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CFTC Issues Final Rule Modifying the Swap Clearing Requirement In Support of the Transition from LIBOR and Other Interbank Offered Rates to Alternative Reference Rates

August 12, 2022

Washington, D.C. — The Commodity Futures Trading Commission today announced that it issued a final rule modifying the Commission’s interest rate swap clearing requirement under part 50 of the CFTC’s regulations. The final rule removes the requirement to clear interest rate swaps referencing the London Interbank Offered Rate (LIBOR) and certain other interbank offered rates and replaces them with requirements to clear interest rate swaps referencing overnight, nearly risk-free reference rates. The final rule updates the swaps required to be submitted for clearing to a derivatives clearing organization (DCO) or an exempt DCO and the compliance dates for such swaps.

“The adoption of the final interest rate swap clearing requirement is another important milestone in the years-long global effort to facilitate a smooth transition away from reliance on LIBOR and other IBORs. The final rule promotes financial stability and mitigates systemic risk,” said Chairman Rostin Behnam. “As we focus our collective efforts on the fast approaching end of LIBOR, this rule provides legal certainty and regulatory transparency for DCOs, market participants, and our fellow international authorities. This is essential to ensure cross border harmonization in the interest rate swaps market. Many thanks to the staff of the Division of Clearing and Risk for their hard work on this important contribution to the LIBOR transition effort.”

The final rule amends CFTC Regulation 50.4(a) as follows:

- Effective 30 days after publication in the Federal Register:
 - Removes the requirement to clear swaps referencing British pound (GBP) LIBOR, Swiss franc (CHF) LIBOR, Japanese yen (JPY) LIBOR, and euro (EUR) Euro Overnight Index Average (EONIA) in each of the fixed-to-floating swap, basis swap, forward rate agreement (FRA), and overnight index swap (OIS) classes, as applicable.
 - Adds a requirement to clear OIS referencing CHF Swiss Average Rate Overnight (SARON) (with a stated termination date range of seven days to 30 years), JPY Tokyo Overnight Average rate (TONA) (seven days to 30 years), and EUR Euro Short-Term Rate (€STR) (seven days to three years).

- Extends the stated termination date range for GBP Sterling Overnight Index Average (SONIA) OIS required to be cleared to include seven days to 50 years.
- Effective October 31, 2022:
 - Adds a requirement to clear OIS referencing U.S. dollar (USD) Secured Overnight Financing Rate (SOFR) (seven days to 50 years) and Singapore dollar (SGD) Singapore Overnight Rate Average (SORA) (seven days to 10 years).
- Effective July 1, 2023:
 - Removes the requirement to clear interest rate swaps referencing USD LIBOR and SGD Swap Offer Rate (SOR-VWAP) in each of the fixed-to-floating swap, basis swap, and FRA classes, as applicable.

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