



441 G St. N.W.  
Washington, DC 20548

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October 28, 2016

The Honorable Richard Shelby  
Chairman  
The Honorable Sherrod Brown  
Ranking Member  
Committee on Banking, Housing, and Urban Affairs  
United States Senate

The Honorable Jeb Hensarling  
Chairman  
The Honorable Maxine Waters  
Ranking Member  
Committee on Financial Services  
House of Representatives

Subject: *Commodity Futures Trading Commission: Clearing Requirement Determination Under Section 2(h) of the Commodity Exchange Act for Interest Rate Swaps*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Commodity Futures Trading Commission (Commission) entitled "Clearing Requirement Determination Under Section 2(h) of the Commodity Exchange Act for Interest Rate Swaps" (RIN: 3038-AE20). We received the rule on September 29, 2016. It was published in the *Federal Register* as a final rule on October 14, 2016, with an effective date of December 13, 2016. 81 Fed. Reg. 71,202.

The final rule requires that interest rate swaps denominated in certain currencies and having certain termination dates be submitted for clearing to a derivatives clearing organization that is registered under the Commodity Exchange Act. Interest rate swaps covered by the final rule may also be submitted for clearing to a derivatives clearing organization that has been exempted from registration under the Commodity Exchange Act.

Enclosed is our assessment of the Commission's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review of the procedural steps taken indicates that the Commission complied with the applicable requirements.

If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shirley A. Jones, Assistant General Counsel, at (202) 512-8156.

signed

Robert J. Cramer  
Managing Associate General Counsel

Enclosure

cc: Christopher J. Kirkpatrick  
Secretary, Commodity Futures  
Trading Commission

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE  
ISSUED BY THE  
COMMODITY FUTURES TRADING COMMISSION  
ENTITLED  
“CLEARING REQUIREMENT DETERMINATION UNDER  
SECTION 2(H) OF THE COMMODITY EXCHANGE ACT  
FOR INTEREST RATE SWAPS”  
(RIN: 3038-AE20)

(i) Cost-benefit analysis

The Commodity Futures Trading Commission (Commission) summarized the costs and benefits of this final rule. The Commission acknowledged that quantifying the initial costs precisely is challenging because different entities may have different funding costs and may choose assets with different rates of return. However, the Commission estimated that the cost of funding the total initial margin that will be required to be posted due to this rule is approximately \$167,997,433. The Commission identified other costs that may be incurred due to the rule including added operational costs and guaranty fund contributions.

The Commission found that the benefits of this final rule include reduced and standardized counterparty risk, increased transparency, and easier access to the swap markets. The Commission acknowledged that these benefits are difficult to quantify with any degree of precision, but stated that these benefits will contribute significantly to the stability and efficiency of the financial system.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

The Commission determined that this rule will not have a significant economic impact on a substantial number of small entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

As an independent regulatory agency, the Commission is not subject to the Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

On July 16, 2016, the Commission published a proposed rule. 81 Fed. Reg. 39,506. The Commission received 10 comment letters from organizations including Better Markets Inc., Citadel LLC, CME Group Inc., and the International Swaps and Derivatives Association, Inc. The Commission responded to comments in the final rule.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

The Commission determined that this rule will not require a new collection of information from any persons or entities.

Statutory authorization for the rule

The Commission promulgated this final rule under the authority of 7 U.S.C. § 2(h) and 7 U.S.C. § 7a-1.

Executive Order No. 12,866 (Regulatory Planning and Review)

As an independent regulatory agency, the Commission is not subject to the Order.

Executive Order No. 13,132 (Federalism)

As an independent regulatory agency, the Commission is not subject to the Order.