Press Release

SEC Proposes Rules to Prevent Fraud in Connection With Security-Based Swaps Transactions, to Prevent Undue Influence over CCOs and to Require Reporting of Large Security-Based Swap Positions

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Washington D.C., Dec. 15, 2021 — The Securities and Exchange Commission today voted to propose rules to prevent fraud, manipulation and deception in connection with security-based swaps, to prevent undue influence over the chief compliance officer (CCO) of security-based swap dealers and major security-based swap participants (SBS Entities), and to require any person with a large security-based swap position to publicly report certain information related to the position.

“The 2008 crisis had many chapters, but a form of security-based swaps — credit default swaps — played a lead role throughout the story,” said SEC Chair Gary Gensler. “In March, when Archegos Capital Management collapsed, we saw once again the risks that might arise from the use of another security-based swap — total return swaps. As part of the Dodd-Frank Act of 2010, Congress granted this agency broad authority with regard to security-based swaps, including three important authorities we’re acting upon here today.”

Specifically, the proposed new Rule 9j-1 would prohibit fraudulent, deceptive, or manipulative conduct in connection with all transactions in security-based swaps, including misconduct in connection with the exercise of any right or performance of any obligation under a security-based swap. Further, proposed new Rule 15Fh-4(c) would prohibit personnel of an SBS Entity from taking any action to coerce, mislead or otherwise interfere with the SBS Entity’s CCO.

Finally, proposed new Rule 10B-1 would require any person, or group of persons, who owns a security-based swap position that exceeds the threshold amount set by the rule to promptly file with the SEC a statement containing the information required by Schedule 10B on the SEC’s EDGAR filing system. The filings will be publicly available. Such transparency could provide relevant parties with advance notice that certain market participants are building large positions and could facilitate risk management and inform pricing of security-based swaps.

The proposals will be published in the Federal Register. The comment period will remain open for 45 days after publication in the Federal Register.

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Related Materials

- Fact Sheet
- Proposed Rule