Commodity Futures Trading Commission
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Proposed Rulemaking Q & A

What is the goal of the proposed rulemaking?

The goal of the proposed rulemaking is to implement financial resources requirements for DCOs in accordance with DCO Core Principle B, which has been revised by the Dodd-Frank Act. The proposed rulemaking would also establish additional or enhanced financial resources requirements for SIDCOs, in anticipation of the possible designation by the Financial Stability Oversight Council of certain DCOs as systemically important.

Financial resources requirements are important because, in the event of a default by one of a DCO's clearing members, the DCO would continue to have obligations to other clearing members and therefore must have sufficient resources to meet those obligations in a timely fashion. A DCO also needs sufficient financial resources to cover its operating costs in the ordinary course of business.

What clearinghouses are covered by the proposed regulations?

The proposed rulemaking would apply to all clearinghouses registered with the CFTC as DCOs. Certain provisions in the regulations would only apply to those DCOs that are designated as systemically important by the Financial Stability Oversight Council.

How does the proposal differ between SIDCOs and non-systemically important DCOs?

A SIDCO would remain subject to the requirements that are applicable to non-systemically important DCOs, but in addition, would have to comply with two higher standards. The proposed rulemaking would require a SIDCO to maintain sufficient financial resources to meet its financial obligations to its clearing members notwithstanding a default by the clearing members creating the two largest financial exposures for the SIDCO in extreme but plausible market conditions. A non-systemically important DCO would be required to have sufficient financial resources to be able to withstand a potential default by one of its clearing members.

The proposed rulemaking also would prohibit a SIDCO from counting the value of assessments to meet the obligations arising from a default by the clearing member creating the single largest financial exposure. However, a SIDCO would be able to count the value of assessments, after a 30 percent haircut, to meet up to 20 percent of the obligations arising from a default by the clearing member creating the second largest financial exposure. This is the standard proposed for non-systemically important DCOs in connection with the largest potential exposure.