



FEDERAL RESERVE BANK *of* KANSAS CITY

July 18, 2013

**COMMODITY FUTURES TRADING COMMISSION (CFTC) SWAP CLEARING RULES –  
APPLICABLE TO FINANCIAL INSTITUTIONS**

**Attention:** Chief Executive Officer of the Institution Addressed

**Subject:** Swap Clearing Rules

**Background:** The Federal Reserve System has issued Supervision and Regulation Letter SR 13-12, highlighting recent changes in regulatory requirements for transactions in certain interest rate swaps and credit default swaps. Institutions that participate in interest rate swaps, or credit default swap transactions, are reminded of the need to consider new swap clearing rules administered by the CFTC. Participants in interest rate swaps and credit default swaps covered by the rule will be required to submit the transactions for clearing through a registered derivative clearing organization.

On June 10, 2013, bank holding companies, savings and loan holding companies, U.S. branches and agencies of foreign banking organizations, and state member banks became subject to mandatory clearing for these swaps.

Exceptions to the clearing requirement exist for smaller banks (total assets of \$10 billion or less) and certain interaffiliate swaps. Each of the clearing exceptions has terms and conditions. Among other things, if a bank is a public company, or a subsidiary of a public company, then the appropriate committee of the bank's board of directors may have to review and approve the bank's decision to use a clearing exception. A bank wishing to use a clearing exception should review the CFTC's rules and guidance carefully to ensure it qualifies for the exception.

Institutions supervised by the Federal Reserve and entering into swaps subject to mandatory clearing should be actively developing the capability to clear these swaps. Supervised institutions are expected to manage their derivative activities in a safe-and-sound manner, including the management of legal, operational, credit, and liquidity risks associated with these activities.

**Contact:** Please direct questions concerning CFTC requirements to legal counsel or the CFTC. If you have general questions about these rules, please contact Joe Van Wallegghem at the Federal Reserve Bank of Kansas City at (800) 333-1010, extension 8812387.

**Internet:** A copy of SR13-12 is available on the Board's web site at:  
<http://www.federalreserve.gov/bankinfo/srletters/sr1312.htm>