

Update Regarding Trade Execution Mandate for Certain Interest Rate Swaps

The Commodity Futures Trading Commission (“CFTC”) Division of Market Oversight (the “Division”) announced yesterday that Javelin SEF, LLC’s (“Javelin”) self-certification of available-to-trade determinations (“MAT Determinations”) for certain benchmark interest rate swap contracts is deemed certified. Under CFTC regulations, the swaps that are subject to these MAT Determinations, whether listed or offered by Javelin or any other designated contract market (“DCM”) or swap execution facility (“SEF”), must be executed through a DCM or a SEF beginning no later than **February 15, 2014**. Please refer to Ropes & Gray’s prior [Alert](#) for more information.

Beginning on February 15, 2014, the following fixed-to-floating interest rate swaps must be executed through a DCM or a SEF:

Currency	U.S. Dollar (USD)	U.S. Dollar (USD)	Euro (EUR)
Floating Rate Indices	USD LIBOR	USD LIBOR	EURIBOR
Trade Start Type	Spot Starting (T+2)	IMM Start Date (next two quarterly IMM start dates)	Spot Starting (T+2)
Optionality	No	No	No
Dual Currencies	No	No	No
Notional	Fixed Notional	Fixed Notional	Fixed Notional
Tenors	2, 3, 5, 7, 10, 12, 15, 20, 30 years	2, 3, 5, 7, 10, 12, 15, 20, 30 years	2, 3, 5, 7, 10, 15, 20, 30 years

The Division declined to offer categorical relief for “package transactions,” or transactions involving more than one swap or financial instrument, at least one of which is subject to the trade execution requirement. However, the Division indicated in a press release that it will consider whether to grant limited relief for package transactions following an upcoming public roundtable on execution issues related to such transactions.

Additional interest rate swaps and certain credit default index swaps are expected to become subject to the trade execution requirement in the coming weeks.

In order to trade on a SEF, buy-side entities will be required to sign agreements directly with one or more SEFs and become a member of the SEF. Becoming a member of the SEF will subject buy-side entities to the jurisdiction of the SEF with respect to the enforcement of its rules and to the SEF’s ability to inspect books and records, among other things. Additionally, SEF members are subject to CFTC Rule 1.35, which includes specific oral and written recordkeeping requirements with respect to communications that lead to the execution of a commodity interest transaction. This rule also requires registered commodity trading advisors, among others, to record certain oral communications related to such transactions.

Please contact the Ropes & Gray attorney who usually advises you with any questions.