 or [rsmith@cftc.gov](mailto:rsmith@cftc.gov).

Sincerely,

Vincent A. McGonagle  
Director  
Division of Market Oversight

## **APPENDIX A: SUMMARY OF PACKAGE TRANSACTION RELIEF**

Note: This appendix reflects a summary of the relief that the Division of Market Oversight (“Division”) of the Commodity Futures Trading Commission (“Commission”) has granted since February 10, 2014 with respect to package transactions; this summary is intended to be used for reference only and does not represent a grant of any no-action relief from the Commodity Exchange Act or the Commission’s regulations. Please refer to CFTC Letter 14-12, CFTC Letter 14-62, and CFTC Letter 14-137 for the grant of Division relief related to package transactions.

<b>Package Transaction Category</b>	<b>Relief Expiration</b>
<b>MAT/MAT:</b> Each of the components is a swap subject to the trade execution requirement	Relief expired May 15, 2014 at the expiration of CFTC Letter 14-12.
<b>MAT/Non-MAT (Cleared):</b> At least one of the components is subject to the trade execution requirement and each of the other components is subject to the clearing requirement	Relief expired June 1, 2014 pursuant to Package Transaction NAL 14-62.
<b>US Dollar Swap Spreads:</b> Each of the swap components is subject to the trade execution requirement and all other components are U.S. Treasury securities	Relief expired June 15, 2014 pursuant to Package Transaction NAL 14-62.
<b>MAT/Agency MBS:</b> Each of the swap components is subject to the trade execution requirement and all other components are agency mortgage-backed securities	<p>Relief from CEA section 2(h)(8) until <b>May 15, 2015</b>. Under this relief, the swaps components subject to the trade execution requirement are not required to be executed on a swap execution facility (“SEF”) or designated contract market (“DCM”).</p> <p>Relief from Commission Regulation § 37.9 and CEA section 5(d)(9) until <b>May 15, 2015</b>, which permits a SEF or DCM to offer any method of execution for the swap components subject to the trade execution requirement.</p>
<b>MAT/New Issuance Bond:</b> At least one individual swap component is subject to the trade execution requirement and at least one individual component is a bond issued and sold in the primary market	<p>Relief from CEA section 2(h)(8) until <b>February 12, 2016</b>. Under this relief, the swap components subject to the trade execution requirement are not required to be executed on a SEF or DCM.</p> <p>Relief from Commission Regulation § 37.9 and CEA section 5(d)(9) until <b>February 12, 2016</b>, which permits a SEF or DCM to offer any method of execution for the swap components.</p> <p>Relief from Commission Regulation § 37.3(a)(2) until <b>February 12, 2016</b>, which permits SEFs to not offer an Order Book as a minimum trading functionality for the swap components.</p>

Package Transaction Category	Relief Expiration
<p><b>MAT/Futures:</b> At least one individual swap component is subject to the trade execution requirement and all other components are contracts for the purchase or sale of a commodity for future delivery, <i>i.e.</i>, futures contracts. This category may include:</p> <ul style="list-style-type: none"> <li>• MAT swap v. Treasury futures</li> <li>• MAT swap v. Eurodollar futures</li> </ul>	<p>Relief from CEA section 2(h)(8) until <b>November 14, 2015</b>. Under this relief, the swap components subject to the trade execution requirement are not required to be executed on a SEF or DCM.</p> <p>Relief from Commission Regulation § 37.9 and CEA section 5(d)(9) until <b>November 14, 2015</b>, which permits a SEF or DCM to offer any method of execution for the swap components.</p> <p>Relief from Commission Regulation § 37.3(a)(2) until <b>November 14, 2015</b>, which permits SEFs to not offer an Order Book as a minimum trading functionality for the swap components.</p>
<p><b>MAT/Non-MAT (Uncleared):</b> At least one of the swap components is subject to the trade execution requirement and at least one of the components is a CFTC swap that is not subject to the clearing requirement. This category may include:</p> <ul style="list-style-type: none"> <li>• MAT swap v. swaption</li> <li>• MAT swap v. uncleared credit default swap</li> </ul>	<p>Relief from CEA section 2(h)(8) until <b>February 15, 2015</b>. Under this relief, the swap components subject to the trade execution requirement are not required to be executed on a SEF or DCM.</p> <p>Relief from Commission Regulation § 37.9 and CEA section 5(d)(9) until <b>February 12, 2016</b>, which permits a SEF or DCM to offer any method of execution for the swap components.</p> <p>Relief from Commission Regulation § 37.3(a)(2) until <b>February 12, 2016</b>, which permits SEFs to not offer an Order Book as a minimum trading functionality for the swap components.</p>
<p><b>MAT/Non-Swap Instruments:</b> At least one of the swap components is subject to the trade execution requirement and at least one of the components is not a swap. This category excludes U.S. Dollar Swap Spreads, MAT/Futures, MAT/Agency MBS, and MAT/New Issuance Bond. This category may include:</p> <ul style="list-style-type: none"> <li>• MAT swap v. single-name credit default swap</li> <li>• MAT swap v. bond (secondary market transaction)</li> </ul>	<p>Relief from CEA section 2(h)(8) until <b>February 15, 2015</b>. Under this relief, the swap components subject to the trade execution requirement are not required to be executed on a SEF or DCM.</p> <p>Relief from Commission Regulation § 37.9 and CEA section 5(d)(9) until <b>February 12, 2016</b>, which permits a SEF or DCM to offer any method of execution for the swap components.</p> <p>Relief from Commission Regulation § 37.3(a)(2) until <b>February 12, 2016</b>, which permits SEFs to not offer an Order Book as a minimum trading functionality for the swap components.</p>

Package Transaction Category	Relief Expiration
<p><b>MAT/Non-CFTC Swap:</b> At least one of the swap components is subject to the trade execution requirement and at least one of the components is a swap over which the CFTC does not have exclusive jurisdiction (e.g., a mixed swap)</p>	<p>Relief from CEA section 2(h)(8) until <b>February 15, 2015</b>. Under this relief, the swap components subject to the trade execution requirement are not required to be executed on a SEF or DCM.</p> <p>Relief from Commission Regulation § 37.9 and CEA section 5(d)(9) until <b>February 12, 2016</b>, which permits a SEF or DCM to offer any method of execution for the swap components.</p> <p>Relief from Commission Regulation § 37.3(a)(2) until <b>February 12, 2016</b>, which permits SEFs to not offer an Order Book as a minimum trading functionality for the swap components.</p>