

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

June 21, 2013

To State Member Banks, Bank
Holding Companies, Financial Holding
Companies, Savings and Loan Holding Companies,
and Foreign Banking Offices
in the Twelfth Federal Reserve District

**Federal Reserve Board Releases SR 13-12: Commodity Futures Trading Commission (CFTC)
Swap Clearing Rules**

On Friday, June 7, 2013, the Federal Reserve Board published SR Letter 13-12 as a reminder to supervised institutions that they need to consider new swap clearing rules developed by the CFTC. Section 723 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) added section 2(h) to the Commodity Exchange Act (CEA), which establishes a clearing requirement for swaps. The Dodd-Frank Act makes it unlawful for any person, including a financial institution, to engage in a swap, if the CFTC determines such swap is required to be cleared, unless the person submits the swap for clearing to a registered derivatives clearing organization (DCO).

The CFTC has required certain interest rate and credit default swaps to be cleared by a DCO. Mandatory clearing of these swaps began on March 11, 2013, for swaps between swap dealers, major swap participants, and private funds active in the swaps market, and for swaps that these counterparties enter into with any other counterparty that desires to clear. On June 10, 2013, a number of other entities, including persons predominantly engaged in banking or financial activities, became subject to mandatory clearing for these swaps with each other, with the entities that became subject to clearing on March 11, 2013, and with any other entity that desires to clear. This would include bank holding companies, savings and loan holding companies, U.S. branches and agencies of foreign banking organizations, and state member banks.

NOTE: In addition, on June 10, 2013, the CFTC announced the issuance of a time-limited, no-action letter granting relief to banks and savings associations with less than \$10 billion in total assets, which are issuers of securities, from the board approval requirements of section 2(j) of the Commodity Exchange Act and CFTC regulation 50.50 (17 CFR 50.50), subject to certain conditions. This no-action relief expires on **July 10, 2013**. See the CFTC's [press release](#) for more information.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking-supervision/publications/district-circular-letters/>

For additional information, please contact:
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Attachment: [SR letter 13-12](#)