

March 25, 2019

CFTC Provides Further Brexit-Related Market Certainty

Washington, DC - The Commodity Futures Trading Commission (CFTC) passed by unanimous vote at today's open Commission meeting a provision to provide greater certainty to the global marketplace in the event of a "no-deal Brexit" precipitated by the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union without a negotiated withdrawal agreement.

"At a time of heightened market uncertainty caused by Brexit, this Commission has worked over the past several weeks to bring clarity to participants in global derivatives markets by a series of separate actions and statements with its regulatory counterparts in London, Brussels and Singapore," said CFTC Chairman J. Christopher Giancarlo in today's open meeting of the Commission. "Today the Commission takes another important step to bring certainty to the global derivatives markets. Consistent with actions already taken by U.S. prudential regulators, we are providing regulatory certainty regarding the transfer of uncleared legacy swaps to facilitate global swaps market participants' needs in the event that the UK withdraws from the EU without a negotiated withdrawal agreement. These measures show that UK and U.S. authorities are committed to taking measures to ensure the UK's withdrawal from the EU, in whatever form it takes, will not create regulatory uncertainty regarding derivatives market activity between the UK and United States. These measures will help support financial stability and the sound functioning of financial markets. They also will give confidence to market participants about their ability to trade and manage risk through these markets."

In the event that the UK leaves the EU without a negotiated withdrawal agreement, affected swap dealers and major swap participants may need to effect legal transfers of uncleared swaps that were entered into before the relevant compliance dates under the CFTC Margin Rule or Prudential Margin Rule. The interim final rule is designed to allow an uncleared swap to retain its legacy status under the CFTC Margin Rule or Prudential Margin Rule when so transferred.

This interim final rule requests comments within 60 days of publication in the Federal Register.