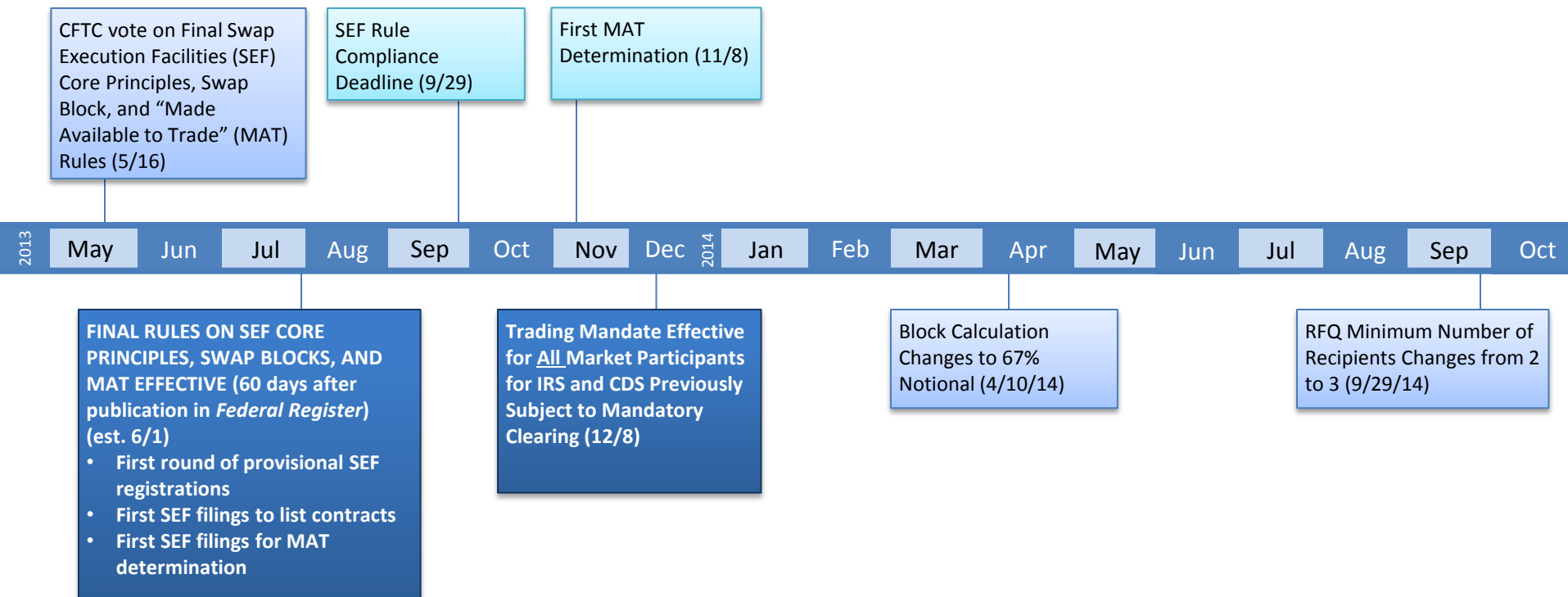


# Timeline for CFTC Implementation of Trading Requirements of Dodd-Frank



\* Note: All dates are estimates based off of a June 1 publication of the final rules in the *Federal Register* and provisional SEF registration 60 days later.

**This timeline was updated on May 17, 2013. Please note that this document reflects Delta Strategy Group's projections and the information is subject to change.**

# Summary of Phasing and Implementation Timeline

## SEF APPLICATION AND REGISTRATION

- Potential SEFs may begin filing applications the day the SEF Core Principles rule is published in the *Federal Register*.
- Effective date of the rule: 60 days after publication; the Commission intends to grant provisional registration to all qualifying applicants on the effective date.
- Compliance date of the rule: 120 days after publication; all platforms listing swaps as of that day must have filed an application to become a SEF (or DCM).
- A SEF must offer a Central Limit Order Book (CLOB) but may also have a Request for Quote (RFQ) functionality and execute block trades subject to the prescribed minimums.
- The minimum number of RFQ recipients will be 2 in year one and will move to 3 twelve months after the effective date. To meet the minimum, the recipients must not be affiliated.
- Under the rule, voice is an acceptable means for complying with the RFQ and block execution functionalities.
- A broker or dealer with offsetting customer orders or an offsetting customer and prop order must show the order to the market for 15 seconds before crossing those orders, although a SEF may adjust that time based on liquidity.

## SWAP BLOCK SIZES

- The swap block rule will become effective 60 days after the block rule is published in the *Federal Register*.
- The Commission will calculate blocks for swap categories within each of the five swap classes.
- Initial blocks: Interest rate and credit blocks will be based on data collected before finalization of the block rule and set at the 50% notional amount. Blocks for Fx and other commodities will be based on DCM block sizes for economically related futures contracts. The varying calculation methodologies are due to data availability.
- Post-initial blocks: After one year, the CFTC will adjust the block sizes in IRS, CDS, Fx, and other commodity asset classes using a 67% notional amount calculation based on the 12 months of swap data the Commission will have gathered by that time (data collection began in April of this year).
- To perform the notional amount calculation, the Commission will establish the size of trade at which 50% (or 33%) of the notional amount is in blocks and 50% (or 67%) is not (this means about 20% of interest rate swap transactions are blocks).
- The blocks will be updated at least every year and new blocks will be effective on the first day of the second month after publication on the Commission website.

## "MADE AVAILABLE TO TRADE" DETERMINATION

- A SEF or DCM can file a "made available to trade" (MAT) determination rulemaking once SEFs are provisionally registered, which, once effective, will begin the phasing of the trading mandate.
- The first way a SEF/DCM can make a MAT determination is through rule self-certification. Under this process, the platform self-certifies a rule saying a swap is MAT, and the CFTC has 10 days to review. If no action is taken, the rule becomes effective after the 10 day review period. The CFTC can stay the rule for up to 90 days including a 30-day public comment period, and again, if no affirmative action is taken by the Commission, the rule becomes effective after the review period.
- The second way a SEF/DCM can make a MAT determination is through rule approval. Here the platform submits a rule for approval, and the CFTC has 45 days to approve, and again, can stay the rule for another 45 days.
- Note: We believe the CFTC will stay the first MAT determinations as they are "novel," which under the rule is a reason for a stay.

## TRADING MANDATE

- The trading mandate is triggered by a MAT determination, which may be made once SEFs are provisionally registered.
- Once a MAT determination has been made on CDS or IRS contracts currently subject to mandatory clearing, the trading mandate requires all market participants trading swaps subject to the trading mandate to trade them on a SEF or DCM.
- Future MAT determinations in other asset classes will follow compliance with the clearing mandate by 30 days.