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COMMODITY FUTURES TRADING COMMISSION

17 CFR Part 50

RIN 3038-AF69

Clearing Requirement Determination Under Section 2(h) of the Commodity Exchange Act for Interest Rate Swaps to Account for CAD and MXN Interest Rate Benchmark Transitions

AGENCY: Commodity Futures Trading Commission.

ACTION: Final rule.

SUMMARY: The Commodity Futures Trading Commission (Commission or CFTC) is amending its interest rate swap clearing requirement regulations under applicable provisions of the Commodity Exchange Act (CEA) to address the transition from the Canadian Dollar Offered Rate (CDOR) to the Canadian Overnight Repo Rate Average (CORRA), and the transition from the Mexican Interbank Equilibrium Interest Rate (la Tasa de Interés Interbancaria de Equilibrio, or TIIE by its Spanish acronym) to the TIIE Funding Rate (TIIE de Fondeo or F–TIIE), as benchmark reference rates for interest rate swaps denominated, respectively, in Canadian dollars (CAD) and Mexican pesos (MXN). These transitions are part of an ongoing global effort by market participants, benchmark administrators, regulators, and others to shift away from reliance on certain interbank offered rates (IBORs) that have become unavailable as benchmark reference rates and adopt alternative reference rates, which are predominantly overnight, nearly risk-free reference rates (RFRs). These amendments revise the set of interest rate swaps that are required to be submitted for clearing, pursuant to the CEA and the Commission's regulations, to a derivatives clearing organization (DCO) that is registered under the CEA (registered DCO) or a DCO that has been exempted from such registration (exempt DCO). The amendments modify the Commission's interest rate swap clearing requirement to reflect the market transitions from

swaps referencing CAD CDOR and MXN TIIE to swaps referencing, respectively, CAD CORRA and MXN F–TIIE.

DATES: The amended rules are effective [**INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER**].

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I. Background

A. Commission's Swap Clearing Requirement

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) established a comprehensive new regulatory framework for swaps.[1] Title VII of the Dodd-Frank Act (Title VII) amended the CEA to require, among other things, that a swap be cleared through a registered DCO or an exempt DCO if the Commission has determined that the swap, or group, category, type, or class of swaps, is required to be cleared, unless an exception to the clearing requirement applies.[2] The CEA, as amended by Title VII, provides that the Commission may issue a clearing requirement determination based either on a Commission-initiated review of a swap[3] or a swap submission from a DCO.[4]

Section 2(h)(2)(D)(ii) of the CEA requires the Commission to consider the following five factors when making a clearing requirement determination: (I) the existence of significant outstanding notional exposures, trading liquidity, and adequate pricing data; (II) the availability of rule framework, capacity, operational expertise and resources, and credit support infrastructure to clear the contract on terms that are consistent with the material terms and trading conventions on which the contract is traded; (III) the effect on the mitigation of systemic risk, taking into account the size of the market for such contract and the resources of the DCOs available to clear the contract; (IV) the effect on competition, including appropriate fees and charges applied to clearing; and (V) the existence of reasonable legal certainty in the event of the

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[1] Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203, 124 Stat. 1376 (2010).

[2] Section 2(h)(1)(A) of the CEA, 7 U.S.C. 2(h)(1)(A).

[3] Section 2(h)(2)(A) of the CEA, 7 U.S.C. 2(h)(2)(A). Section 2(h)(2)(A) provides for a Commission-initiated review process whereby the Commission, on an ongoing basis, must review swaps, or a group, category, type, or class of swaps, to determine whether a swap, or a group, category, type, or class of swaps, should be required to be cleared.

[4] Section 2(h)(2)(B) of the CEA, 7 U.S.C. 2(h)(2)(B). Section 2(h)(2)(B)(i) requires that each DCO submit to the Commission each swap, or group, category, type, or class of swaps, that it plans to accept for clearing. The swaps subject to this determination were submitted by DCOs pursuant to CEA section 2(h)(2)(B)(i) and regulation 39.5(b), 17 CFR 39.5(b). Pursuant to section 2(h)(2)(B)-(C) of the CEA, the Commission must review swap submissions from DCOs to determine whether the swaps should be subject to required clearing. Regulation § 39.5(b) implements the procedural elements of section 2(h)(2)(B)-(C) by establishing the process by which a DCO must submit the swaps it offers for clearing to the Commission for purposes of considering a clearing requirement determination.

insolvency of the relevant DCO or one or more of its clearing members with regard to the treatment of customer and swap counterparty positions, funds, and property.[5]

The Commission adopted its first clearing requirement determination (First Determination) in 2012.[6] The First Determination was implemented between March 2013 and October 2013 based on the schedule described in regulation § 50.25 and the preamble to the First Determination.[7] The First Determination applied to interest rate swaps in four classes: fixed-to-floating swaps, basis swaps, forward rate agreements (FRAs), and overnight index swaps (OIS).[8]

In making its initial interest rate swap clearing determination, the Commission focused on the size of the interest rate swap market relative to the swap market overall, as well as the fact that these swaps were already widely being cleared on a voluntary basis.[9] As set forth in regulation § 50.4(a), the Commission required clearing for four classes of interest rate swaps satisfying six specifications related to (i) the currency in which the notional and payment amounts are specified; (ii) the floating rate index referenced in the swap; (iii) the stated termination date; (iv) optionality; (v) dual currencies; and (vi) conditional notional amounts.[10]

The Commission, in the First Determination, limited the interest rate swaps required to be cleared to those denominated in four currencies (U.S. dollar (USD), Euro (EUR), British pound (GBP), and Japanese yen (JPY)). The Commission noted that interest rate swaps denominated in these currencies comprised an outsized portion of the interest rate swap market in terms of

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[5] 7 U.S.C. 2(h)(2)(D)(ii).
[6] Clearing Requirement Determination Under Section 2(h) of the CEA, 77 FR 74284 (Dec. 13, 2012) (First Determination).
[7] 17 CFR 50.25; First Determination, 77 FR at 74319 – 74321.
[8] *See generally* First Determination. By way of background, an interest rate swap is generally an agreement by counterparties to exchange payments based on a series of cash flows over a specified period of time, typically calculated using two different rates. Fixed-to-floating swaps are interest rate swaps in which the payment(s) owed on one leg of the swap is calculated using a fixed rate, and the payment(s) owed on the other leg is calculated using a floating rate. Basis swaps are interest rate swaps for which the payments for both legs are calculated using floating rates. FRAs are interest rate swaps in which payments are exchanged on a predetermined date for a single period and one leg of the swap is calculated using a fixed rate while the other leg is calculated using a floating rate set on a predetermined date. OIS are interest rate swaps for which one leg of the swap is calculated using a fixed rate and the other leg is calculated using a floating rate based on a daily overnight rate.
[9] *Id.* at 74287, 74307.
[10] 17 CFR 50.4(a).

notional amounts outstanding and trading volumes compared to interest rate swaps denominated in other currencies.[11]

The First Determination covered a number of interest rate swaps that reference interbank offered rates (IBORs), including fixed-to-floating swaps, basis swaps, and FRAs denominated in USD, GBP, JPY, and EUR, referencing the then existing USD London Interbank Offered Rate (LIBOR), GBP LIBOR, JPY LIBOR, and the Euro Interbank Offered Rate (EURIBOR), respectively. The First Determination also included OIS denominated in EUR referencing the Euro Overnight Index Average (EONIA), as well as OIS denominated in USD referencing FedFunds and GBP referencing the Sterling Overnight Index Average (SONIA). The Commission observed that interest rate swaps referencing those rates had significant outstanding notional amounts and trading liquidity.[12] The First Determination was implemented throughout 2013 by type of market participant pursuant to regulation § 50.25, in subpart B of part 50 of the Commission's regulations.

The Commission adopted its second clearing requirement determination for interest rate swaps (Second Determination) in 2016.[13] The Second Determination covered interest rate swaps in nine additional currencies: Australian dollar (AUD), Canadian dollar (CAD), Hong Kong dollar (HKD), Mexican peso (MXN), Norwegian krone (NOK), Polish zloty (PLN), Singapore dollar (SGD), Swedish krona (SEK), and Swiss franc (CHF), and was implemented between December 2016 and October 2018 in part based on the effective dates of analogous clearing mandates adopted by authorities in non-U.S. jurisdictions.[14] The Commission adopted the Second Determination largely in order to further harmonize its interest rate swap clearing requirement with those of other jurisdictions that had already issued, or were in the process of

[11] First Determination, 77 FR at 74308.
[12] *Id.* at 74309.
[13] Clearing Requirement Determination Under Section 2(h) of the Commodity Exchange Act for Interest Rate Swaps, 81 FR 71202 (Oct. 14, 2016) (Second Determination).
[14] 17 CFR 50.26; Second Determination, 81 FR at 71202 – 71228.

issuing, interest rate swap clearing mandates.[15] The Second Determination also covered swaps that reference additional IBORs, including fixed-to-floating swaps denominated in SGD referencing the Singapore Swap Offer Rate (SOR-VWAP) and fixed-to-floating swaps denominated in CHF referencing CHF LIBOR.[16]

The Commission adopted its third clearing requirement determination (Third Determination) in 2022.[17] The Commission adopted the Third Determination largely to address the global transition from IBORs to RFRs in the context of the existing interest rate swap clearing requirement without any expansion of the underlying requirement. Specifically, the Commission adopted the Third Determination to account for the transition from LIBOR to RFRs covering five currencies, along with the transition from SGD Singapore Dollar Swap Offer Rate – Volume Weighted Average Price (SOR-VWAP) (which relied on USD LIBOR as an input) and EUR EONIA (which ceased publication on January 3, 2022) to corresponding RFRs.[18]

LIBOR was one of the world's most frequently referenced interest rate benchmarks and served as a reference rate for a wide variety of swaps and other financial products. More than a decade ago, a decline in the volume of interbank lending transactions that LIBOR was intended to measure, as well as government investigations concerning LIBOR, gave rise to concerns regarding the integrity and reliability of LIBOR and other IBORs.

Although LIBOR was subject to significant reform efforts, regulators and global standard-setting bodies did not view these reforms as a long-term solution. The transition away from LIBOR, which is described in detail in the Commission's Third Determination, was a

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[15] Second Determination, 81 FR at 71203 – 71205. The Commission explained that such harmonization serves an important anti-evasion goal: if a non-U.S. jurisdiction issued a clearing requirement, and a swap dealer located in the United States were not subject to an analogous a clearing requirement under U.S. law, then market participants potentially could avoid the non-U.S. jurisdiction's clearing requirement by entering into a swap with a swap dealer located in the United States. *Id.* at 71203.

[16] *Id.* at 71205.

[17] Clearing Requirement Determination Under Section 2(h) of the Commodity Exchange Act for Interest Rate Swaps To Account for the Transition From LIBOR and Other IBORs to Alternative Reference Rates, 87 FR 52182 (Aug. 24, 2022) (Third Determination).

[18] *Id.* at 52183-52185; European Money Markets Institute, EONIA, available at *https://www.emmi-benchmarks.eu/benchmarks/eonia/*. LIBOR was produced in five currencies: USD, GBP, EUR, CHF, and JPY. LIBOR, ICE, available at *https://www.ice.com/iba/libor*.

multiyear, coordinated process involving the orderly cessation of LIBOR settings, market adoption of corresponding RFRs, and supporting steps by market participants, regulators, and others, including conversions of LIBOR swaps to RFR OIS at DCOs.[19] The transition was largely complete in June 2023 with the cessation or permanent loss of representativeness of the underlying markets of USD LIBOR and SGD SOR-VWAP.[20]

In the Third Determination, 30 days after the rule went into effect, the Commission (i) removed the requirement to clear swaps referencing GBP LIBOR, CHF LIBOR, and JPY LIBOR, and EUR EONIA, in each of the fixed-to-floating swap, basis swap, FRA, and OIS classes, as applicable; (ii) added 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); and (iii) extended the stated termination date range for GBP SONIA OIS required to be cleared to include seven days to 50 years. Shortly thereafter, on October 31, 2022, the Commission added a requirement to clear OIS referencing USD SOFR (seven days to 50 years) and SGD Singapore Overnight Rate Average (SORA) (seven days to 10 years).[21] Lastly, when USD LIBOR and SGD SOR-VWAP ceased publication, the Commission removed the clearing requirement applicable to swaps in the fixed-to-floating swap, basis swap, and FRA classes referencing those two rates.

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[19] *See* Clearing Requirement Determination Under Section 2(h) of the Commodity Exchange Act for Interest Rate Swaps to Account for CAD and MXN Interest Rate Benchmark Transitions, 91 FR 25812, 25814-25816 (May 12, 2026) (NPRM); Third Determination, 87 FR at 52183-52186.

[20] Settings for GBP LIBOR, CHF LIBOR, and JPY LIBOR ceased or became unrepresentative prior to June 2023, as did settings for EUR LIBOR. The Commission did not adopt a clearing requirement for swaps referencing EUR LIBOR.

[21] This implementation date aligned with the timing for the Bank of England's implementation of its USD SOFR interest rate swap clearing requirement; the International Swaps and Derivatives Association (ISDA) supported such timing, and no commenters opposed the implementation date. Third Determination, 87 FR at 52190-52191, 52204-52205.

In addition, regulators in other jurisdictions, including the UK, European Union, Australia, Japan, and Switzerland, updated their own interest rate swap clearing requirements to reflect the transition from LIBOR and other IBORs to corresponding RFRs.[22]

B. Global Progress on Benchmark Reform

While global benchmark reform efforts have focused on LIBOR, certain other IBORs continue to be published, and swaps referencing those rates remain subject to the Commission's interest rate swap clearing requirement, as well as clearing requirements in other jurisdictions. In adopting the Third Determination, the Commission noted that it may consider further modifications to the interest rate swap clearing requirement in regulation § 50.4 to address the cessation of additional IBORs and market adoption of corresponding RFRs.[23]

Since the Commission adopted the Third Determination, benchmarks for certain CAD- and MXN-denominated swaps subject to the Commission's interest rate swap clearing requirement became unavailable: CAD CDOR, which ceased publication on June 28, 2024;[24] and 28-day MXN TIIE, which Banco de México prohibited as a reference rate for new contracts entered into by the financial entities it regulates beginning on January 1, 2025, subject to a waiver period that allowed for the trading of new swaps referencing 28-day MXN TIIE until December 31, 2025, provided such swaps did not mature after that date.[25]

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[22] Bank of England, Public Register for the Clearing Obligation, Dec. 30, 2025, available at *https://www.bankofengland.co.uk/-/media/boe/files/eu-withdrawal/clearing-obligation-public-register.pdf*; European Securities and Markets Authority, Public Register for the Clearing Obligation under EMIR, June 4, 2024, available at *https://www.esma.europa.eu/sites/default/files/library/public_register_for_the_clearing_obligation_under_emir.pdf*; Australian Government, Federal Register of Legislation, Australian Securities and Investments Commission Derivative Transaction Rules (Clearing) 2026, Mar. 17, 2026, available at *https://www.legislation.gov.au/F2026L00262/latest/text*; Japan Securities Clearing Corporation (JSCC), List of Clearing Products, available at *https://www.jpx.co.jp/jscc/en/cash/irs/product.html* (the Japan Financial Services Agency requires the clearing of products cleared at the Japan Securities Clearing Corporation); Swiss Federal Authorities, FINMA Financial Market Infrastructure Ordinance, FinMIO-FINMA, Feb. 1, 2023, available at *https://www.fedlex.admin.ch/eli/cc/2015/855/en*.

[23] Third Determination, 87 FR at 52192 n. 94.

[24] *See* Canadian Alternative Reference Rate Working Group, CDOR Transition FAQs, July 10, 2024, available at *https://www.bankofcanada.ca/wp-content/uploads/2023/08/cdor-transition-faqs.pdf* (CDOR Transition FAQs).

[25] Banco de México, "Transition from TIIE with tenors greater than one business day (28, 91 and 182 days) to the Overnight TIIE Funding Rate (TIIE de Fondeo)," Dec. 20, 2022, available at *https://www.banxico.org.mx/markets/mexican-alternative-reference-rates-working-group/d/%7B2D6F5896-CF86-*

C. CAD and MXN Interest Rate Benchmark Transitions

With respect to both the CAD CDOR and MXN TIIE transitions, as was the case with the transition away from LIBOR, benchmark administrators and working groups established a transition plan, with DCOs and market participants playing an important role in the adoption of corresponding RFRs.

1. Transition from CAD CDOR to CAD CORRA

Prior to its cessation, CAD CDOR was the primary wholesale interest rate benchmark in Canada.[26] CAD CDOR was developed in the 1980s as a survey-based benchmark to determine the interest rate for bankers' acceptance (BA)-related credit facilities.[27] It measured the average rate at which Canadian banks were willing to lend to corporate borrowers with existing committed BA credit facilities.[28] Refinitiv Benchmark Services (UK) Limited (RBSL) administered CAD CDOR from December 31, 2014 until CAD CDOR's cessation.[29]

3F28-0C02-98D17B7542B9%7D.pdf (discussing the transition from MXN TIIE to MXN F-TIIE); Banco de México, 10th Meeting of the Working Group on Alternative Reference Rates in Mexico (GTTR), Dec. 6, 2023, at 10, available at *https://www.banxico.org.mx/markets/mexican-alternative-reference-rates-working-group/d/%7B8AAAB86C-BAD5-AD0F-513C-B465BAFDE75E%7D.pdf* (discussing the waiver period). As discussed below, Banco de México prohibited the use of 91- and 182-day MXN TIIE as reference rates for new contracts entered by financial entities regulated by Banco de México as of January 1, 2024.

[26] As of 2021, CAD CDOR was referenced in over $20 trillion of gross notional exposure, ninety-seven percent of which was related to derivatives; namely, cleared interest rate swaps. Canadian Alternative Reference Rate Working Group, CARR's Review of CDOR: Analysis and Recommendations, Dec. 18, 2021, at 8, 10, available at *https://www.bankofcanada.ca/wp-content/uploads/2021/12/CARR-Review-CDOR-Analysis-Recommendations.pdf* (CDOR White Paper).

[27] *Id.* A banker's acceptance is an instrument by which a bank promises to make a requested future payment.

[28] In this manner, CAD CDOR was distinct from LIBOR, which measured the rate at which banks were able to *borrow*.

[29] CDOR White Paper at 9. Thomson Reuters was appointed as administrator of CAD CDOR (for which it was already calculation agent and distributor) as well as of CAD CORRA following a tender process announced by the Canadian Bankers Association and the Investment Industry Association of Canada. Thomson Reuters, "Thomson Reuters to administer two of Canada's fundamental financial benchmarks," Jan. 6, 2015, available at *https://www.thomsonreuters.com/en/press-releases/2015/january/thomson-reuters-to-administer-two-of-canadas-fundamental-financial-benchmarks.html*; Investment Industry Association of Canada, CDOR/CORRA Administrator Tender Notice, June 2, 2014, available at *https://iiac-accvm.ca/wp-content/uploads/CDOR-CORRA-Tender-Notice.pdf*. Thomson Reuters sold Refinitiv, its financial and risk business which administered CAD CDOR, to the London Stock Exchange Group in 2021. Thomson Reuters, Thomson Reuters Announces Closing of Sale of Refinitiv to London Stock Exchange Group, Jan. 29, 2021, available at *https://www.thomsonreuters.com/en/press-releases/2021/january/thomson-reuters-announces-closing-of-sale-of-refinitiv-to-london-stock-exchange-group.html*.

Immediately prior to its cessation, RBSL calculated CAD CDOR based on submissions from six banks and published CAD CDOR for one-month, two-month, and three-month tenors.[30]

CAD CORRA, the interest rate benchmark that superseded CAD CDOR, measures the cost of overnight general collateral funding in CAD using Canadian treasury bills and bonds as collateral for repurchase (repo) transactions.[31] CAD CORRA is calculated based on overnight repo transactions between unaffiliated counterparties that are collateralized by Canadian treasury securities.[32] The underlying volume of daily transactions on which CAD CORRA is based has generally been in the range of $15 billion to $20 billion.[33]

The Bank of Canada first published CAD CORRA in 1997.[34] RBSL was appointed as administrator of CAD CORRA in 2014.[35] The Bank of Canada assumed the role of CAD CORRA's administrator from RBSL in June 2020 and has published the benchmark under an enhanced methodology since that time.[36]

In 2018, the Canadian Fixed-Income Forum (CFIF), a committee established by the Bank of Canada to discuss developments, practices, and policy issues in fixed-income markets, established the Canadian Alternative Reference Rate Working Group (CARR) to help guide

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[30] CDOR White Paper at 9-10.

[31] Bank of Canada, Canadian Overnight Repo Rate Average, available at *https://www.bankofcanada.ca/rates/interest-rates/corra/*.

[32] CDOR White Paper at 7.

[33] CDOR Transition FAQs.

[34] Bank of Canada, "Bank of Canada to begin publishing Canadian Overnight Repo Rate Average in June," Feb. 18, 2020, available at *https://www.bankofcanada.ca/2020/02/bank-canada-begin-publishing-canadian-overnight-repo-rate-average-june/*.

[35] Thomson Reuters, "Thomson Reuters to administer two of Canada's fundamental financial benchmarks," Jan. 6, 2015, available at *https://www.thomsonreuters.com/en/press-releases/2015/january/thomson-reuters-to-administer-two-of-canadas-fundamental-financial-benchmarks.html*.

[36] *Id.*; CDOR White Paper at 6-7. While CAD CDOR is a forward-looking rate (*i.e.*, the three-month CAD CDOR rate is the interest rate that will apply for the next three months), CAD CORRA is an overnight rate that reflects market activity on the previous day. To derive a CAD CORRA rate that spans a tenor period, which would make the rate easier to use in loans and floating rate notes, since April 2021, the Bank of Canada has published a CAD CORRA Compounded Index that compounds CAD CORRA settings over the relevant interest period. *Id.* at 8; Bank of Canada, Canadian Overnight Repo Rate Average, available at *https://www.bankofcanada.ca/rates/interest-rates/corra/*. In September 2023, Candeal Benchmark Solutions and TMX Datalinx launched one-month and three-month term CAD CORRA rates for use in certain loans and derivatives used to hedge them. Bank of Canada, "Term CORRA to be launched on September 5, 2023," Aug. 10, 2023, available at *https://www.bankofcanada.ca/2023/08/term-corra-to-be-launched-on-september-5-2023/*; Canadian Alternative Reference Rate Working Group, "CARR's allowable use cases for Term CORRA – Finalized," Aug. 29, 2023, available at *https://www.bankofcanada.ca/wp-content/uploads/2023/01/carr-approved-use-cases-term-corra.pdf.*

benchmark reform efforts in Canada.[37] In December 2021, CARR, in response to a request from CFIF in consultation with the CAD CDOR contributor banks,[38] published a white paper analyzing the effectiveness of CAD CDOR as a benchmark in Canada.[39] CARR's findings included that the determination of CAD CDOR was based predominantly on expert judgment and that the BA lending model on which CAD CDOR was premised was no longer viewed as an effective way for banks to provide credit to corporate clients.[40] CARR also noted the departure of contributor banks could further imperil CAD CDOR's robustness.[41] These observations echoed concerns raised about LIBOR.[42]

CARR recommended that CAD CDOR should cease publication after June 30, 2024, and that markets should transition to CAD CORRA,[43] in a two-stage process: (1) by June 30, 2023, a transition of all new derivatives and securities exposures to CAD CORRA, with no new exposures subject to limited exceptions;[44] and (2) by June 30, 2024, CAD CDOR would no longer be published, there would be no new use of CAD CDOR, and applicable CAD CDOR fallbacks would come into effect for any remaining CAD CDOR exposures.[45]

Following a public consultation and announcement, among other steps, RBSL ceased calculation and publication of CAD CDOR after the June 28, 2024 publication.[46] DCOs

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[37] CDOR White Paper at 5.
[38] *Id.*
[39] *See generally* CDOR White Paper.
[40] *Id.* at 22-25.
[41] *Id.* at 25.
[42] *See* Third Determination, 87 FR at 52219-52220.
[43] CDOR White Paper at 28.
[44] *Id.*
[45] *Id.* at 3, 28. A fallback rate is the rate provided for use in a contract if the benchmark that the contract uses becomes unavailable. ISDA, Understanding IBOR Benchmark Fallbacks, June 2, 2020, available at *https://www.isda.org/a/YZQTE/Understanding%20Benchmarks-Factsheet.pdf*. Under the ISDA 2020 IBOR Fallbacks Protocol, the fallback rate for CAD CDOR is a spread-adjusted version of CAD CORRA. *See* ISDA, ISDA 2020 IBOR Fallbacks Protocol, Oct. 23, 2020, at 41-42, available at *https://assets.isda.org/media/3062e7b4/08268161-pdf/*. CARR intended this phased approach to provide firms with additional time to transition loan agreements and manage potential issues related to the repapering of legacy securities. CDOR White Paper at 28.
[46] RBSL, Canadian Dollar Offered Rate (CDOR): Consultation on Potential Cessation of CDOR, Jan. 31, 2022, available at *https://www.lseg.com/content/dam/ftse-russell/en_us/documents/consultation/future-of-cdor-consultation.pdf*; RBSL, Canadian Dollar Offered Rate (CDOR) Announcement of Cessation of CDOR in June 2024, May 16, 2022, available at *https://www.lseg.com/content/dam/ftse-russell/en_us/documents/announcement/cdor-cessation-notice.pdf*.

supported the transition from CAD CDOR to CAD CORRA, as they did in the transition from LIBOR to corresponding RFRs. Prior to the cessation of CAD CDOR, Chicago Mercantile Exchange, Inc. (CME) and LCH Limited (LCH) cleared CAD CDOR fixed-to-floating swaps with maximum termination dates of, respectively, 31 years and 41 years.[47] LCH also cleared CAD CDOR-CAD CDOR and CAD CDOR-CAD CORRA basis swaps, both with a maximum termination date of 41 years.[48] CME and LCH currently clear CAD CORRA OIS with maximum termination dates, respectively, of 31 years and 41 years.[49] CME and LCH converted CAD CDOR swaps to CAD CORRA OIS ahead of the CAD CDOR cessation[50] and, post-conversion, neither DCO clears CAD CDOR swaps.[51]

2. Transition from MXN TIIE to MXN F-TIIE

Banco de México began administering and publishing MXN TIIE in 1995 as a more accurate reflection of the cost of funding in the Mexican banking market than the existing Average Interbank Interest Rate (la Tasa Interés Interbancaria Promedio, or TIIP by its Spanish

[47] CME, Cleared OTC Interest Rate Swaps, Download Product Scope, available at *https://www.cmegroup.com/trading/interest-rates/cleared-otc.html;* LCH, LCH Limited Self-Certification: Tenor Extensions, Jan. 25, 2022, available at *https://www.lseg.com/content/dam/post-trade/en_us/documents/lch/proposed-rule-changes/lch-ltd/lch-self-cert-hkd-nok-cad-extensions-20220125-final.pdf*.
[48] LCH, LCH Limited Self-Certification: Tenor Extensions, Jan. 25, 2022, available at *https://www.lseg.com/content/dam/post-trade/en_us/documents/lch/proposed-rule-changes/lch-ltd/lch-self-cert-hkd-nok-cad-extensions-20220125-final.pdf*.
[49] CME, Cleared OTC Interest Rate Swaps, Download Product Scope, available at *https://www.cmegroup.com/trading/interest-rates/cleared-otc.html;* LCH, Product Specific Contract Terms and Eligibility Criteria Manual, Nov. 2024, available at *https://www.lseg.com/content/dam/post-trade/en_us/documents/lch/rulebooks/lch-ltd/lch-product-specific-contract-terms-eligiblity-for-zar-zaronia-ois-compound-241104.pdf*.
[50] CME, Advisory Notice # 24-136, CAD CDOR to CORRA Primary Swap Conversion – May 17, available at *https://www.cmegroup.com/content/dam/cmegroup/notices/clearing/2024/05/Chadv24-136.pdf*; CME, CME Conversion for CAD CDOR Cleared Swaps, Jan. 2024, available at *https://www.cmegroup.com/content/dam/cmegroup/trading/interest-rates/files/cme-conversion-for-cad-cdor-cleared-swaps.pdf* (CME CAD CDOR Conversion Presentation); London Stock Exchange Group, LCH SwapClear CAD CDOR Conversion Quick Guide, Feb. 21, 2024, available at *https://www.lch.com/system/files/?file=media_root/swapclear-cad-cdor-quickquide-021624-03.pdf* (LCH CAD CDOR Conversion Guide).
[51] CME, Cleared OTC Interest Rate Swaps, available at *https://www.cmegroup.com/trading/interest-rates/cleared-otc.html* (noting, "Clearing support will be limited to spot and forward trades for swap products where an index cessation or modification effective date has occurred. Any IBOR indexed swaps submitted for clearing will be converted to a corresponding risk free rate (RFR) swap."); LCH, What We Clear, available at *https://www.lseg.com/en/post-trade/clearing/lch-services/swapclear/what-we-clear*.

acronym).[52] Historically, each bank business day, Banco de México published 28-, 91-, and 182-day MXN TIIE rates calculated based on quotations submitted by a panel of commercial banks.[53]

In order to foster the sound development of the financial system and abide by the recommendations of international standard-setting bodies with respect to benchmark methodology, in January 2020, Banco de México began administering and publishing MXN F-TIIE as an alternative to MXN TIIE.[54] MXN F-TIIE is calculated based on a volume-weighted median of daily observed MXN-denominated wholesale overnight repurchase agreement transactions settled by banks and brokerage firms and secured by debt instruments issued by the Mexican government, the Mexican Bank Savings Protection Institute (Instituto para la Protección al Ahorro Bancario, or IPAB by its Spanish acronym), Banco de México.[55] Banco de México also announced enhancements to governance, accountability, and quality requirements with respect to MXN TIIE rates with maturities of greater than overnight, and a Code of Conduct for institutions that participate in determining MXN TIIE rates.[56]

In December 2022, after conducting an analysis supported by financial market participants in Mexico, Banco de México deemed it necessary to prohibit the use of MXN TIIE

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[52] Banco de México, Informe Anual, 1995, at 130, available at *https://www.banxico.org.mx/publicaciones-y-prensa/informes-anuales/%7B04840DAE-89CE-942C-ADC0-7F8D6DD0971D%7D.pdf*. MXN TIIP was first published in 1993 and ceased publication in 2001. Banco de México, Economic Information System, Securities Prices and Interest Rates, Interbank Interest Rates (CF111), n.3, available at *https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?accion=consultarCuadro&idCuadro=CF111&sector=18&locale=en*. While both MXN TIIP and MXN TIIE were designed to serve as survey-based indicators of the cost of funds in the Mexican banking market, MXN TIIE accounts for the supply and demand curve for such loans. *See generally* FSB, Progress in Reforming Major Interest Rate Benchmarks, July 9, 2015, at 15, available at *https://www.fsb.org/uploads/OSSG-interest-rate-benchmarks-progress-report-July-2015.pdf*.

[53] Banco de México, Economic Information System, Securities Prices and Interest Rates, Representative Interest Rates (CA51), n.3, available at *https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?sector=18&accion=consultarCuadroAnalitico&idCuadro=CA51&locale=en*. The 28-, 91-, and 182-day MXN TIIE rates refer to the tenor of the interbank transactions that MXN TIIE is intended to measure.

[54] Banco de México, "Publication of the overnight TIIE funding rate and improvement of TIIE rates with longer than overnight maturities," Jan. 15, 2020, available at *https://www.banxico.org.mx/publications-and-press/other-announcements/%7BA3CFC638-5913-1C42-1843-360A95F89A92%7D.pdf*.

[55] *Id.* Daily average turnover in the Mexican repo market is approximately MXN 2.4 trillion (approximately $117 billion). International Monetary Fund, Mexico: Financial Sector Assessment Program-Technical Note on Systemic Liquidity Management, Nov. 10, 2022, at 8, available at *https://www.elibrary.imf.org/downloadpdf/view/journals/002/2022/338/article-A001-en.pdf*.

[56] *Id.* The enhancements are reflected in Banco de México Circular 3/2012, available at *https://www.banxico.org.mx/marco-normativo/normativa-emitida-por-el-banco-de-mexico/circular-3-2012/%7B4E0281A4-7AD8-1462-BC79-7F2925F3171D%7D.pdf*.

rates with tenors greater than one business day as reference rates for new contracts.[57] Accordingly, Banco de México determined the following: (1) use of 91- and 182-day tenor MXN TIIE as reference rates would be prohibited for new contracts entered into by financial entities regulated by Banco de México beginning on January 1, 2024; (2) use of the 28-day MXN TIIE rate as a reference rate for new contracts entered into by the financial entities regulated by Banco de México would be prohibited beginning January 1, 2025; and (3) Banco de México would modify the methodology for calculation of MXN TIIE with tenors greater than one business day so that contracts tied to MXN TIIE with tenors greater than one business day that are still active as of the transition dates would not require adjustment through legal amendment.[58] On December 6, 2023, to address feedback from market participants related to implementation concerns, particularly management of basis risk, Banco de México announced that it would grant

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[57] Banco de México, "Transition from TIIE with tenors greater than one business day (28, 91, and 182 days) to the Overnight TIIE Funding Rate (TIIE de Fondeo)," Dec. 20, 2022, available at *https://www.banxico.org.mx/markets/mexican-alternative-reference-rates-working-group/d/%7B2D6F5896-CF86-3F28-0C02-98D17B7542B9%7D.pdf*. Spanish-language versions of the consultation, draft provisions, comments, and comment summary are available at *https://www.banxico.org.mx/ConsultaRegulacionWeb/* (see, under "Históricas," "PROYECTO DE DISPOSICIONES PARA MODIFICAR LA CIRCULAR 3/2012, CON OBJETO DE ESTABLECER LAS FECHAS A PARTIR DE LAS CUALES SE RESTRINGIRÁ EL USO DE LAS TIIE A PLAZOS MAYORES A UN DÍA HÁBIL BANCARIO, ASÍ COMO MODIFICAR LA METODOLOGÍA PARA SU CÁLCULO"). *See also generally* Banco de México, 7th Meeting of the Working Group on Alternative Reference Rates in Mexico (GTTR), Mar. 2023, at 6-8, available at *https://www.banxico.org.mx/markets/mexican-alternative-reference-rates-working-group/d/%7BA0239E58-6DE1-A4BC-D0DE-88E94841D16F%7D.pdf* (summarizing comments on the consultation). Consistency with international efforts and best practices to move interest rate swap markets from survey-based IBORs to transaction-based RFRs was a significant consideration in Banco de México's decision. Banco de México, 4th Meeting of the Working Group on Alternative Reference Rates in Mexico (GTTR), Nov. 30, 2021, at 8, available at *https://www.banxico.org.mx/markets/mexican-alternative-reference-rates-working-group/d/%7B53572077-823D-FEA5-6B89-5D4584C21981%7D.pdf*. *See also* Banco de México, 6th Meeting of the Working Subgroup on Derivative Instruments Referenced to the Funding TIIE of the GTTR, Oct. 30, 2023, at 3, available at *https://www.banxico.org.mx/markets/mexican-alternative-reference-rates-working-group/d/%7B77DD82E8-D6CC-D5B4-345B-CEDFE130EEC5%7D.pdf*; Banco de México, 10th Meeting of the Working Group on Alternative Reference Rates in Mexico (GTTR), Dec. 6, 2023, at 3, 5, available at *https://www.banxico.org.mx/markets/mexican-alternative-reference-rates-working-group/d/%7B8AAAB86C-BAD5-AD0F-513C-B465BAFDE75E%7D.pdf*; Banco de México, 11th Meeting of the Working Subgroup on Derivative Instruments Referenced to the Funding TIIE of the GTTR, Feb. 1, 2024, at 5, available at *https://www.banxico.org.mx/markets/mexican-alternative-reference-rates-working-group/d/%7BA5419A19-1C19-9ED4-F429-8518FF28516E%7D.pdf*.

[58] Banco de México, "Transition from TIIE with tenors greater than one business day (28, 91, and 182 days) to the Overnight TIIE Funding Rate (TIIE de Fondeo)," Dec. 20, 2022, available at *https://www.banxico.org.mx/markets/mexican-alternative-reference-rates-working-group/d/%7B2D6F5896-CF86-3F28-0C02-98D17B7542B9%7D.pdf*. The new methodology was based on the overnight MXN TIIE rate on the day prior to the reference day being determined, compounded by the number of days of the corresponding term, with a fixed historical spread adjustment based on the historical median of the daily differences between MXN TIIE with tenors greater than one business day and MXN F-TIIE from November 2017 to October 2022, compounded by the number of days of the respective term. *Id.* The changes are reflected in Circular 3/2012 (new methodology for calculating MXN TIIE with tenors greater than one business day) and Circular 14/2007 (changes regarding restrictions on the use of MXN TIIE).

a waiver to permit trading in new swaps referencing the legacy MXN TIIE 28-day rate until December 31, 2025, provided the maturity of the transaction did not extend beyond that date.[59] On June 7, 2024, Banco de México finalized amendments to its transition timeline to account for the waiver period.[60]

Until the end of 2025, two registered DCOs cleared MXN TIIE swaps and MXN F-TIIE OIS. CME and LCH cleared fixed-to-floating interest rate swaps that reference 28-day MXN TIIE for a maximum stated termination date of, respectively, 31 years and 21 years.[61] Additionally, Asigna, a Mexican clearinghouse that is currently neither a registered DCO nor an exempt DCO, cleared fixed-to-floating interest rate swaps that reference 28-day MXN TIIE for a maximum stated termination date of 30 years.

In November 2024, CME and LCH converted cleared MXN TIIE swaps into market standard MXN F-TIIE OIS, as did Asigna.[62] CME and LCH, and Asigna, no longer offer fixed-

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[59] Banco de México, 10th Meeting of the Working Group on Alternative Reference Rates in Mexico (GTTR), Dec. 6, 2023, at 10, available at *https://www.banxico.org.mx/markets/mexican-alternative-reference-rates-working-group/d/%7B8AAAB86C-BAD5-AD0F-513C-B465BAFDE75E%7D.pdf*.

[60] Banco de México, Circular 9/2024, June 7, 2024, *available at https://www.banxico.org.mx/marco-normativo/normativa-emitida-por-el-banco-de-mexico/circular-4-2012/%7B416701BC-FBE2-A422-6224-9D9E666ABA6A%7D.pdf*.

[61] CME, Cleared OTC Interest Rate Swaps, Download Product Scope, available at *https://www.cmegroup.com/trading/interest-rates/cleared-otc.html*; LCH, Product Specific Contract Terms and Eligibility Criteria Manual, Nov. 2024, available at *https://www.lseg.com/content/dam/post-trade/en_us/documents/lch/rulebooks/lch-ltd/lch-product-specific-contract-terms-eligiblity-for-zar-zaronia-ois-compound-241104.pdf*.

[62] Asigna, "AVISO A SOCIOS LIQUIDADORES, PLATAFORMAS DE NEGOCIACIÓN, OPERADORES Y PÚBLICO EN GENERAL," Dec. 20, 2024, available at *http://www.asigna.com.mx/wb3/wb/ASG/ASG_repositorio/_vtp/ASG/11a0_2024/_rid/124/_mto/3/20241220_Segunda_Conversion.pdf?repfop=view&reptp=11a0_2024&repfiddoc=21973&repinline=true*; *see also* Asigna, Funding TIIE Swap and Rate Conversion, available at *https://bmv.com.mx/docs-pub/ASSETS/TIIE_Fondeo_Ingles_V5.pdf*; Asigna, "AVISO A SOCIOS LIQUIDADORES, PLATAFORMAS DE NEGOCIACIÓN, OPERADORES Y PÚBLICO EN GENERAL," Oct. 16, 2024, available at *http://www.asigna.com.mx/wb3/wb/ASG/ASG_repositorio/_vtp/ASG/2469_banners/_rid/124/_mto/3/TIIE_Fondeo_Espanol_difusion.pdf?repfop=view&reptp=2469_banners&repfiddoc=20752&repinline=true*. Post-conversion, Asigna clears only MXN TIIE swaps that will mature before the end of Banco de México's waiver period. Asigna, "AVISO A SOCIOS LIQUIDADORES, PLATAFORMAS DE NEGOCIACIÓN, OPERADORES Y PÚBLICO EN GENERAL," Oct. 16, 2024, at 3, available at *http://www.asigna.com.mx/wb3/wb/ASG/ASG_repositorio/_vtp/ASG/2469_banners/_rid/124/_mto/3/TIIE_Fondeo_Espanol_difusion.pdf?repfop=view&reptp=2469_banners&repfiddoc=20752&repinline=true*; CME, Conversion Plan: CME Cleared MXN TIIE Interest Rate Swaps, Mar. 2024, at 2, available at *https://www.cmegroup.com/articles/files/2024/proposal-for-cme-cleared-mxn-tiie-interest-rate-swaps-2024-03.pdf*; CME, Product Delisting Summary – MXN 28D TIIE Swap Clearing – Effective January 02, 2026, Jan. 2, 2026, available at *https://www.cmegroup.com/notices/clearing/2026/01/26-001.html*; LCH, LCH Consultation on Conversion of Outstanding Cleared MXN 28D-TIIE Contracts, Dec. 20, 2023, available at *https://www.lch.com/membership/ltd-membership/ltd-member-updates/lch-consultation-conversion-outstanding-*

to-floating interest rate swaps that reference 28-day MXN TIIE for clearing. Now CME and LCH clear OIS that reference MXN F-TIIE for a maximum stated termination date of, respectively, 31 years and 21 years.[63] Asigna clears MXN F-TIIE OIS with a maximum stated termination date range of 30 years.[64]

II. Domestic and International Coordination Efforts

The transitions from CAD CDOR to CAD CORRA and from MXN TIIE to MXN F-TIIE are further steps in a continuing effort by international standard-setting bodies such as International Organization of Securities Commissions (IOSCO) and the FSB, regulators, cross-jurisdictional working groups, market infrastructure providers, market participants, and others, to move global swap markets toward reliance on more sustainable benchmarks. Due to the cross-border nature of this effort, and the size of the affected markets, it is a priority for the Commission to engage with domestic and international regulators as it considers changes to the clearing requirement.

A. Domestic Coordination Efforts

The Commission is committed to working with the FRB, the FRBNY, the Securities and Exchange Commission (SEC), and other domestic authorities to ensure transparency in its efforts and, to the greatest extent possible, consistency in the transition from IBORs to RFRs. To this

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cleared-mxn-0; LCH, MXN 28D-TIIE Conversion Update, Oct. 10, 2024, available at *https://www.lch.com/membership/ltd-membership/ltd-member-updates/mxn-28d-tiie-conversion-update*.

[63] CME, Cleared OTC Interest Rate Swaps, Download Product Scope, available at *https://www.cmegroup.com/trading/interest-rates/cleared-otc.html*; LCH, Product Specific Contract Terms and Eligibility Criteria Manual, Nov. 2024, available at *https://www.lseg.com/content/dam/post-trade/en_us/documents/lch/rulebooks/lch-ltd/lch-product-specific-contract-terms-eligiblity-for-zar-zaronia-ois-compound-241104.pdf.*

[64] MexDer, Terms and Conditions for the Nominal Fixed Interest Rates and Nominal Variable 28-Day Interbank Equilibrium Interest Rates (TIIE28) Swap Contract, available at *http://www.mexder.com.mx/wb3/wb/MEX/MEX_Repositorio/_vtp/MEX/2052_swaps_contracts/_rid/21/_mto/3/20241115ENGLISHCGCS_CONTRATO_SWAP_TIIE28.pdf?repfop=view&reptp=2052_swaps_contracts&repfiddoc=8723&repinline=true*; MexDer, Terms and Conditions for the Nominal Fixed Interest Rates and the Nominal Variable Interest Rates (TIIE de Fondeo) Swap Contract, available at *http://www.mexder.com.mx/wb3/wb/MEX/MEX_Repositorio/_vtp/MEX/2052_swaps_contracts/_rid/21/_mto/3/20241115CGCs_Swaps_de_TIIE_de_Fondeo_EN.pdf?repfop=view&reptp=2052_swaps_contracts&repfiddoc=8722&repinline=true*.

end, the Commission consulted with domestic authorities including the SEC, the FRB, and the FRBNY as part of this rulemaking process.

B. International Coordination Efforts

Section 752(a) of the Dodd-Frank Act directs the Commission to consult and coordinate with foreign regulatory authorities on the establishment of consistent international standards for the regulation of swaps.[65] The Commission accomplished this with respect to the Second Determination and Third Determination by considering the ways in which it could harmonize its clearing requirement with clearing requirements in other jurisdictions.[66] The Commission has long recognized the interconnectedness of the interest rate swap market, and the importance of consulting and coordinating with its counterparts in other jurisdictions in the adoption of clearing requirements in order to promote regulatory consistency and certainty, and to prevent the evasion of clearing requirements.[67]

As part of the rulemaking process, and consistent with the Third Determination, the Commission is working with its counterparts overseas to ensure a coordinated approach to required clearing of interest rate swaps during the move from use of swaps referencing IBORs to swaps referencing RFRs. As part of the ongoing regulatory dialogue among authorities, Commission staff consulted with counterparts, including those at Banco de México and the Canadian Securities Administrators (CSA). This type of dialogue reflects an effort to ensure consistency in interest rate swap clearing requirements across jurisdictions.

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[65] Section 752 is not codified in the CEA.

[66] Second Determination, 81 FR at 71203; Third Determination, 87 FR at 52186-52189.

[67] *E.g.,* Third Determination, 87 FR at 52189 (discussing comments on the Commission's third proposed clearing requirement determination supporting the Commission's goal of harmonizing its clearing requirement with those of non-U.S. jurisdictions); Second Determination, 81 FR at 71223 (noting that "the interest rate swaps market is global and market participants are interconnected"); First Determination, 77 FR at 74287 ("The Commission is mindful of the benefits of harmonizing its regulatory framework with that of its counterparts in foreign countries. The Commission has therefore monitored global advisory, legislative, and regulatory proposals, and has consulted with foreign regulators in developing the final regulations.").

C. Clearing Requirements in Other Jurisdictions

In developing this final rule, the Commission considered relevant changes to clearing requirements in other jurisdictions, ensuring that any changes are harmonized, to the greatest extent possible, with those adopted by international counterparts. This goal is consistent with the Commission's approach in prior actions.

1. Canada

The United States currently requires clearing of CAD-denominated, CAD CDOR-referenced fixed-to-floating swaps with a stated termination date range of 28 days to 30 years, and CAD-denominated, CAD CORRA-referenced OIS with a stated termination date range of 7 days to 2 years.[68] Canada required the same set of CAD CDOR-referenced swaps to be cleared prior to, and for a period after, the cessation of CAD CDOR, but has updated its clearing requirement, as discussed below. No other jurisdiction has a CAD-denominated interest rate swap clearing requirement.

On September 25, 2025, the CSA published amendments to Canada's interest rate swap clearing requirement.[69] Considering the decrease (or cessation) of use of certain swaps referencing IBORs, and the adoption of RFRs and the corresponding increase in the liquidity of RFR swaps and in the systemic importance of RFRs, the CSA removed certain categories of swaps from Canada's interest rate swap clearing requirement, and added certain other categories of swaps. Specifically, the CSA removed its clearing requirement in each of the fixed-to-floating, basis swap, OIS, and FRA classes, as applicable, with respect to swaps referencing

[68] 17 CFR 50.4(a); CSA, CSA Notice of Publication – Amendments to National Instrument 94-101 Mandatory Central Counterparty
Clearing of Derivatives and Changes to Companion Policy 94-101 Mandatory Central Counterparty Clearing of Derivatives, Jan. 27, 2022, available at *https://www.osc.ca/sites/default/files/2022-01/csa_20220127_94-101_mandatory-central-counterparty.pdf*.

[69] CSA, "CSA adopts amendments to mandatory central counterparty clearing of derivatives," Sept. 25, 2025, available at *https://www.securities-administrators.ca/news/csa-adopts-amendments-to-mandatory-central-counterparty-clearing-of-derivatives/*; *see also* Ontario Securities Commission,
National Instrument 94-101, available at *https://www.osc.ca/sites/default/files/2026-01/ni_20260119_94-101_unofficial-consolidation.pdf* (unofficial consolidation); CSA, B.6.1 CSA Notice of Consultation – Proposed Amendments to National Instrument 94-101 Mandatory Central Counterparty Clearing of Derivatives, Sept. 19, 2024, available at *https://www.osc.ca/sites/default/files/2024-09/csa_20240919_notice-consultation-amendments-94-101.pdf*. The comment period for the consultation closed on December 19, 2024.

CAD CDOR, USD LIBOR, GBP LIBOR, and EUR EONIA. The CSA additionally added a clearing requirement for OIS referencing USD SOFR (7 days to 50 years) and EUR €STR (7 days to 3 years) and modified the clearing requirement for OIS referencing GBP SONIA to include maturities of 7 days to 50 years. The CSA also modified its requirement to clear CAD CORRA OIS to include CAD CORRA OIS to include maturities of 7 days to 30 years.

In modifying its interest rate swap clearing requirement, the CSA reviewed the suitability of adding certain swaps to its clearing requirement using a multifactor analysis,[70] analyzed data reported by market participants to designated or recognized trade repositories in accordance with applicable regulations, and held discussions with recognized central counterparties.[71]

2. Mexico

Only the U.S. and Mexico required MXN TIIE swaps to be cleared. Regulation § 50.4 had required clearing of fixed-to-floating swaps denominated in MXN that reference TIIE-BANXICO, for a stated termination date range of 28 days to 21 years.[72] Following a consultation launched on June 2, 2023, Banco de México amended its rules for the execution of derivatives transactions to replace its requirement to clear MXN TIIE fixed-to-floating swaps with a stated termination date range of 56 days to 30 years with a requirement to clear MXN F-TIIE OIS with a stated termination date range of 28 days to 30 years, with the modifications

[70] The CSA considered factors including: (i) the availability of the derivative to be cleared by a regulated clearing agency; (ii) the level of standardization of the derivative; (iii) the effect of central clearing of the derivative on the mitigation of systemic risk, taking into account the size of the market for the derivative and the available resources of the regulated clearing agency to clear the derivative; (iv) whether mandating the derivative or class of derivatives to be cleared would bring undue risk to regulated clearing agencies; (v) the current liquidity in the market for the derivative or class of derivatives; (vi) the existence of capacity, operational expertise, and resources, with respect to a regulated clearing agency; and (vii) international harmonization. CSA, B.6.1 CSA Notice of Consultation – Proposed Amendments to National Instrument 94-101 Mandatory Central Counterparty Clearing of Derivatives, Sept. 19, 2024, available at *https://www.osc.ca/sites/default/files/2024-09/csa_20240919_notice-consultation-amendments-94-101.pdf*.

[71] The CSA noted that as part of its analysis, for a review period of April 2023 to September 2023, and using data reported by market participants, the CSA analyzed monthly volume by assessing the number of transactions and the gross notional amount outstanding for certain OTC derivatives, including the gross notional by maturity, and the percentage of outstanding notional cleared each month of the reference period. *Id.*

[72] 17 CFR 50.4(a).

effective on January 1, 2025.[73] Like the CSA, Banco de México amended its clearing requirement in consideration of a multifactor analysis.[74]

III. Overview of Comment Letters Received

On May 12, 2026, the Commission published a notice of proposed rulemaking (NPRM) seeking public input regarding how it should amend the interest rate swap clearing requirement to address the cessation or loss of representativeness of IBORs that have been used as benchmark reference rates in CAD- and MXN-denominated interest rate swaps and the market adoption of swaps that reference corresponding RFRs.

The proposal would amend regulation § 50.4(a) by: 1) removing from the clearing requirement interest rate swaps referencing CAD CDOR and MXN TIIE; 2) modifying the clearing requirement applicable to CAD-denominated OIS that reference CAD CORRA to include a maximum stated termination date of 30 years; and 3) adding a clearing requirement applicable to MXN-denominated OIS that reference MXN F-TIIE, with a maximum stated

[73] Spanish-language versions of the consultation, draft provisions, comments, and comment summary are available at *https://www.banxico.org.mx/ConsultaRegulacionWeb/* (see, under "Históricas," "PROYECTO DE DISPOSICIONES PARA MODIFICAR LA CIRCULAR 4/2012 DEL BANCO DE MÉXICO, CON OBJETO DE ESTABLECER LAS FECHAS A PARTIR DE LAS CUALES SE RESTRINGIRÁ EL USO DE LAS TIIE A PLAZOS MAYORES A UN DÍA HÁBIL BANCARIO COMO REFERENCIA PARA NUEVAS OPERACIONES"). The modifications are reflected in Banco de México Circular 7/2023, Sept. 8, 2023, available at *https://www.banxico.org.mx/marco-normativo/normativa-emitida-por-el-banco-de-mexico/circular-4-2012/%7B7D759428-892F-AD66-CF4F-B3D768ABD59A%7D.pdf* and in Banco de México Circular 4/2012, available at *https://www.banxico.org.mx/marco-normativo/normativa-emitida-por-el-banco-de-mexico/circular-4-2012/%7B97C62974-1C94-19AE-AB5A-D0D949A36247%7D.pdf*. *See also* Banco de México, 9th Meeting of the Working Group on Alternative Reference Rates in Mexico (GTTR), Aug. 15, 2023, at 4-6, available at *https://www.banxico.org.mx/markets/mexican-alternative-reference-rates-working-group/d/%7B0048779F-A14D-C07F-90F7-24E5E604E1D4%7D.pdf* (summarizing the consultation and results).

[74] Banco de México considered (i) the degree of standardization of the terms and conditions of the derivatives transactions; (ii) the liquidity, depth, traded volume, and size of the derivatives transactions in the Mexican market; (iii) the number and type of entities that can trade and clear the derivatives transactions; (iv) the availability of pricing sources that are reasonable, reliable, and generally accepted; (v) the systemic risk associated with the execution of the derivatives transactions, and its impact on the stability of the Mexican financial system; (vi) the existence of companies that manage systems to facilitate trading of the products authorized by the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores or CNBV by its Spanish acronym), or foreign institutions that perform functions similar to those carried out by such companies that are recognized by the CNBV on which the derivatives transactions are traded; (vii) the existence of a clearinghouse or foreign institution that acts as a central counterparty, recognized by Banco de México, at which the derivatives transactions are cleared and settled; and (viii) the effect on competition, considering the fees associated with trading and clearing. Banco de México Circular 7/2023, Sept. 8, 2023, available at *https://www.banxico.org.mx/marco-normativo/normativa-emitida-por-el-banco-de-mexico/circular-4-2012/%7B7D759428-892F-AD66-CF4F-B3D768ABD59A%7D.pdf*.

termination date of 21 years. The NPRM proposed an implementation date of 30 days after publication of final rules in the *Federal Register*.

The Commission received two comments on its NPRM: a comment from the International Swaps and Derivatives Association (ISDA) and a comment from an individual commenter. Both comment letters are available at *www.regulations.gov*.

ISDA's comment letter supported the NPRM and welcomed the Commission's alignment with other jurisdictions. However, ISDA recommended the Commission adopt an implementation period longer than the 30 days the Commission proposed.[75] The individual commenter commented on several different aspects of the NPRM. The Commission addresses both comments below.

IV. Final Amendments to Regulation § 50.4(a)

The Commission is finalizing amendments to regulation § 50.4(a) in ways parallel to that of the proposal: 1) removing its CAD CDOR and MXN TIIE interest rate swap clearing requirements given that those swaps are no longer offered for clearing; 2) modifying its CAD CDOR OIS clearing requirement to account for the shift in the CAD interest rate swap market; and 3) adding a requirement to clear MXN F-TIIE OIS to account for the shift in MXN interest rate swap market.

The amendments update the existing clearing requirement, in effect replacing the requirement to clear certain IBOR swaps with a requirement to clear corresponding RFR OIS because the IBOR swaps have become unavailable and liquidity has shifted into RFR OIS. Accordingly, pursuant to this final rulemaking, the Commission will no longer require swaps denominated in CAD that reference CAD CDOR and swaps denominated in MXN that reference MXN TIIE, as floating rate indexes in the fixed-to-floating swap class, to be cleared. Indeed, neither CME nor LCH, nor any other clearinghouse, currently offer these swaps for clearing.

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[75] ISDA Comment Letter. ISDA additionally requested the Commission consider an exemption from the clearing requirement for transactions arising from post-trade risk reduction exercises, such as multilateral compression, portfolio rebalancing, and optimization exercises. This matter is beyond the scope of this rulemaking.

To account for the transition to RFRs, the Commission is amending the OIS class of interest rate swaps under regulation § 50.4(a) that are required to be cleared to include the following:

- Swaps denominated in CAD that reference CAD CORRA as a floating rate index with a stated termination date range of seven days to 30 years; and
- Swaps denominated in MXN that reference MXN F-TIIE as a floating rate index with a stated termination date range of 28 days to 21 years.[76]

These amendments are legally effective 30 days after publication of the final rule in the *Federal Register* and they will be implemented at that time. Further discussion of implementation appears below.[77]

V. Determination Analysis for RFR OIS

The Commission is amending its interest rate swap clearing requirement to include OIS referencing MXN F-TIIE and additional OIS referencing CAD CORRA by adopting a new clearing requirement determination. The Commission completed a review of the current CAD CORRA and MXN F-TIIE OIS offered for clearing and considered the five specific statutory factors required to make a new clearing requirement determination.

A. General Description of Information Considered

CME and LCH provided the Commission with regulation § 39.5(b) submissions relating to CAD CORRA and MXN F-TIIE OIS.[78] In addition to the DCOs' submissions, the Commission looks to the ability of each DCO to clear MXN F-TIIE OIS and additional CAD CORRA OIS, DCO swap data, swap data repository (SDR) data, publicly available data, the rule

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[76] The amendments to regulation § 50.4(a) will express the relevant index as "MXN-TIIE ON-OIS Compound," as described in CME's and LCH's regulation 39.5(b) submissions, rather than as "F-TIIE." For the avoidance of doubt, the Commission observes that "MXN-TIIE ON-OIS Compound" and "F-TIIE" refer to the same rate. This approach is consistent with the approach taken in designating the floating rate index with respect to the Commission's clearing requirement for MXN-denominated fixed-to-floating swaps in regulation § 50.4(a). *See* Second Determination, 81 FR 71226 & n.165.

[77] Specific implementation timing is set forth in section VI.

[78] Regulation § 39.5(b) submissions from DCOs are available on the Commission's website, *www.cftc.gov*, under DCO Swaps Submissions.

frameworks and risk management policies of each DCO, and information provided through public comment.

This clearing requirement determination is similar to the Commission's Third Determination because it follows a consensus-driven market event that was announced in advance and features liquidity shifting to new benchmark rates from rates that have become unavailable. Notably, though, prior market adoption in Canada and Mexico and significant voluntary clearing in the United States means that this clearing requirement determination will have limited, if any, market effect.

B. Consistency with DCO Core Principles under Section 2(h) of the CEA

Section 2(h)(2)(D)(i) of the CEA requires the Commission to determine whether a clearing requirement determination is consistent with core principles for DCOs set forth in section 5b(c)(2) of the CEA.[79] CME and LCH are registered DCOs that clear the RFR OIS subject to this rulemaking.[80] CME and LCH are required to comply with the DCO core principles and applicable Commission regulations, and these DCOs are subject to the Commission's examination and risk surveillance programs.

The Commission notes the importance of its ongoing examination and risk surveillance programs for all registered DCOs, as well as its ability to work with fellow authorities to ensure DCOs located outside the United States remain in compliance with the highest standards. In 2016, the Commission explained the rigor of the DCO registration and exemption processes, along with subsequent examination and risk surveillance scrutiny that DCOs receive. These processes remain in place and have been enhanced over the intervening years.[81]

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[79] 7 U.S.C. 2(h)(2)(D)(i). The core principles address numerous issues, including financial resources, participant and product eligibility, risk management, settlement procedures, default management, system safeguards, reporting, recordkeeping, public information, and legal risk, among other subjects. 7 U.S.C. 7a-1(c)(2). The Commission implemented the core principles through regulations that are applicable to registered DCOs. 17 CFR part 39.

[80] No exempt DCOs offer CAD CORRA or MXN F-TIIE OIS for clearing.

[81] Second Determination, 81 FR at 71207-08. In particular, Commission staff monitors the risks posed to and by DCOs, clearing members, and market participants, including market risk, liquidity risk, credit risk, and concentration risk with the objective (1) to identify positions in cleared products subject to the Commission's jurisdiction that pose significant financial risk; and (2) to confirm that these risks are being appropriately managed.

The Commission believes that CME and LCH will be able to maintain compliance with the DCO core principles and applicable Commission regulations following adoption of this clearing requirement determination. For the reasons discussed below, the Commission has determined that subjecting MXN F-TIIE OIS or additional CAD CORRA OIS to required clearing is unlikely to impair CME's or LCH's ability to comply with the DCO core principles, along with applicable Commission regulations.

Clearing the RFR OIS swaps subject to this determination does not pose financial or legal risks that are materially distinguishable from those posed by the IBOR interest rate swaps and OIS that the Commission required to be cleared in 2012 and 2016, or the OIS that the Commission required to be cleared in 2022. For additional information regarding the ability of DCOs to clear these swaps, see the discussion of Factor II in the Commission's determination analysis below.

C. Conclusions Regarding Consideration of Section 2(h)'s Five Statutory Factors

Set forth below is the Commission's consideration of the five factors set forth in section 2(h)(2)(D)(ii) of the CEA as they relate to the specific OIS being added to the interest rate swap clearing requirement, which includes OIS (i) denominated in CAD and referencing CORRA (added as a function of modifying the maximum termination date range for CAD CORRA OIS required to be cleared) and (ii) denominated in MXN and referencing F-TIIE.[82]

1. Factor (I)—Outstanding notional exposures and trading liquidity

Liquidity has shifted from swaps referencing CAD CDOR and MXN TIIE to, respectively swaps referencing CAD CORRA and MXN F-TIIE. The first of the five factors under section 2(h)(2)(D)(ii) of the CEA requires the Commission to consider "the existence of significant outstanding notional exposures, trading liquidity, and adequate pricing data" related

[82] The Commission is conducting this analysis only with respect to the swaps that are being added to the clearing requirement under this determination. As was the case in 2022, the decision to remove swaps that are no longer offered for clearing from Commission regulation § 50.4 is not considered in this analysis.

to "a submission made [by a DCO]."[83] In issuing past clearing requirement determinations, the Commission reviewed data from multiple sources, including data from SDRs and DCOs and other publicly available data, principally concerning notional exposures and counts of transactions in the relevant swaps.[84] For purposes of this rulemaking, the Commission similarly considered data from multiple such sources and principally considered notional exposures and trading liquidity based on the Commission's own collected data.

a. Outstanding notional exposures and trading liquidity

The Commission reviewed data to determine whether there is an active market for the swap, including whether there is a measurable amount of notional exposure and whether the swap is traded regularly, as reflected by trade count. The data presented in the NPRM and below indicate that there is sufficient outstanding notional exposure and trading liquidity in RFR OIS to support a clearing requirement determination.[85]

Specifically, the data generally demonstrates that there is significant and steady activity in new CAD CORRA and MXN F-TIIE OIS, with little to no notional outstanding in CAD CDOR and MXN TIIE fixed-to-floating swaps. The Commission compiled the data used in tables 1-4 below from transaction data collected under part 45 of the Commission's regulations.[86] This analysis also supports a DCO's ability to adequately risk manage the swap. In this final rulemaking, for tables 1-4 below, the Commission presents additional months of data beyond the January 2026 through March 2026 data presented in the NPRM.[87] The Commission believes this data demonstrates relatively consistent activity in the relevant OIS across six months. The

[83] 7 U.S.C. 2(h)(2)(D)(ii).
[84] *See* First Determination, 77 FR at 74306 – 74307; Second Determination, 81 FR at 71211 – 71216; Third Determination, 87 FR at 52195 – 52199.
[85] Data considered includes all material presented in the NPRM along with updated additional information presented in this final rule.
[86] The data presented in these tables is the same as the data used to create the Commission's weekly swaps report. This data represents only those swaps that are reported to the CFTC's registered SDRs by swap market participants. The Commission's weekly swaps report currently incorporates data from three SDRs (CME Group SDR, DTCC Data Repository, and ICE Trade Vault). The raw SDR data has been filtered to represent, as accurately as possible, the market-facing trades that occur and excludes certain inter-affiliate transactions. For more information about the data components in the weekly swaps report, please visit the CFTC's webpage available at: *https://www.cftc.gov/MarketReports/SwapsReports/index.htm*.
[87] NPRM, 91 FR at 25824 – 25826.

additional three months of data also confirm there is effectively no activity in the case of CAD CDOR and only limited activity in MXN TIIE fixed-to-floating swaps.

In Table 1 below, the Commission provides estimates of notional transacted by month for CAD CORRA and MXN F-TIIE OIS, and CAD CDOR and MXN TIIE fixed-to-floating swaps, for the period beginning January 1, 2026 and ending June 30, 2026.

Table 1—Estimated Notional Transacted (USD Billions)[88]

Product	January 2026	February 2026	March 2026	April 2026	May 2026	June 2026
CAD CDOR Fixed-to-Floating Swaps	$0	$0	$0	0	0	0
CAD CORRA OIS	2,735	1,520	1,666	1,105	1,978	1,029
MXN TIIE Fixed-to-Floating Swaps	0	0	0	0	0	0
MXN F–TIIE OIS	428	620	1,004	605	578	607

Table 2 below provides estimates of trade counts for the same categories of RFR and IBOR swaps during the same six-month period. The data in Table 2 indicates that, with respect to CAD CORRA OIS, monthly trade count was relatively consistent between January 2026 and June 2026, while trade counts for CAD CDOR fixed-to-floating swaps stood at zero. With respect to MXN-denominated interest rate swaps, from January 2026 through June 2026, there was a significant number of transactions in MXN F-TIIE OIS alongside comparatively few transactions in MXN TIIE fixed-to-floating swaps.

Table 2—Estimated Trade Count[89]

Product	January 2026	February 2026	March 2026	April 2026	May 2026	June 2026

[88] The data in Table 1 is based on the Commission's weekly swaps report data. In this table, a notional figure of $0 billion indicates that the notional transacted during a given time period was less than $1 billion.
[89] The data in Table 2 is based on the Commission's weekly swaps report data.

Product	January 2026	February 2026	March 2026	April 2026	May 2026	June 2026
CAD CDOR Fixed-to-Floating Swaps	0	0	0	0	0	0
CAD CORRA OIS	8,745	5,584	8,879	6,005	5,914	6,658
MXN TIIE Fixed-to-Floating Swaps	3	14	5	6	18	10
MXN F–TIIE OIS	7,246	8,051	15,206	9,912	8,947	9,772

Table 3 below presents estimates of the percentage of notional cleared for CAD CORRA and MXN F-TIIE OIS, based on notional transacted by month during the period beginning January 1, 2026 and ending June 30, 2026. The data in Table 3 illustrate that, with respect to CAD CORRA and MXN F-TIIE OIS, a majority of the notional traded month-to-month is already cleared voluntarily and, perhaps, due to changes in Canadian and Mexican law, as discussed in section II.C above.[90]

Table 3—Estimated Percentage of Notional Cleared (Based on Notional Transacted by Month)[91]

OIS	Percentage notional cleared – January 2026 (%)	Percentage notional cleared – February 2026 (%)	Percentage notional cleared – March 2026 (%)	Percentage notional cleared – April 2026 (%)	Percentage notional cleared – May 2026 (%)	Percentage notional cleared – June 2026 (%)
CAD CORRA	99	96	98	97	97	99
MXN F-TIIE	87	90	90	87	86	85

Table 4 below presents a breakdown of notional transacted and trade count by tenor for the period beginning March 1, 2026 and ending March 31, 2026, which was presented in the

[90] While, as the estimates below demonstrate, there are variations in the proportion of notional cleared month-to-month, these percentages are generally consistent with the clearing rates observed for the RFR swaps that were the subject of the Third Determination and are higher than the clearing rates observed for many of the swaps subject to the Second Determination. *See* Third Determination, 87 FR at 52196, table 4; Second Determination, 81 FR at 71234.

[91] The data in Table 3 is based on the Commission's weekly swaps report data.

NPRM. This chart also includes updated data by tenor for the period beginning June 1, 2026 and ending June 30, 2026, for cleared CAD CORRA and MXN F-TIIE OIS. With respect to CAD CORRA and MXN F-TIIE OIS, Table 4 illustrates that these OIS are being cleared across a wide range of maturities, with most clearing activity by notional and trade count occurring in CAD CORRA and MXN F-TIIE OIS dated 15 years or shorter. Table 4 illustrates that there is a more limited amount of activity in CAD CORRA and MXN F-TIIE OIS dated longer than 15 years, with greater activity in CAD CORRA OIS dated longer than 15 years than in MXN F-TIIE OIS dated longer than 15 years.

Table 4—Estimated Cleared Notional and Trade Count by Tenor[92]

		March 2026 Transaction Data		June 2026 Transaction Data	
OIS	Tenor	Notional Cleared (USD Billions)	Trade Count	Notional Cleared (USD Billions)	Trade Count
CAD CORRA	7 days-3 months	$922	510	$511	344
	3-6 months	26	49	20	32
	6 months-1 year	118	690	79	328
	1-5 years	463	4,772	311	3,490
	5-15 years	103	2,360	99	1,978
	>15 years	12	494	10	486
MXN F-TIIE	7 days-3 months	205	571	161	237
	3-6 months	148	793	48	250

[92] The data in Table 4 is based on the Commission's weekly swaps report data. Tenor length is approximate. In Table 4, a notional figure of $0 billion USD indicates that the notional transacted during a given time period was less than $1 billion.

		March 2026 Transaction Data		June 2026 Transaction Data	
OIS	Tenor	Notional Cleared (USD Billions)	Trade Count	Notional Cleared (USD Billions)	Trade Count
	6 months-1 year	332	3,094	180	1,736
	1-5 years	294	8,262	196	5,948
	5-15 years	26	2,475	22	1,592
	>15 years	0	11	0	9

In addition to this transaction-level data, Table 5 below presents open swaps data illustrating outstanding notional in CAD CORRA and MXN F-TIIE OIS. The Commission notes that the data is consistent over the additional three-month period.

Table 5—Outstanding Notional (USD Billions)[93]

OIS	Outstanding Notional (as of April 24, 2026)	Outstanding Notional (as of July 14, 2026)
CAD CORRA	$24,824	$25,547
MXN F-TIIE	7,603	7,314

The Commission requested comment and any relevant market analysis regarding the sufficiency of outstanding notional exposures and trading liquidity in CAD CORRA and MXN F-TIIE OIS, including for the proposed stated termination date ranges. The individual commenter made several observations about the sufficiency of the data and the Commission's conclusions based on it. The commenter suggested that the Commission take a more tailored

[93] The data in Table 6 represents swaps that have been cleared at CME and LCH and reported to the CFTC under part 39 of the Commission's regulations. The data includes payer/receiver values and outstanding notional associated with swaps generated from conversion processes.

approach to assessing the tenor distributions in establishing the scope of its clearing requirement. The commenter also noted that the Commission provided only three months of data in its NPRM.

The Commission offered the three-month data period to demonstrate the transition of open interest and trade count in both the CAD- and MXN- interest rate swap market from IBOR interest rate swaps to the new RFR interest rate swaps. Both the part 45 and the part 39 data discussed in this final rule reflect this market move and support the Commission's proposed rule change. Were the Commission to expand the existing interest rate swap clearing requirement or issue a new swap clearing requirement in another asset class, the commenter's points about insufficient data across tenors and a limited observation period might raise more substantive concerns. However, this rulemaking essentially reflects an update to existing regulatory requirements resulting from independent market moves in the CAD and MXN interest rate swap markets, updates that aim to better reflect current market realities. The data presented above reflects the CAD- and MXN-denominated swap markets following the transition to RFRs. That transition included the conversion of existing cleared IBOR swaps at DCOs to corresponding RFR OIS, the end of clearing support for CAD CDOR and MXN TIIE swaps, the conclusion of Banco de México's waiver period for continued MXN F-TIIE activity, and the movement of liquidity from IBOR swaps to RFR OIS.

b. Pricing data

The Commission regularly reviews pricing data for CAD CORRA and MXN F-TIIE OIS subject to this determination and finds that these OIS are capable of being priced from deep and liquid markets. Commission staff regularly receives and reviews margin model information from DCOs that includes the procedures they follow to ensure market liquidity exists to close out a position in a stressed market, including the time required to determine prices for all or parts of the given position.[94] Because of the stability of access to pricing data from these markets, the

[94] As discussed further below, Commission staff receives and reviews margin model information from the registered DCOs that clear these swaps, including information regarding how those DCOs would ensure that liquidity exists to

pricing data for CAD CORRA and MXN F-TIIE OIS is generally viewed as being reliable. Based on this information, the Commission determines that there is adequate pricing data to support required clearing of MXN F-TIIE OIS and additional CAD CORRA OIS.

In addition, based on DCO regulation § 39.5(b) submissions, the Commission finds that there exists adequate pricing data to justify a clearing requirement determination, including information regarding transaction volumes and how the DCOs consider pricing information in determining eligibility of a swap for clearing.[95] No commenter presented any comment or market analysis regarding whether there is adequate pricing data for DCO risk and default management of the products subject to this rulemaking, including regarding the stated termination date ranges and during periods of stressed market conditions.

Based on the data presented and analyzed above, the Commission determines there are sufficient outstanding notional exposures, trading liquidity, and pricing information for CAD CORRA and MXN F-TIIE OIS to support a clearing requirement determination.

2. Factor (II)—Availability of rule framework, capacity, operational expertise and resources, and credit support infrastructure

Section 2(h)(2)(D)(ii)(II) of the CEA requires the Commission to consider the availability of rule framework, capacity, operational expertise and resources, and credit support infrastructure to clear the proposed classes of swaps on terms that are consistent with the conventions on which they are now traded. Based on their regulation § 39.5(b) submissions, as well as ongoing oversight, the Commission determines that CME and LCH have developed rule frameworks, capacity, operational expertise and resources, and credit support infrastructure to

exit a position in a stressed market. For purposes of the first statutory factor, the Commission considers possible periods of market stress, particularly when assessing whether there is sufficient liquidity and pricing data. Second Determination, 81 FR at 71210 (noting that the Commission considered "the effect a new clearing mandate will have on a DCO's ability to withstand stressed market conditions" as part of its analysis in connection with the Second Determination).

[95] For instance, CME's § 39.5(b) submission addressed both cleared volumes and valuation curve methodologies for CAD CORRA OIS and MXN F-TIIE OIS. LCH's § 39.5(b) submissions related to CAD CORRA OIS how LCH considers pricing information in determining swap eligibility for clearing, and LCH's submission for MXN F-TIIE OIS noted that LCH has several brokers to serve as pricing sources for MXN F-TIIE OIS.

clear the interest rate swaps they currently clear, including CAD CORRA and MXN F-TIIE OIS, on terms that are consistent with the material terms and trading conventions on which those swaps are being traded. The Commission subjects CME and LCH to ongoing review, risk surveillance, and examination to ensure compliance with the CEA's core principles and Commission regulations, including with respect to the submitted swaps.[96]

CME and LCH have procedures pursuant to which they regularly review their RFR OIS clearing in order to confirm or adjust margin and other risk management tools. When reviewing CME's and LCH's risk management tools, the Commission considers the ability of a DCO to manage risk during stressed market conditions to be one of the most significant considerations, considering the role central clearing plays in reducing counterparty credit risk and in lowering the likelihood of defaults that could spread from one counterparty to others.[97] CME and LCH have developed detailed risk management practices, including a description of risk factors considered when establishing margin levels and other resource pools, like the default fund.[98] The Commission reviews and oversees CME's and LCH's risk management practices and development of margin models. Margin models are further refined by stress testing and daily back testing. The Commission also considers stress testing and back testing when assessing whether CME and LCH can clear swaps safely during stressed market conditions.

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[96] In order to be registered with the Commission, a DCO must comply with the DCO core principles under section 5b of the CEA and applicable Commission regulations. Once a DCO is registered with the Commission, Commission staff periodically examine each DCO to determine whether the DCO is maintaining compliance with the CEA and Commission regulations. In addition, Commission staff monitors the risks posed to and by DCOs, clearing members, and market participants, and conducts independent stress testing.

[97] *See, e.g.*, ISDA, Evolution of OTC Derivatives Markets Since the Financial Crisis, at 13 (Jan. 2021), available at *https://www.isda.org/a/8jjTE/Evolution-of-OTC-Derivatives-Markets-Since-the-Financial-Crisis.pdf*.

[98] *E.g.*, historical volatility, intraday volatility, seasonal volatility, liquidity, open interest, market concentration, and potential moves to default. For additional information, CME and LCH published documents outlining their respective compliance with the Principles for Financial Market Infrastructures (PFMI) published by the Committee on Payments and Market Infrastructures (CPMI; formerly, CPSS) and IOSCO. CPSS-IOSCO Principles for Financial Market Infrastructure (PFMI), Apr. 16, 2012, available at *https://www.bis.org/cpmi/publ/d101.htm*. *See* CME, CME Clearing: Principles for Financial Market Infrastructures Disclosure, Dec. 12, 2025, available at *https://www.cmegroup.com/clearing/risk-management/files/cme-clearing-principles-for-financial-market-infrastructures-disclosure.pdf*; LCH Ltd., CPMI – IOSCO Self-Assessment 2024, Mar. 31, 2024, available at *https://www.lch.com/system/files/media_root/CPMI%20IOSCO%20Self%20Qualitative%20Assessment%20of%20LCH%20LTD_1.pdf*.

CME and LCH design and conduct stress tests, and Commission staff monitors development of these stress tests. These stress tests, in part, are used to ensure that their default funds are sized appropriately and to ascertain whether any changes to their financial resources or margin models are necessary for continued robust risk management.[99] In addition, Commission staff monitors markets on both an end-of-day and real-time basis and performs stress tests against the DCOs' margin models. Depending on the result of this analysis, the Commission may recommend changes to a margin model. Finally, CME and LCH conduct daily back testing to ensure that the margin models capture market movements for member portfolios.[100]

Before offering a new product for clearing, each of the DCOs considers stress tests and back testing results in determining whether it has sufficient financial resources to offer new clearing services. The Commission also reviews initial margin models and default resources to ensure that the DCOs can risk-manage their portfolio of products offered for clearing. This combination of stress testing and back testing in anticipation of offering swaps for clearing provides CME and LCH with greater certainty that their offerings will be risk-managed appropriately. The process of stress testing and back testing also gives DCOs practice incorporating new swaps into their models. In addition to the Commission's surveillance and oversight, CME and LCH continue to monitor and test their margin models over time so that they can operate effectively in stressed and non-stressed market environments. Registered DCOs review and validate their margin models regularly.[101]

Each DCO monitors and manages credit risk exposure by asset class, clearing member, account, or individual customer. They manage credit risk by establishing position and

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[99] Reverse stress testing uses plausible market movements that could deplete guaranty funds and cause large losses for top clearing members. For example, CME and LCH may use scenarios for stress testing and reverse stress testing that capture, among other things, historical price volatilities, shifts in price determinants and yield curves, multiple defaults over various time horizons, and simultaneous pressures in funding and asset markets.

[100] Back testing tests margin models to determine whether they are performing as intended, and checks whether margin models produce margin coverage levels that meet the DCO's established standards. Back testing helps CME and LCH determine whether their clearing members satisfy the required margin coverage levels and liquidation timeframe.

[101] For the avoidance of doubt, exempt DCOs are subject to oversight by their home country regulators, along with regulations regarding risk management.

concentration limits based on product type or counterparty. These limits reduce potential market risks so that DCOs are better able to withstand stressed market conditions. Each of the DCOs monitors exposure concentrations and may require additional margin deposits for clearing members with weak credit scores, with large or concentrated positions, with positions that are illiquid or exhibit correlation with the member itself, and/or where the member has particularly large exposures under stress scenarios. DCOs also may call for additional margin, on top of collecting initial and variation margin, to meet unique risk exposures and protect against stressed market conditions.[102]

In support of its ability to clear CAD CORRA and MXN F-TIIE OIS, CME's regulation § 39.5(b) submissions cite to its rulebook to demonstrate the availability of rule framework, capacity, operational expertise and resources, and credit support infrastructure to clear interest rate swap contracts on terms that are consistent with the material terms and trading conventions on which the contracts are traded. LCH's submissions state that LCH's clearing model allows bilaterally traded interest rate swaps to be cleared on identical terms and that LCH has developed sophisticated operational models, controls, and risk algorithms to ensure that LCH can process trades rapidly, safely, and with an understanding of the risk to clearing members and customers. LCH's submissions provide, among other information, data regarding the portion of the interest rate swap market cleared by LCH, LCH's portfolio compression capacity, and daily clearing volumes.

The individual commenter stated that the NPRM failed to address "the fact that the number of active [futures commission merchants (FCMs)] has declined significantly over the past decade" and the issue of "whether smaller or occasional users may face onboarding delays or minimum fee hurdles." In the commenter's view, this omission constitutes a direct gap in the analysis required under section 2(h)(2)(D)(ii)(II) (Factor II) of the CEA, which mandates that the

[102] As a general matter, any DCO offering RFR OIS for clearing, including exempt DCOs, would follow this risk management approach when offering these swaps for clearing.

Commission fully account for the availability of operational expertise, clearing capacity, resources, and downstream credit support infrastructure across all market participants. No other commenter raised this concern.

The question in the individual commenter's discussion relates to market participants and their clearing members. However, Factor II focuses on the clearinghouse and its swap offering, namely on the availability of frameworks, expertise, and resources to clear swaps on terms that are consistent with how the contract is traded. Thus, the individual commenter's statements about access to clearing by smaller market participants is distinguishable from this factor.

The Commission determines there are available rule frameworks, capacity, operational expertise and resources, and credit support infrastructures, consistent with material terms and trading conventions, to support the required clearing of MXN F-TIIE OIS and additional CAD CORRA OIS. The application of DCO risk management practices to CAD CORRA and MXN F-TIIE OIS should ensure the swaps subject to this rulemaking can be cleared safely, even during times of market stress.[103]

3. Factor (III)—Effect on the mitigation of systemic risk

Section 2(h)(2)(D)(ii)(III) of the CEA requires the Commission to consider the effect of the clearing requirement on the mitigation of systemic risk, considering the size of the market for such contract and the resources of the DCO available to clear the contract. As presented in the data and discussion above, the Commission has concluded that the mitigation of systemic risk through continued clearing in the market for CAD CORRA and MXN F-TIIE OIS is meaningful. Mitigating counterparty credit risk through clearing will likely reduce systemic risk in the interest rate swap market generally and, while not every individual RFR OIS market has large

[103] For additional information related to this factor, please see the public disclosures made by CME and LCH. CME, CME Clearing: Principles for Financial Market Infrastructures Disclosure, Dec. 12, 2025, available at *https://www.cmegroup.com/clearing/risk-management/files/cme-clearing-principles-for-financial-market-infrastructures-disclosure.pdf*; LCH Ltd., CPMI – IOSCO Self-Assessment 2024, Mar. 31, 2024, available at *https://www.lch.com/system/files/media_root/CPMI%20IOSCO%20Self%20Qualitative%20Assessment%20of%20LCH%20LTD_1.pdf*.

outstanding notional exposures, each such market is important, and continuity of clearing for RFR OIS serves to reduce systemic risk.

In its regulation § 39.5(b) submissions, CME explains the benefits of centralized clearing, including freer counterparty credit lines, enhanced risk management, operational efficiencies, and ease of offsetting risk exposures. LCH's submissions note that clearing avoids complex bilateral relationships that lead to systemic risk, and that requiring swaps to be cleared leads to a less disparate marketplace from a systemic risk perspective with respect to that swap.

Centrally clearing CAD CORRA and MXN F-TIIE OIS through a DCO should reduce systemic risk by providing counterparties with daily mark-to-market valuations upon which to exchange variation margin pursuant to the DCO's risk management framework and requiring posting of initial margin to cover potential future exposures in the event of a default. In addition, swaps transacted through a DCO are secured by the DCO's guaranty fund and other available financial resources, which are intended to cover extraordinary losses that would not be covered by initial margin.

Central clearing was developed and designed to handle significant concentration of risk. CME and LCH have procedures for closing out and/or transferring a defaulting clearing member's positions and collateral.[104] Transferring customer positions to solvent clearing members in the event of a default is critical to reducing systemic risk. DCOs are designed to withstand defaulting positions and to prevent a defaulting clearing member's loss from spreading further and triggering additional defaults. To the extent updating a clearing requirement with respect to MXN F-TIIE OIS and additional CAD CORRA OIS increases the number of clearing members and market participants in the interest rate swap market, then DCOs may find it easier to transfer positions from defaulting clearing members if there is a larger pool of potential clearing members to receive the positions. However, the Commission recognizes that with the

[104] For further discussion of treatment of customer and swap counterparty positions, funds, and property in the event of the insolvency of a DCO or one or more of its clearing members, please see Factor (V)—Legal certainty in the event of insolvency below.

existing high rates of voluntary clearing of CAD CORRA and MXN F-TIIE OIS, the likelihood of adding additional clearing members and market participants in these markets is limited.

CME and LCH have experience risk managing interest rate swaps and, based on CME's and LCH's submissions and the Commission's ongoing supervision, CME and LCH should have the necessary financial resources available to clear MXN F-TIIE OIS and additional CAD CORRA OIS. Accordingly, the Commission finds that CME and LCH will be able to manage the risk posed by clearing MXN F-TIIE OIS and additional CAD CORRA OIS. In addition, the application of DCO risk management practices to CAD CORRA and MXN F-TIIE OIS should ensure these swaps can continue to be cleared safely.

The CAD CORRA and MXN F-TIIE OIS data presented in this rulemaking indicates varying levels of activity, measured by outstanding notional amounts and trade counts. The Commission acknowledges that the data comes from limited periods of time that do not explicitly include periods of market stress. However, the Commission concludes the data demonstrates sufficient regular trading activity and outstanding notional exposures in CAD CORRA and MXN F-TIIE OIS to provide the liquidity necessary for DCOs to successfully risk-manage these products and to support the adoption of a clearing requirement.

Accordingly, the Commission determines CME and LCH will be able to manage the risk posed by clearing MXN F-TIIE OIS and additional CAD CORRA OIS required to be cleared pursuant to this determination. In addition, the central clearing of the MXN F-TIIE and additional CAD CORRA OIS added under this rulemaking serves to mitigate counterparty credit risk, thereby potentially reducing systemic risk. No comments were submitted on this factor. Having considered the likely effect on the mitigation of systemic risk, the Commission is issuing this determination to add MXN F-TIIE OIS and additional CAD CORRA OIS to the clearing requirement.

4. Factor (IV)—Effect on competition

Section 2(h)(2)(D)(ii)(IV) of the CEA requires the Commission to consider the effect on competition, including appropriate fees and charges applied to clearing. Of particular concern to the Commission is whether this determination would harm competition by creating, enhancing, or entrenching market power in an affected product or service market, or facilitating the exercise of market power.[105] Market power is viewed as the ability to raise prices, including clearing fees and charges, reduce output, diminish innovation, or otherwise harm customers as a result of diminished competitive constraints or incentives.[106]

The Commission has identified one putative service market as potentially affected by this clearing determination: a DCO service market encompassing those clearinghouses that currently clear CAD CORRA and MXN F-TIIE OIS.[107] This clearing requirement potentially could impact competition within the affected market. Of particular importance to whether any such impact is positive or negative, is: (1) whether the demand for these clearing services and swaps is sufficiently elastic that a small but significant price increase above competitive levels would prove unprofitable because users of the interest rate swap products and DCO clearing services would substitute other clearing services coexisting in the same market(s); and (2) the potential for new entry into this market.[108] The availability of substitute clearing services to compete with those encompassed by this determination, and the likelihood of timely, sufficient new entry in the event prices do increase above competitive levels, each operate independently to constrain anti-competitive behavior.

Any competitive effect likely would stem from the fact that the determination and associated regulations would remove the alternative of not clearing for the CAD CORRA and

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[105] First Determination, 77 FR at 74313; Second Determination, 81 FR at 71220; Third Determination, 87 FR at 52201-52202.

[106] First Determination, 77 FR at 74313 (discussing market power as described under U.S. Department of Justice guidelines). *See generally* U.S. Department of Justice and the Federal Trade Commission, Horizontal Merger Guidelines (Horizontal Merger Guidelines) at section 4.1 (Dec. 18, 2023), available at *https://www.justice.gov/d9/2023-12/2023%20Merger%20Guidelines.pdf* .

[107] First Determination, 77 FR at 74298; Second Determination, 81 FR at 71220. The DCO service market includes the registered and exempt DCOs that currently offer RFR OIS for clearing.

[108] *See* Horizontal Merger Guidelines, section 4.3.A.

MXN F-TIIE OIS subject to this rulemaking. The determination does not specify who may or may not compete to provide clearing services for CAD CORRA and MXN F-TIIE OIS, as well as those not required to be cleared.

Removing the choice to enter into a swap without submitting it for clearing under this rulemaking is not determinative of negative competitive impact. Other factors, including the availability of other substitutes within the market or potential for new entry into the market, may constrain market power. The Commission does not foresee that the determination constructs barriers that would deter or impede new entry into a clearing services market,[109] and the Commission anticipates this determination might foster an environment conducive to new entry. For example, the clearing determination may reinforce, if not encourage, growth in demand for clearing services. Demand growth, in turn, can enhance the sales opportunity, a condition hospitable to new entry.[110] Moreover, to the extent that there are high rates of voluntary clearing in CAD CORRA and MXN F-TIIE OIS already, a regulatory requirement to clear such swaps provides additional certainty that those high rates of clearing remain constant.

The individual commenter questions whether the Commission provided sufficient data to support its conclusions under Factor IV. In the commenter's view, empirical metrics are needed to support the finding that a mandate will have no adverse competitive impacts on venue-level clearing fees. In the commenter's view, the analytical standard intended by CEA section 2(h)(2)(D)(ii)(IV) (Factor IV) requires an explicit assessment of the effect on competition, including appropriate fees and charges. Both CME and LCH offer clearing services based on

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[109] However, the Commission recognizes that (1) to the extent the clearing services market for the interest rate swaps identified in this rulemaking, after foreclosing uncleared swaps, would be limited to a concentrated few participants with highly aligned incentives, and (2) the clearing services market is insulated from new competitive entry through barriers (*e.g.*, high sunk capital cost requirements, high switching costs to transition from embedded incumbents, and access restrictions), the determination could have a negative competitive impact by increasing market concentration.

[110] *See, e.g.*, Horizontal Merger Guidelines, section 2.4.A Evidence for reasonable probability of entry can include, for example, evidence that the firm has an incentive to enter or evidence that industry participants recognize the company as a potential entrant, in addition to evidence that the firm has sufficient size and resources to enter; evidence of any advantages that would make the firm well-situated to enter; or evidence that the firm has successfully expanded into similarly situated markets in the past or already participates in adjacent or related markets. *See id.*

fees and charges that are well known to market participants.[111] Both clearinghouses maintain relationships with multiple FCM and non-FCM clearing members that offer their services to market participants in the United States and elsewhere in the global swaps markets. As noted above, one non-DCO clearinghouse, Asigna, offers clearing services for MXN F-TIIE OIS in Mexico. Other clearinghouses in both Canada and Mexico also may choose to enter the market for providing clearing services for the OIS subject to this rulemaking.

No commenter provided any comment, or quantifiable data, on cost increases associated with clearing, particularly those fees and charges imposed by DCOs, and the effects of such increases on counterparties currently participating in the market. Similarly, no commenter submitted a comment regarding how the Commission's action would or could generate conditions that create, increase, or facilitate an exercise of: (1) clearing services market power in CME, LCH, and/or any other clearing service market participant, including conditions that would dampen competition for clearing services and/or increase the cost of clearing services, and/or (2) market power in any product markets for interest rate swaps, including conditions that would dampen competition for these product markets and/or increase the cost of CAD CORRA and MXN F-TIIE OIS.

For these reasons, entry barriers currently do not exist with respect to a clearing services market for CAD CORRA and MXN F-TIIE OIS, and it is possible that this determination may encourage or facilitate new entry into the market. The Commission concludes that it has considered the effect of the updated clearing requirement on competition and found that, even in an unlikely case where competition is affected in these markets, anticompetitive behavior is likely to be constrained in size and breadth of effect. Demand for clearing services in this market is likely to remain unchanged. Accordingly, the Commission reaffirms its conclusion that

[111] *See* CME, Cleared OTC IRS Client Fee Schedules, available at *https://www.cmegroup.com/markets/cleared-swaps/cleared-otc-irs-client-fee-schedules.html*; LCH, SwapClear Client Clearing Fees, available at *https://www.lseg.com/en/post-trade/clearing/lch-services/swapclear/fees/client-clearing-fees*.

competitiveness is sufficient to modify the existing interest rate swap clearing requirement to include MXN F-TIIE and additional CAD CORRA OIS.

5. Factor (V)—Legal certainty in the event of insolvency

Section 2(h)(2)(D)(ii)(V) of the CEA requires the Commission to consider the existence of reasonable legal certainty in the event of the insolvency of the relevant DCO or one or more of its clearing members regarding the treatment of customer and swap counterparty positions, funds, and property. The Commission is issuing this clearing requirement determination based on its view that there is reasonable legal certainty regarding the treatment of customer and counterparty positions, funds, and property in connection with cleared swaps, including CAD CORRA and MXN F-TIIE OIS, in the event of the insolvency of the relevant DCO or one or more of the DCO's clearing members.

In the case of a clearing member insolvency at CME, where the clearing member is the subject of a proceeding under the U.S. Bankruptcy Code, subchapter IV of Chapter 7 of the U.S. Bankruptcy Code (11 U.S.C. 761-767) along with parts 22 and 190 of the Commission's regulations would govern the treatment of customer positions.[112] Pursuant to section 4d(f) of the CEA, 7 U.S.C. 4d(f), a clearing member accepting funds from a customer to margin a cleared swap must be a registered futures commission merchant (FCM). Pursuant to 11 U.S.C. 761-767 and part 190 of the Commission's regulations, the customer's interest rate swap positions, carried by an insolvent FCM, would be deemed "commodity contracts."[113] As a result, neither a clearing member's bankruptcy nor any order of a bankruptcy court could prevent CME from closing out/liquidating such positions. However, customers of clearing members would have priority over all other claimants with respect to customer funds that had been held by the

[112] An FCM or DCO also may be subject to resolution under Title II of the Dodd-Frank Act to the extent it would qualify as a covered financial company (as defined in section 201(a)(8) of the Dodd-Frank Act). Under Title II, different rules would apply to the resolution of an FCM or DCO. Discussion in this section relating to what might occur in the event an FCM or DCO defaults or becomes insolvent describes procedures and powers that exist in the absence of a Title II receivership.

[113] If an FCM is registered as a broker-dealer, certain issues related to its insolvency proceeding would be governed by the Securities Investor Protection Act, as well.

defaulting clearing member to margin swaps, such as the CAD CORRA and MXN F-TIIE OIS subject to this determination.[114] Thus, customer claims would have priority over proprietary claims and general creditor claims. Customer funds would be distributed to swap customers, including interest rate swap customers, in accordance with Commission regulations and section 766(h) of the Bankruptcy Code. Moreover, the Bankruptcy Code and the Commission's rules thereunder (in particular 11 U.S.C. 764(b) and 17 CFR 190.07) permit the transfer of customer positions and collateral to solvent clearing members.

Similarly, 11 U.S.C. 761-767 and part 190 would govern the bankruptcy of a DCO where the DCO is the subject of a proceeding under the U.S. Bankruptcy Code, in conjunction with DCO rules providing for the termination of outstanding contracts and/or return of remaining clearing member and customer property to clearing members.

With regard to LCH, the Commission understands that in general the default of an LCH clearing member would be governed by LCH's rules, and LCH would be permitted to close out and/or transfer positions of a defaulting clearing member. Further, under applicable law, LCH's rules governing a clearing member default would supersede insolvency laws in the clearing member's jurisdiction. For an FCM based in the United States and clearing at LCH, the applicable law, as a general matter, would be the U.S. Bankruptcy Code and part 190 of the Commission's regulations. According to LCH's regulation § 39.5(b) submissions, the insolvency of LCH itself would be governed by English insolvency law, which protects the enforceability of the default-related provisions of LCH's rulebook, including in respect of compliance with applicable provisions of the U.S. Bankruptcy Code and part 190 of the Commission's regulations. LCH has obtained, and made available to the Commission, legal opinions that support the existence of such legal certainty in relation to the protection of

[114] Claims seeking payment for the administration of customer property would share this priority.

customer and swap counterparty positions, funds, and property in the event of the insolvency of one or more of its clearing members.[115]

The individual commenter questioned whether there was sufficient explanation of U.K. insolvency proceedings' treatment of U.S. persons clearing swaps at LCH. This comment does not account for the discussion in the proposal or the fact that LCH has expanded its FCM clearing model in recent years.[116] Much of the commenter's request for additional information is available on the relevant clearinghouses' websites.

For the reasons described above, and despite the comment received, the Commission reaffirms its conclusion stated in the NPRM that reasonable legal certainty exists in the event of the insolvency of each of the relevant DCOs or one or more of their clearing members with regard to the treatment of customer and swap counterparty positions, funds, and property to modify the interest rate swap clearing requirement to include the CAD CORRA and MXN F-TIIE OIS subject to this rulemaking.

VI. Implementation Schedule

With respect to its proposal to add a clearing requirement for MXN F-TIIE OIS and additional CAD CORRA OIS, the Commission proposed adopting one compliance date for all market participants and amending regulation § 50.26 to reflect that the compliance date would be 30 days after publication of the final rule in the *Federal Register*. The Commission is finalizing this implementation date as proposed for the reasons discussed below.

As a technical amendment, because the Commission is removing CAD CDOR and MXN TIIE swaps from regulation § 50.4, it is also removing those same swaps from regulation § 50.26. The Commission is making this change to eliminate any confusion that might arise if different swaps are included in 50.4 and 50.26. The Commission also will remove these swaps from regulation § 50.26, 30 days after publication of the final rule in the *Federal Register*.

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[115] Letters of counsel on file with the Commission.

[116] *See* LCH, SwapClear, Resources, available at *https://www.lseg.com/en/post-trade/clearing/lch-services/swapclear/resources*.

CME and LCH have completed their conversion plans for all cleared CAD CDOR and MXN TIIE swaps into, respectively, CAD CORRA and MXN F-TIIE OIS. Moreover, CME and LCH no longer offer CAD CDOR or MXN TIIE interest rate swaps for clearing. CAD CDOR and MXN TIIE have ceased publication or become otherwise generally unavailable for use by market participants. As the data above supports, swap liquidity associated with these benchmarks has shifted into, respectively, CAD CDOR and MXN F-TIIE OIS. Canada and Mexico have updated their clearing requirements to reflect the transitions in benchmark interest rates for interest rate swaps denominated in their respective currencies. There has been an overwhelming amount of voluntary clearing of CAD CDOR and MXN F-TIIE OIS, reflected in the volume of the outstanding notional for these OIS.

In its comment letter, ISDA disagrees with the NPRM's proposed effective date of 30 days after publication of the Final Rule in the *Federal Register*. In ISDA's view, the proposed effective date would not support efficient implementation.[117] ISDA states that establishing a framework that enables firms to comply with the amended scope of the clearing requirement requires additional market preparations, such as adapting systems, creating and running internal trainings, issuing client communications, developing and implementing control frameworks, addressing internal governance matters, and addressing unique jurisdictional requirements.[118] ISDA also notes that, to meet a shorter deadline, ISDA members may have to adopt tactical solutions and place an unnecessary strain on resources.[119]

Additionally, the individual commenter recommended the Commission adopt a longer implementation timeline for its MXN F-TIIE OIS and modified CAD CORRA OIS clearing requirement. The commenter explains that the Commission should not treat the CAD and MXN transitions as if they are at the same stage of market maturity. In his view, the CAD CORRA IRS market is "fully established with deep liquidity, while MXN F-TIIE is still in an active

[117] ISDA Comment Letter.
[118] *Id.*
[119] *Id.*

transition period, with a waiver in place through the end of 2025 and uneven liquidity across tenors."[120] The commenter's recommendation is the Commission should establish "a separate, phased implementation schedule that grants market participants a longer compliance runway for MXN F-TIIE products, rather than imposing a uniform effective date that ignores the stark developmental delta between these two markets."[121]

The Commission is rejecting the positions advocated by both ISDA and the individual commenter. In commenting on the NPRM preceding the Third Determination, which proposed implementation of an RFR OIS clearing requirement 30 days after the date of publication of the final rule in the *Federal Register*, ISDA similarly requested a compliance date be set a minimum of 90 days after the publication of the final rule.[122] Making virtually the same points, ISDA noted that compliance with new clearing requirements requires ISDA members to adapt systems, create and run internal training, issue client communications, and develop and implement control frameworks, address internal governance matters, and address jurisdictional requirements.[123] ISDA similarly contended that, to meet a shorter deadline, ISDA members may have to adopt tactical solutions and place an unnecessary strain on their resources.[124]

Although the Commission modified the 30-day implementation period for the USD SOFR OIS clearing requirement to align with the UK's timing to implement its USD SOFR OIS clearing requirement, the Commission noted most commenters favored the Commission's proposed approach of implementing its RFR OIS clearing requirement 30 days after publication of the final rule in the *Federal Register*, and adopted that implementation date for the clearing requirement for nearly all the other RFR OIS subject to the Third Determination.[125] The

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[120] Individual Commenter Letter.
[121] *Id.*
[122] ISDA Comment Letter, June 30, 2022, available at *https://comments.cftc.gov/PublicComments/ReleasesWithComments.aspx*.
[123] *Id.*
[124] *Id.*
[125] Third Determination, 87 FR at 52190. Commenters supported this approach, variously, because: (1) the market has already gravitated toward central clearing of RFR OIS (including USD SOFR OIS) to a significant degree, 30 days would provide market participants with sufficient time to comply with the new determination, and the new

Commission is not aware that there were any problems with the 30-day implementation period with respect to those products.

As discussed above and in the NPRM, the unavailability of CAD CDOR and MXN TIIE and recommended use of CAD CORRA and MXN F-TIIE as alternative benchmarks were announced well in advance of CAD CORRA and MXN TIIE becoming unavailable. The transitions occurred with support and input from regulators, clearinghouses, market participants, and others. Both CAD and MXN OIS transitions are now effectively complete, with Canada and Mexico having updated their respective clearing requirements to reflect the transition.

The data presented in the NPRM, and supplemented here with additional months of data, indicates liquidity has already moved from CAD CDOR to CAD CORRA and from MXN TIIE to MXN F-TIIE, with high rates of clearing in both OIS. The additional three months of data provided above demonstrates activity in CAD CORRA and MXN F-TIIE OIS was largely consistent with the data in the NPRM. There is no change that would be material to the Commission's conclusion. Accordingly, the points made by the two commenters are not persuasive. In response to the individual commenter, while the CAD and MXN interest rate swap markets may once have been at different stages of their respective transitions to RFRs, this is no longer the case. Likewise, in making its case, ISDA has not provided specific fact-based details or examples of the challenges market participants would face with respect to implementing this determination with the time proposed, that would be distinguishable from challenges faced during the transition away from LIBOR. This is even more so the case given that the transition for both markets is largely complete.

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determination would not lead to a material change in operations for a majority of market participants (CCP12); (2) the proposed 30-day compliance date is appropriate because almost all USD SOFR OIS transactions were being cleared voluntarily (Citadel and the Managed Funds Association); *see also* comment letters from the Alternative Investment Management Association (suggesting the Commission should expedite its consideration of a final rule, consistent with the proposed rule, and update the clearing requirement as quickly as possible), and CME and JSCC (agreeing with the Commission's proposal to adopt a single compliance date that would be 30 days after the publication of the final rule in the *Federal Register*). *Id.* The one exception was SGD SORA, which relied on USD LIBOR as a calculation input, and the implementation date for which was tied to USD LIBOR.

The Commission believes clearinghouses and swap markets, which have had experience clearing MXN TIIE swaps subject to the Commission's existing clearing requirement, and have transitioned to use of MXN F-TIIE OIS, which are cleared at high rates, are prepared to implement the clearing requirement applicable to MXN F-TIIE OIS, and the modified clearing requirement applicable to CAD CORRA OIS, within 30 days after the date of publication of this final rule in the *Federal Register*. If the clearing requirement compliance date falls on a Saturday, Sunday, or U.S. federal public holiday, then the compliance date will be the next available business day. No compliance date will be set on a day when markets are not open in the United States.

In addition to adding MXN F-TIIE and additional CAD CORRA OIS to the clearing requirement, these amendments modify the existing clearing requirement to reflect the cessation or loss of representativeness of CAD CDOR and MXN TIIE. For purposes of this rulemaking, CAD CDOR and MXN TIIE, have ceased publication or become nonrepresentative.

As discussed above, DCOs no longer offer to clear swaps that reference these benchmarks. Throughout the transitions from IBORs to RFRs, regulators in the United States and other jurisdictions have called on market participants to transfer their swap positions from IBORs to RFRs, with corresponding liquidity shifting, and continuing to shift to the new RFR swaps. No commenter raised concerns regarding removing the requirement to clear swaps referencing CAD CDOR or MXN TIIE.

For these reasons, the Commission will implement the rules removing all interest rate swaps referencing CAD CDOR and MXN TIIE as proposed. Accordingly, the implementation date for the removal of these swaps from regulation § 50.4 shall be 30 days after publication of the final rule in the *Federal Register*. If this date falls on a Saturday, Sunday, or U.S. Federal public holiday, the date will be the next available business day when markets are open in the United States.

VII. Cost Benefit Considerations

A. Statutory and Regulatory Background

Amended regulation § 50.4(a) identifies certain swaps that are required to be cleared under section 2(h)(1)(A) of the CEA in addition to those required to be cleared by existing regulations §§ 50.2 and 50.4(a) and removes certain other swaps from the clearing requirement. The current clearing requirement amendments are designed to update the Commission's regulations considering the interest rate swap market's move away from use of CAD CDOR and MXN TIIE and toward use of, respectively, CAD CORRA and MXN F-TIIE, as benchmark interest rates. In mid-2026, most CAD CORRA and MXN F-TIIE OIS are being cleared voluntarily or subject to Canadian or Mexican law, so the amended regulation largely serves to ensure that the swap market under the Commission's jurisdiction continues to clear the CAD CORRA and MXN F-TIIE OIS subject to this clearing requirement determination. The continued central clearing of these RFR OIS may limit the counterparty risk associated with such swaps, thereby mitigating the possibility of such risks having a systemic impact, which might cause or exacerbate instability in the financial system. In addition, required clearing of MXN F-TIIE and additional CAD CORRA OIS would reflect the global effort to rely on benchmark rates that are less susceptible to manipulation.

The following discussion is a consideration of the costs and benefits of the Commission's action in this rulemaking, pursuant to the regulatory requirements discussed above.

B. Overview of Swap Clearing

1. How Clearing Reduces Risk

When a bilateral swap is cleared, the DCO becomes the counterparty to each original swap counterparty. This arrangement mitigates counterparty risk to the extent that the DCO may be a more creditworthy counterparty than the original swap counterparties and/or may be able to rely on a more extensive risk management procedure relative to individual institutions. Central clearing also can simplify the interconnectedness of market participants' swap positions because the DCO, an independent third party that takes no market risk, becomes the single, centralized entity holding the collateral for swap counterparties' exposures. The DCO also oversees any associated default and risk management processes. DCOs have demonstrated significant resilience in the face of past market stresses.[126]

The Commission anticipates that DCOs will continue to be some of the most creditworthy swap counterparties because, among other things, they are able to monitor and manage counterparty risk effectively through: (1) the collection of initial and variation margin associated with outstanding swap positions; (2) marking positions to market regularly, usually multiple times per day, and issuing margin calls when the margin in a customer's account has dropped below predetermined levels that the DCO sets; (3) adjusting the amount of margin that is required to be held against swap positions in light of changing market circumstances, such as increased volatility in the underlying product; and (4) closing out swap positions if margin calls are not met within a specified period of time.

2. The Clearing Requirement and Role of the Commission

Congress afforded the Commission the responsibility for determining which swaps are required to be cleared pursuant to section 2(h)(1)(A) of the CEA. Since 2012, there is ample evidence that the interest rate swap market has been moving toward increased use of central clearing in response to both market incentives and clearing requirements.[127] Now with the IBOR transition completed for most LIBOR rates and with most RFR OIS already being cleared, as discussed further below, it is possible that the effect of this rulemaking will be limited to ensuring that market participants continue to clear the RFR OIS that are subject to this clearing requirement determination.[128] The Commission has determined that the costs and benefits

[126] For example, DCOs clearing futures withstood financial turmoil during the Global Financial Crisis. More recently, DCOs have withstood financial market disruptions, such as the early Covid period.

[127] NPRM, 91 FR at 25831 & n.177.

[128] It is possible that some market participants might respond to the requirement that RFR OIS be cleared by decreasing their use of such swaps, particularly if the cost of clearing increases in the future relative to the cost of not clearing. Typically, it is more costly to collateralize uncleared swaps as those swaps are subject to a ten-day margin period of risk whereas cleared swaps are subject to a five-day margin period of risk. Thus, there is some uncertainty regarding how the determination will affect the quantity of swaps that are cleared.

related to the required clearing of the RFR OIS to be added under this determination are attributable, in part to (1) Congress's stated goal of reducing systemic risk by, among other things, requiring clearing of swaps; and (2) the Commission's exercise of its discretion in selecting swaps or classes of swaps to achieve those ends.

C. Consideration of the Costs and Benefits of the Commission's Action

1. CEA Section 15(a)

Section 15(a) of the CEA requires the Commission to "consider the costs and benefits" of its actions before promulgating a regulation under the CEA or issuing certain orders.[129] Section 15(a) further specifies that the costs and benefits shall be evaluated in light of five broad areas of market and public concern: (1) protection of market participants and the public; (2) efficiency, competitiveness and financial integrity; (3) price discovery; (4) sound risk management practices; and (5) other public interest considerations (collectively referred to herein as the Section 15(a) Factors). Accordingly, the Commission considers the costs and benefits associated with the clearing requirement determination in light of the Section 15(a) Factors. In the sections that follow, the Commission considers: (1) The costs and benefits of required clearing for the CAD CORRA and MXN F-TIIE OIS to be added under this determination as well as the costs and benefits of removing CAD CDOR and MXN TIIE swaps from required clearing; (2) the alternatives contemplated by the Commission and their costs and benefits; and (3) the impact of required clearing for the swaps subject to this determination and listed in amended regulation § 50.4(a) in light of the Section 15(a) Factors. The Commission quantifies costs and benefits where possible; where it is unable to do so, it discusses costs and benefits in qualified terms.

The Commission is considering these costs and benefits against a baseline of the current set of interest rates swaps subject to the clearing requirement adopted under regulation § 50.4. This determination adds specified CAD CORRA and MXN F-TIIE OIS to the clearing

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[129] 7 U.S.C. 19(a).

requirement and it removes swaps referencing CAD CDOR and MXN TIIE from the clearing requirement.

In the case of each pair of CAD- and MXN-denominated interest rate swaps, this will be a simultaneous exchange: as MXN TIIE and CAD CDOR swaps are removed from the clearing requirement, MXN F-TIIE and additional CAD CORRA OIS are added.

As explained above, almost all RFR OIS that are subject to this determination are cleared voluntarily or, otherwise, are cleared under Canadian and Mexican law today, so the percentage of such swaps that would be cleared following implementation of this rulemaking is unlikely to increase materially. The Commission's analysis below compares amendments in this rulemaking to the clearing requirement in effect today. The costs and benefits discussed below are, for the most part, already accounted for in the market through the current industry practice of high levels of CAD CORRA and MXN F-TIIE OIS clearing.

The swap market functions internationally with (i) transactions that involve U.S. firms and DCOs occurring across different international jurisdictions; (ii) some entities organized outside of the United States that are, or may become, Commission registrants or registered entities; and (iii) some entities that typically operate both within and outside the United States and that follow substantially similar business practices wherever located. Where the Commission does not specifically refer to matters of location, this discussion of costs and benefits refers to the effects of the determination on all relevant swaps activity, whether based on their actual occurrence in the United States or on their connection with activities in, or effect on, commerce of the United States, pursuant to section 2(i) of the CEA.[130]

2. Costs and Benefits of Required Clearing Under the Final Rule

[130] Pursuant to section 2(i) of the CEA, activities outside of the United States are not subject to the swap provisions of the CEA, including any rules prescribed or regulations promulgated thereunder, unless those activities either "have a direct and significant connection with activities in, or effect on, commerce of the United States"; or contravene any rule or regulation established to prevent evasion of a CEA provision enacted under the Dodd-Frank Act. 7 U.S.C. 2(i).

Market participants may incur certain costs to clear the CAD CORRA and MXN F-TIIE OIS included in this determination. For example, to the extent that there are market participants entering into CAD CORRA and MXN F-TIIE OIS that are not already clearing interest rate swaps voluntarily or pursuant to the Commission's prior clearing requirement determinations, such market participants may incur certain startup and ongoing costs related to developing technology and infrastructure, updating or creating new legal agreements, service provider fees, and collateralization of the cleared positions.[131] The costs of collateralization, on the other hand, are likely to vary depending on whether an entity is subject to capital and margin requirements for uncleared swaps,[132] and the differential between the cost of capital for the assets they use as collateral and the returns realized on those assets.

As noted above, almost all the CAD CORRA and MXN F-TIIE OIS subject to this determination are already cleared, and market participants currently clearing these RFR OIS already realize the benefits of clearing (as well as any associated costs). This determination is designed to ensure that the percentage of CAD CORRA and MXN F-TIIE OIS that are cleared remains high in the future and that these benefits continue to be realized. These benefits include reduced and standardized counterparty credit risk, increased transparency, and more streamlined swap market access for market participants who are required to clear. Together, these benefits contribute significantly to the stability and efficiency of the financial system, but they are difficult to quantify with any degree of precision.

[131] These per-entity costs would vary widely depending on the needs of such market participants. Costs likely would be lower for market participants who already clear interest rate swaps covered by the Commission's prior clearing requirement determinations. The opposite would be true for market participants that start clearing because of the determination. However, given the high rates of voluntary clearing, there are likely to be few, if any, new participants. In addition, these market participants may have otherwise incurred costs associated with margining their uncleared swaps with bilateral counterparties, as well as incurring other costs associated with bilateral uncleared swaps, such as startup or ongoing costs related to developing technology and infrastructure, and updating or creating new legal agreements related to their uncleared swap positions. Moreover, operational costs for these market participants would increase based on the number of different counterparties with whom they enter into uncleared swaps.

[132] The Commission's capital and margin requirements for uncleared swaps are codified in subpart E of part 23 of the Commission's regulations.

There may be a benefit to removing certain swaps from required clearing, such as fewer costs to market participants who no longer have to submit such swaps to clearinghouses. In this instance, however, the reason the Commission is removing swaps referencing CAD CDOR and MXN TIIE from the clearing requirement is because they are no longer offered for clearing. CAD CDOR is no longer available for use in swaps by market participants, and MXN TIIE is generally unavailable as well. Swaps that reference these benchmarks are no longer actively traded, and liquidity has moved to swaps benchmarked to corresponding RFRs now accepted for clearing. Therefore, removing these swaps from the clearing requirement will not impose additional costs on market participants and will result in the, admittedly somewhat minor, benefit of market and regulatory certainty. There may be no meaningful benefit to market participants from this removal because they generally cannot clear these swaps today. However, there may be benefits associated with the effort to reach broad consensus around the transition away from CAD CDOR and MXN TIIE, as has occurred with respect to LIBOR; specifically, providing certainty and at least medium-term finality with respect to the transition to more robust and transaction-based benchmark interest rates by amending the Commission's interest rate swap clearing requirement to reflect current market realities.

Any potential costs associated with this determination are limited because each new RFR OIS that is required to be cleared is already widely cleared and stands in the place of an IBOR swap that is already subject to required clearing and is being removed from required clearing under this rulemaking.

Liquidity tied to CAD CDOR and MXN TIIE has shifted into, respectively, CAD CORRA and MXN F-TIIE.[133] That shift occurred as a result of numerous market events, including DCO conversions, the unavailability of CAD CDOR and MXN TIIE, the operation of contractual fallbacks, and new use of CAD CORRA and MXN F-TIIE in parallel with declining liquidity in CAD CDOR and MXN TIIE swaps. In general, the CAD CORRA and MXN F-TIIE

[133] *See* Tables 1-2 above.

OIS subject to this determination are already widely cleared so that the costs associated with clearing these swaps are already being incurred.[134] In the NPRM, the Commission stated that the additional cost of compliance for market participants would be *de minimis* and invited comment on all aspects of the costs and benefits associated with this rulemaking, including the extent to which such costs are already being incurred.

No commenter provided specific information related to increased costs. The individual commenter alluded to cost increases generally but did not provide any examples for consideration.

a. Technology, Infrastructure, and Legal Costs

Market participants already clearing swaps may incur costs to make necessary changes to technology systems if they are not yet clearing CAD CORRA or MXN F-TIIE OIS (or, more generally, if they are not yet actively clearing interest rate swaps). Such market participants may incur costs if they need to implement technology to connect to FCMs that will clear their transactions.[135] Market participants who do not currently have established clearing relationships with an FCM will have to set up and maintain such a relationship to clear swaps that are required to be cleared. Market participants who transact a limited number of swaps per year likely will be required to pay monthly or annual fees that FCMs charge to maintain both the relationship and outstanding swap positions belonging to the customer. In addition, the FCM is likely to pass along fees charged by the DCO for establishing and maintaining open positions.

As a general matter, it is likely that most market participants already complied with prior clearing requirements and that the incremental burdens associated with clearing MXN F-TIIE or additional CAD CORRA OIS will be minimal, especially given that these products are intended to replace already widely cleared swaps, and most market participants already will have

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[134] *See* section V.C.1 above.

[135] As stated in the NPRM, the Commission does not have the information necessary to determine either the costs associated with entities that need to establish relationships with one or more FCMs or the costs associated with entities that already have relationships with one or more FCMs but need to revise their agreements. The Commission requested commenters provide the necessary data where available. No commenter provided data in response to this request.

undertaken the steps necessary to move away from the use of IBOR swaps in the cleared interest rate swap market. Any new costs, including legal costs, are likely to depend on the specific business needs of each entity and therefore would vary widely among market participants.

As discussed above, the Commission is aware that costs related to establishing new relationships with FCMs, or significantly upgrading those relationships based on the inclusion of these new products in the clearing requirement may be an issue. However, the Commission has never been provided with any factual basis for supporting such a conclusion.

In the NPRM, the Commission estimated the range of costs for smaller financial institutions to review and negotiate legal agreements to establish a new business relationship with an FCM to be between \$3,433 and \$34,325. With respect to this determination, the Commission is providing inflation-adjusted values relative to the its 2012 estimates.[136]

In proposing and adopting the First Determination, the Commission noted that it had been estimated that it would cost smaller financial institutions between \$2,500 and \$25,000 to review and negotiate legal agreements to establish a new business relationship with an FCM.[137] The Commission based those estimates on comment letters from Chatham Financial and Webster Bank, submitted to the Commission in 2012 in response to the Commission's request for comment concerning the cost benefit analysis regarding a potential clearing exception for certain small financial institutions under the end-user exception.[138] The Commission also discussed these estimates in proposing and adopting the Second Determination.[139] With respect to the First

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[136] These estimates are derived by multiplying the 2012 estimates by 1.373 to account for the 37.3% change in the Consumer Price Index for Urban Wage Earners and Clerical Workers between May 2012 (when Chatham Financial and Webster Bank submitted the referenced comment letters) and January 2025 (226.600 to 311.172) and rounding to the nearest whole number. BLS, CPI for Urban Wage Earners and Clerical Workers (CPI-W), U.S. City Average, All Items – CWUR0000SA0, available at *https://www.bls.gov/data/#prices*.

[137] Clearing Requirement Determination Under Section 2(h) of the CEA, 77 FR 47170, 47211 (Aug. 7, 2012) (First Determination Proposal); First Determination, 77 FR at 74324.

[138] The comment letter from Chatham Financial is available at *http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=58077* and the comment letter from Webster Bank is available at *http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=58076*.

[139] Clearing Requirement Determination Under Section 2(h) of the CEA for Interest Rate Swaps, 81 FR 39506, 39529 n.118 (June 16, 2016) (Second Determination Proposal); Second Determination, 81 FR 71232 n.184.

Determination and the Second Determination, the Commission sought but did not receive new information from commenters regarding the costs of establishing a clearing relationship.[140]

In adopting the First Determination, the Commission noted that commenters did not provide data that would enable the Commission to determine to what degree its estimates would apply to larger entities establishing a relationship with an FCM or to determine costs associated with entities that already have established relationships with one or more FCMs but need to revise those agreements.[141] The Commission further noted that, even accepting the data provided for smaller financial institutions, the Commission lacked sufficient data to calculate a reasonable estimate of the potential costs that are likely to depend significantly on the specific business needs of each entity and therefore are expected to vary widely among market participants.[142] Additionally, with respect to the inflation-adjusted estimates above, the Commission notes that increases in the costs to establish a new business relationship with an FCM may not track inflation directly. Because the Commission does not have current information regarding the costs associated with entities that need to establish relationships with one or more FCMs and the costs associated with entities that already have relationships with one or more FCMs but need to revise their agreements, the Commission sought comment, including quantitative information, regarding such costs.

b. Ongoing Costs Related to FCMs and Other Service Providers

In addition to costs associated with technological and legal infrastructures, market participants transacting in the CAD CORRA and MXN F-TIIE OIS subject to the determination face ongoing costs associated with fees charged by FCMs. DCOs typically charge FCMs an initial transaction fee for each cleared interest rate swap its customers enter, as well as an annual maintenance fee for each open position. The Commission understands that customers that occasionally transact in swaps are typically required to pay a monthly or annual fee to each

[140] First Determination, 77 FR at 74324; Second Determination, 81 FR 71232 n.184.
[141] First Determination, 77 FR at 74324.
[142] *Id.*

FCM.[143] Because most CAD CORRA and MXN F-TIIE OIS are already cleared these costs are largely already being incurred by market participants.

In the NPRM, the Commission estimated the range of costs for monthly or annual fees paid to each FCM by FCM customers that transact in swaps only occasionally to be between $102,975 and $171,625. In proposing and adopting the First Determination, the Commission noted that it had been estimated that FCM customers that transact in swaps only occasionally are typically required to pay a monthly or annual fee to each FCM that ranges from $75,000 to $125,000 per year.[144] These estimates are based on the comment letters, discussed above, from Chatham Financial and Webster Bank.[145] The Commission also discussed these estimates in proposing and adopting the Second Determination.[146] With respect to the First Determination and the Second Determination, the Commission sought but did not receive new information from commenters regarding these clearing fees.[147] With respect to this proposed determination, the Commission has adjusted its 2012 estimates for inflation.[148]

In adopting the First Determination, the Commission noted that while it expected that some market participants that previously did not use clearing would be subject to the requirements of the First Determination, it is difficult to predict precisely how many FCM customers would be subject to such fees based on the clearing requirement adopted in the First Determination.[149] Furthermore, as noted above, with respect to the inflation-adjusted estimates

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[143] As stated in the NPRM, the Commission does not have current information regarding such fees and requested that commenters provide the necessary data where available. No commenter provided such data. The Commission provided inflation-adjusted cost estimates in its discussion of Factor IV.

[144] First Determination Proposal, 77 FR at 47212; First Determination, 77 FR at 74325.

[145] The comment letter from Chatham Financial is available at *http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=58077* and the comment letter from Webster Bank is available at *http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=58076*.

[146] Second Determination Proposal, 81 FR at 39529 n.119; Second Determination, 81 FR 71233 n.189.

[147] First Determination, 77 FR at 74325; Second Determination, 81 FR 71233 n.189.

[148] These estimates are derived by multiplying the 2012 estimates by 1.373 to account for the 37.3% change in the Consumer Price Index for Urban Wage Earners and Clerical Workers between May 2012 (when Chatham Financial and Webster Bank submitted the referenced comment letters) and January 2025 (226.600 to 311.172) and rounding to the nearest whole number. BLS, CPI for Urban Wage Earners and Clerical Workers (CPI-W), U.S. City Average, All Items – CWUR0000SA0, available at *https://www.bls.gov/data/#prices*.

[149] First Determination, 77 FR at 74325.

included in the NPRM, the Commission noted that increases in the costs related to occasional swap transactions may not track inflation directly.

No commenter provided current information regarding fees paid to FCMs in relation to occasional swap transactions. It is difficult to predict precisely how the requirement to clear MXN F-TIIE and additional CAD CORRA OIS will promote the use of swap clearing, as compared to the use of clearing that would occur in the absence of the requirement. However, as presented by the data above, voluntary clearing rates are so high that the percentage of swaps that would be cleared pursuant to the rule is unlikely to increase materially. Some CAD CORRA and MXN F-TIIE OIS will continue to be uncleared pursuant the exceptions and exemptions set out in subpart C of part 50 of the Commission's regulations.[150]

Any increase in the use of clearing due to this determination would lead in most cases to an incremental increase in the transaction costs noted above. However, because most market participants have already undertaken the steps necessary to accommodate the clearing of swaps subject to required clearing, the Commission anticipates that the burden associated with clearing the CAD CORRA and MXN F-TIIE OIS subject to this determination should be minimal.

c. Costs Related to Collateralization of Cleared Swap Positions

Market participants that enter the CAD CORRA and MXN F-TIIE OIS subject to the amended rule will be required to post initial margin at a DCO. The CAD CORRA and MXN F-TIIE OIS subject to this clearing requirement determination are already being widely cleared, and so any additional amounts of initial margin that market participants would be required to post to a DCO as a result of this determination likely would be relatively small. In reaching this view, the Commission considered situations where (1) uncleared CAD CORRA or MXN F-TIIE OIS may be otherwise collateralized;[151] (2) uncleared CAD CORRA or MXN F-TIIE OIS

[150] Subpart C of part 50 contains four principal exceptions and exemptions from the swap clearing requirement, available to certain non-financial end-users, cooperatives, affiliated entities, and banks, savings associations, farm credit system institutions, and credit unions. Commission regulation 50.50 – 50.53, 17 CFR 50.50 – 50.53.
[151] *E.g.*, under the terms of a credit support annex.

between certain swap dealers and "financial end-users" are, or will be, subject to initial and variation margin requirements under the Commission's margin regulations for uncleared swaps;[152] (3) the pricing of certain uncleared swaps may account for implicit contingent liabilities and counterparty risk; (4) not all CAD CORRA and MXN F-TIIE OIS will necessarily be eligible for clearing if they have terms that prevent them from being cleared;[153] and (5) certain entities may elect an exception or exemption from the clearing requirement.[154]

Market participants that are not clearing voluntarily and not otherwise required to post margin or collateral may incur costs related to funding collateral once they are required to clear. The greater the funding cost relative to the rate of return on the asset used as initial margin, the greater the cost of procuring collateral.[155] Quantifying this cost with any precision is challenging because different entities may have different funding costs and may choose assets with different rates of return.

As explained in prior clearing requirement determinations, the CEA directs the Commission to consider whether swaps should be required to be cleared. In 2012 and 2016, the Commission issued rules requiring the clearing of certain interest rate swaps. Additionally, in issuing its 2016 clearing requirement determination, the Commission noted specific benefits offered by central clearing over bilateral margining in terms of mitigation of systemic risk for swaps that are sufficiently standardized and meet the Commission's suitability requirements, including applicability to a wider set of counterparties and the security offered by a DCO's guaranty fund and other resources.[156] In this rulemaking, as in the Commission's Third

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[152] Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants, 81 FR 636 (Jan. 6, 2016); Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants, 85 FR 71246 (Nov. 9, 2020). Swap dealers that are banks are subject to capital and margin rules promulgated by U.S. prudential authorities.
[153] For example, if such swaps do not meet the specifications set forth in revised regulation § 50.4(a).
[154] *See* subpart C of part 50 (Exceptions and Exemptions to the Clearing Requirement).
[155] Certain entities, such as pension funds and asset managers, may use as initial margin assets that they already own. In such cases, market participants would not incur funding costs to post initial margin.
[156] *See* Second Determination, 81 FR at 71219.

Determination, the Commission is updating its 2012 and 2016 rules to account for changes in benchmark interest rates.[157]

Further, any new initial margin amounts required to be posted to DCOs for cleared CAD CORRA and MXN F-TIIE OIS will, for entities required to post initial margin under the uncleared swap margin regulations, replace the initial margin amount that has been, or will be, required to be posted to their swap counterparties, pursuant to the uncleared swap margin regulations. The uncleared swap margin regulations require swap dealers and certain "financial end-users" to post and collect initial and variation margin for uncleared swaps, subject to various conditions and limitations.[158]

The Commission anticipates that the initial margin that would be required to be posted for a cleared swap to be added under this determination typically will be less than the initial margin that would be required to be posted for uncleared swaps pursuant to the uncleared swap margin regulations. Whereas the initial margin requirement for cleared swaps must be established according to a margin period of risk of at least five days,[159] under the uncleared swap margin regulations, the minimum initial margin requirement is set with a margin period of risk of 10 days or, under certain circumstances, less or no initial margin for inter-affiliate transactions.[160]

With respect to swaps added to the clearing requirement under this determination, but not subject to the uncleared swap margin regulations, the Commission believes that the new initial margin amounts to be deposited will displace costs that are currently embedded in the prices and

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[157] In the NPRM, the Commission also requested comment on funding costs that market participants may face due to interest rates on bonds issued by a sovereign nation that also issues the currency in which the RFR OIS subject to the proposed determination is denominated. By way of background, CME and LCH accept as initial margin bonds issued by several sovereigns, and market participants may post such bonds as initial margin. No commenter addressed this issue.

[158] *See generally* subpart E of part 23 of the Commission's regulations. The swap clearing requirement under part 50 of the Commission's regulations applies to a broader scope of market participants than the uncleared swap margin regulations. For example, under subpart E of part 23, a "financial end-user" that does not have "material swaps exposure" (as defined by regulation § 23.151) is not required to post initial margin, but such an entity may be subject to the swap clearing requirement. 17 CFR 23.151.

[159] Commission regulation § 39.13(g)(2)(ii)(c), 17 CFR 39.13(g)(2)(ii)(c).

[160] Commission regulations §§ 23.154(b)(2)(i) and 23.159. *See generally* Margin and Capital Requirements for Covered Swap Entities, 80 FR 74840 (Nov. 30, 2015).

fees for transacting the swaps on an uncleared and uncollateralized basis, rather than add a new cost. Entering a swap is costly for any market participant because of the default risk posed by its counterparty. When a market participant faces a DCO, the DCO accounts for that counterparty credit risk by requiring the market participant to post collateral, and the cost of capital for the collateral is part of the cost that is necessary to maintain the swap position.

When a market participant faces a swap dealer or other counterparty in an uncleared swap, however, the uncleared swap contains an implicit line of credit upon which the market participant effectively draws when its swap position is out of the money. Typically, counterparties charge for this implicit line of credit in the spread they offer on uncollateralized, uncleared swaps.[161] Additionally, because the counterparty credit risk that the implicit line of credit creates is the same as the counterparty risk that would result from an explicit line of credit provided to the same market participant, to a first order approximation, the charge for each should be the same as well.[162] This means that the cost of capital for additional collateral posted as a consequence of requiring uncollateralized swaps to be cleared takes a cost that is implicit in an uncleared, uncollateralized swap and makes it explicit.[163] This observation applies to capital costs associated with both initial margin and variation margin.

The amended rule also may result in added operational costs for those few market participants who are not already clearing these swaps voluntarily. With uncleared swaps, under some circumstances, counterparties may agree not to collect variation margin until certain thresholds are reached, thereby reducing or eliminating the need to exchange daily variation

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[161] It has been argued that the cash flows of an uncollateralized swap (*i.e.*, a swap with an implicit line of credit) are over time substantially equivalent to the cash flows of a collateralized swap with an explicit line of credit. *See generally* Antonio S. Mello & John E. Parsons, Margins, Liquidity, and the Cost of Hedging, MIT Center for Energy and Environmental Policy Research, May 2012, available at *http://dspace.mit.edu/bitstream/handle/1721.1/70896/2012-005.pdf?sequence=1*.

[162] *Id.* Mello and Parsons state, "[h]edging is costly. But the real source of the cost is not the margin posted, but the underlying credit risk that motivates counterparties to demand that margin be posted." *Id.* at 12. They also note that, "[t]o a first approximation, the cost charged for the non-margined swap must be equal to the cost of funding the margin account. This follows from the fact that the non-margined swap just includes funding of the margin account as an embedded feature of the package." *Id.* at 15-16.

[163] But note that the cost may be greater for uncleared swaps as the initial margin is computed on a counterparty by counterparty basis, whereas in the clearing context, there is most likely greater opportunity for netting exposures at the DCO.

margin.[164] By contrast, DCOs collect and pay variation margin daily and sometimes more frequently. Increased required clearing therefore may increase certain operational costs associated with paying variation margin to the DCO.[165]

The amended rule may result in slight additional costs for clearing members in the form of guaranty fund contributions that are held by the DCO. However, it also could decrease guaranty fund contributions for certain clearing members, such as in certain cases where additional cleared swaps offset those that are already cleared. In addition, once the determination takes effect, there may be market participants who currently trade swaps bilaterally who would have to either become clearing members of a DCO or submit such swaps for clearing through an existing clearing member. A market participant who becomes a direct clearing member must make a guaranty fund contribution, while a market participant who clears its swaps through a clearing member may pay higher fees if the clearing member passes the costs of the guaranty fund contribution to its customers. While the addition of new clearing members and new customers for existing clearing members may result in an increase in guaranty fund requirements, it should be noted that if (1) new clearing members are not among the two clearing members used to calculate the guaranty fund and (2) any new customers trading through a clearing member do not increase the size of uncollateralized risks at either of the two clearing members used to calculate the guaranty fund, all else held constant, existing clearing members may experience a decrease in their guaranty fund requirement.

As discussed above, the individual commenter noted certain issues related to the cost and the effects of required clearing on financial institutions and the costs and benefits associated with collateralization of uncleared versus cleared swaps. Notably, that commenter did not provide details or supply quantifiable data and analysis regarding these subjects.

d. Benefits of Clearing

[164] However, part 23 regulations require the mandatory exchange of variation margin under certain circumstances. 17 CFR 23.151 and 23.153.

[165] However, exchange of variation margin will lower the build-up of current exposure.

As noted above, there are significant benefits to the central clearing of swaps. These benefits include reducing and standardizing counterparty credit risk, improving market transparency, and promoting access to clearing services. Specifically, there are important risk mitigation benefits of clearing RFR OIS that replace IBOR swaps (which in the case of CAD CDOR and MXN TIIE fixed-to-floating swaps will be removed from the clearing requirement under this determination). In addition, requiring the central clearing of RFR OIS promotes regulatory continuity and cross-border harmonization of clearing requirements.

The Commission believes that while the requirement to margin uncleared swaps mitigates counterparty credit risk, such risk is mitigated further for swaps that are cleared through a central counterparty. Moreover, the determination applies to a larger set of market participants than the uncleared swaps margin requirements. Thus, to the extent that the determination to add certain CAD CORRA and MXN F-TIIE OIS to the clearing requirement leads to increased clearing overall, these benefits are likely to result. As is the case for the costs noted above, it is likely that the use of clearing will not increase materially because of the amended rule, but implementing a clearing requirement helps ensure the benefits of the rule continue to be realized as market participants continue to clear CAD CORRA and MXN F-TIIE OIS.

The amended rule's requirement that certain swaps be cleared is intended to ensure that market participants face a DCO, and therefore, face a highly creditworthy counterparty. As discussed above, DCOs are some of the most creditworthy counterparties in the swap market because of the risk management tools they have available. The beneficial value of adding MXN F-TIIE and additional CAD CORRA OIS to the clearing requirement may be lessened, in part, because the swap volumes that will be subject to a new clearing requirement are expected to be shifting from one set of swaps to another rather than a straightforward addition of new swap products to the clearing requirement.[166] Moreover, as noted, these benefits are already being realized for the large majority of these swaps that are cleared voluntarily.

Lastly, regarding the benefits of clearing, the current high rates of voluntary clearing for the CAD CORRA and MXN F-TIIE OIS subject to this rulemaking reflect the high value that market participants place on central clearing. Amending the interest rate swap clearing requirement to remove MXN TIIE and CAD CDOR swaps and add MXN F-TIIE and additional CAD CORRA OIS will ensure the continuation of these benefits, including by shifting market activity into RFR OIS markets and away from IBOR swap markets.

No commenter expressed a view on the benefits offered by required central clearing of the swaps subject to this rulemaking.

D. Costs and Benefits of the Amendments as Compared to Alternatives

The final rule accounts for the market importance of CAD CORRA and MXN F-TIIE OIS and the fact that these swaps already are widely cleared. These interest rate swaps should be required to be cleared because they are widely cleared, subject to existing clearing requirements in Canada and Mexico, and the infrastructure for clearing and risk management of these swaps already exists.

Considering the Commission's prior clearing requirement determinations, and the widespread use of clearing for the CAD CORRA and MXN F-TIIE OIS to be added under this determination, DCOs, FCMs, and market participants already have experience clearing these swaps. MXN F-TIIE and additional CAD CORRA OIS should be added to the swap clearing requirement after analyzing the factors under section 2(h)(2)(D) of the CEA, in order to promote consistency with its regulatory counterparts in other jurisdictions and to ensure that the benefits of required clearing accrue to the CAD CORRA and MXN F-TIIE OIS that replace CAD CDOR and MXN TIIE swaps no longer offered for clearing.

[166] As discussed in section IV above.

The Commission considered alternative implementation scenarios for the CAD CORRA and MXN F-TIIE OIS clearing requirement that it proposed. For instance, the Commission might have required that a broader set of MXN F-TIIE OIS be required to be cleared. CME offers clearing on these OIS with a tenor out to 30 years. However, LCH offers clearing on MXN F-TIIE OIS only out to 21 years. In order to ensure that market participants have the option of clearing their OIS at one of two DCOs and not incur any competitive costs associated with having to use one specific DCO, the clearing requirement is limited to MXN F-TIIE OIS with tenors of 21 years or less.

The Commission also considered an alternative scenario in which it did not adopt any new clearing requirement for CAD CORRA or MXN F-TIIE OIS. Under this alternative, the cost to the market would be an increased risk of uncleared swaps (and the associated financial stability risks) should market participants decide to clear less in the future. This cost may be measurable because of the potential effect on the market-wide effort to replace IBOR swaps, including in cleared swap markets, with RFR swaps. On the other hand, any such effect would be mitigated given the current high level of clearing. The benefit of not adopting any new clearing requirements would be savings experienced by market participants that would not be required to clear new CAD CDOR or MXN F-TIIE OIS and that would not otherwise find it beneficial to do so. However, given the high rate of voluntary clearing, any cost savings in the aggregate would be *de minimis*. It is likely that many, if not most, market participants entering the CAD CORRA and MXN F-TIIE OIS subject to this determination already find it beneficial to clear such swaps. Considering this, and in the absence of significant change in the interest rate swap markets, the Commission decided not to pursue this alternative.

E. Section 15(a) Factors

The Commission anticipates that the amendments to add certain swaps to the clearing requirement while removing others will result in a slight increase in the already high use of clearing, although it is impossible to quantify with certainty the extent of that increase.[167] This section discusses the expected results from an overall increase, or maintenance at high levels, in swap clearing based on factors set forth in section 15(a) of the CEA.

1. Protection of Market Participants and the Public

The required clearing of the CAD CORRA and MXN F-TIIE OIS added under this rulemaking should ensure the reduction of counterparty risk for market participants that clear those swaps, because they will be required to face the DCO rather than another market participant that lacks the full set of risk management tools that the DCO possesses. This also should reduce uncertainty in times of market stress because, for cleared trades, market participants facing a DCO would not be concerned with the impact of such stress on the solvency of their original counterparty. By requiring clearing of MXN F-TIIE and additional CAD CORRA OIS, which are already available for clearing and predominantly cleared voluntarily, the Commission aims to modify its interest rate swap clearing requirement to reflect the market transitions from CAD CDOR to CAD CORRA and from MXN TIIE to MXN F-TIIE. CME and LCH will clear a slightly increased volume of swaps they already understand and have experience managing. Similarly, FCMs may realize slightly increased customer and transaction volume because of the requirement but would not have to simultaneously learn how to operationalize clearing for the covered interest rate swaps.

In addition, uncleared swaps subject to collateral agreements can be the subject of valuation disputes, which sometimes require several months or longer to resolve. Potential future exposures can grow significantly and even beyond the amount of initial margin posted during that time, leaving one of the two counterparties exposed to counterparty credit risk. DCOs virtually eliminate valuation disputes for cleared swaps, as well as the risk that uncollateralized exposure can develop and accumulate during the time when such a dispute

[167] It is possible that the level of clearing overall may remain similar if the use of swaps referencing RFRs replaces the use of swaps referencing IBORs.

would have otherwise occurred, thus providing additional protection to market participants who transact in swaps that are cleared. Because most CAD CORRA and MXN F-TIIE OIS are cleared voluntarily, these protections are currently being widely realized by market participants. Requiring clearing under part 50 of the Commission's regulations ensures that they continue to be realized.

As noted above, while required clearing of MXN F-TIIE and additional CAD CORRA OIS may result in certain costs for market participants (*e.g.*, costs related to establishing and maintaining relationships with FCMs), the incremental burdens associated with clearing these OIS should be *de minimis* because most market participants already will have had experience complying with prior clearing requirements. The determination effectively replaces swaps already subject to the clearing requirement with corresponding RFR OIS, and there is existing widespread voluntary clearing of those RFR OIS.

2. Efficiency, Competitiveness, and Financial Integrity of Swap Markets

Swap clearing, in general, reduces uncertainty regarding counterparty risk in times of market stress and promotes liquidity and efficiency during those times. Increased liquidity promotes the ability of market participants to limit losses by exiting positions effectively and efficiently, when necessary, to manage risk during a time of market stress. In addition, to the extent that positions move from facing multiple counterparties in the bilateral market to being cleared through a smaller number of clearinghouses, clearing facilitates increased netting. This reduces the amount of collateral that a party must post in margin accounts. While central clearing concentrates risk, DCOs manage that risk through margining, default management processes, stress testing, and other tools, and have remained resilient during stressed periods. As discussed above, in formulating this determination, the Commission considered a number of factors that relate to the financial integrity of the swap markets. Specifically, the Commission assessed whether CME and LCH have the rule framework, capacity, operational expertise and resources, and credit support infrastructure to clear these swaps on terms that are consistent with the material terms and trading conventions on which the contract is then traded.[168] The Commission also considered the resources of DCOs to handle additional clearing during stressed and non-stressed market conditions, as well as the existence of reasonable legal certainty in the event of a clearing member or DCO insolvency.

Also, as discussed above, bilateral swaps create counterparty risk that may lead market participants to discriminate among potential counterparties based on their creditworthiness. Such discrimination is expensive and time consuming insofar as market participants must conduct due diligence to evaluate a potential counterparty's creditworthiness. Requiring certain types of swaps to be cleared reduces the number of transactions for which such due diligence is necessary, thereby contributing to the efficiency of the swap markets.

In adopting a clearing requirement for MXN TIIE OIS, and in modifying the clearing requirement for CAD CORRA OIS, the Commission must consider the effect on competition, including appropriate fees and charges applied to clearing. There are several potential outcomes that may result from required clearing. Some of these outcomes may impose costs, such as if a DCO possessed market power and exercised that power in an anti-competitive manner, and some of the outcomes would be positive, such as if the clearing requirement facilitated a stronger entry opportunity for competitors.[169] Because most of these swaps are cleared voluntarily, these effects on efficiency, competitiveness, and financial integrity are, to a large degree, currently being realized. Requiring clearing ensures that they continue to be realized.

3. Price Discovery

Clearing, in general, encourages better price discovery because it eliminates the importance of counterparty creditworthiness in pricing swaps cleared through a given DCO. By making the counterparty creditworthiness of all swaps of a certain type essentially the same, prices should reflect factors related to the terms of the swap, rather than the idiosyncratic risk

[168] *See* section V above.
[169] Issues related to competition also are considered in sections V and VIII.

posed by the entities trading it. Because most of these swaps are cleared voluntarily, these effects on price discovery are currently being realized. Requiring clearing ensures that they continue to be realized.

As discussed above, CME and LCH obtain adequate pricing data for the interest rate swaps that they clear. These DCOs establish rule frameworks for their pricing methodologies and rigorously test their pricing models to ensure their respective risk management regimes are as sound as possible.

4. Sound Risk Management Practices

If a firm enters uncleared and uncollateralized swaps to hedge certain positions and then the swaps counterparty defaults unexpectedly, the firm could be left with large outstanding exposures. Even for uncleared swaps that are subject to the Commission's uncleared swap margin regulations, some counterparty credit risk remains.[170] As stated above, when a swap is cleared the DCO becomes the counterparty facing each of the two original participants in the swap. This standardizes and reduces counterparty risk for each of the two original participants. To the extent that a market participant's hedges comprise swaps that are required to be cleared and would not be cleared voluntarily, the requirement enhances their risk management practices by reducing their counterparty risk.

In addition, to the extent that required clearing reduces or deters a potential increase in bilateral trading, it reduces the complexity of unwinding or transferring swap positions from large entities that default. Procedures for transfer of swap positions and mutualization of losses among DCO members are already in place, and the Commission anticipates that they are much more likely to function in a manner that enables rapid transfer of defaulted positions than legal processes that would surround the enforcement of bilateral contracts for uncleared swaps.[171]

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[170] For example, there is a small risk of a sudden price move so large that a counterparty would be unable to post sufficient variation margin to cover the loss, which may exceed the amount of initial margin posted, and could be forced into default.

[171] Sound risk management practices are critical for all DCOs, especially those offering clearing for interest rate swaps given the size and interconnectedness of the global interest rate swap market. The Commission considered

Central clearing has evolved since the 2009 G20 Pittsburgh Summit, when G20 leaders committed to central clearing of all standardized swaps.[172] The percentage of the swap market that is centrally cleared has increased significantly, clearinghouses have expanded their offerings, and the range of banks and other financial institutions that submit swaps to clearinghouses has broadened. At the same time, the numbers of swap clearinghouses and swap clearing members has remained highly concentrated. This has created concerns about a concentration of credit and liquidity risk at clearinghouses that could have systemic implications.[173]

However, the Commission believes that DCOs are capable of risk managing the swaps that are the subject of this determination. Moreover, because most of the CAD CORRA and MXN F-TIIE OIS to be added to the clearing requirement are already cleared, the Commission anticipates that the extent to which this determination will increase the credit risk and liquidity risk that is concentrated at DCOs will be relatively small.

5. Other Public Interest Considerations

In September 2009, the G20 nations met in Pittsburgh and committed to a program of action that includes, among other things, central clearing of all standardized swaps.[174] The Commission believes that this clearing requirement determination is consistent with the G20's commitment and reflects the Commission's ongoing confidence in central clearing for swaps and

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whether each regulation § 39.5(b) submission under review was consistent with the DCO core principles. In particular, the Commission considered the DCO submissions under Core Principle D, which relates to risk management. This determination also considers the effect on the mitigation of systemic risk in the interest rate swap market, as well as the protection of market participants during insolvency events at either the clearing member or DCO level.

[172] The G20 Leaders Statement made in Pittsburgh is available at *http://www.g20.utoronto.ca/2009/2009communique0925.html*.

[173] *See* Dietrich Domanski, et al., "Central clearing: Trends and current issues," BIS Quarterly Review, Dec. 2015, available at *https://www.bis.org/publ/qtrpdf/r_qt1512g.pdf*; U.S. Department of the Treasury, Office of Financial Research, Financial Stability Report, at 35 (Nov. 2018), available at *https://www.federalreserve.gov/publications/files/financial-stability-report-201811.pdf*; Umar Faruqui, et al., "Clearing risks in OTC derivatives markets: the CCP-bank nexus," at 77-79 (2018), available at *https://www.bis.org/publ/qtrpdf/r_qt1812h.pdf*.

[174] The G20 Leaders Statement made in Pittsburgh is available at *http://www.g20.utoronto.ca/2009/2009communique0925.html*.

other derivatives. As discussed throughout this rulemaking, central clearing of derivatives by DCOs can serve the public interest in numerous ways.

VIII. Related Matters

A. Regulatory Flexibility Act

The Regulatory Flexibility Act (RFA) requires agencies to consider whether their rules have a significant economic impact on a substantial number of small entities and, if so, provide a regulatory flexibility analysis with respect to such impact.[175] This determination will not affect any small entities, as the RFA uses that term. Only eligible contract participants (ECPs) may enter into swaps, unless the swap is listed on a designated contract market (DCM),[176] and the Commission has determined that ECPs are not small entities for purposes of the RFA.[177] This determination affects only ECPs because all persons that are not ECPs are required to execute their swaps on a DCM, and all contracts executed on a DCM must be cleared by a DCO, as required by statute and regulation, not the operation of any clearing requirement determination. Therefore, the Chairman, on behalf of the Commission, hereby certifies pursuant to 5 U.S.C. 605(b) that this rulemaking will not have a significant economic impact on a substantial number of small entities.

B. Paperwork Reduction Act

The Paperwork Reduction Act (PRA)[178] imposes certain requirements on Federal agencies, including the Commission, in connection with conducting or sponsoring any collection of information as defined by the PRA. The Commission may not conduct or sponsor, and a respondent is not required to respond to, a request for collection of information unless the information collection request displays a currently valid control number issued by the Office of Management and Budget. This rulemaking does not contain a "collection of information," as

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[175] 5 U.S.C. 601 *et seq*.
[176] Section 2(e) of the CEA, 7 U.S.C. 2(e).
[177] Opting Out of Segregation, 66 FR 20740, 20743 (Apr. 25, 2001).
[178] 44 U.S.C. 3507(d).

defined in the PRA. Accordingly, the requirements imposed by the PRA are not applicable to this rule.

C. Antitrust Laws

Section 15(b) of the CEA requires the Commission to take into consideration the public interest to be protected by the antitrust laws and endeavor to take the least anti-competitive means of achieving the objectives of the CEA, as well as the policies and purposes of the CEA, in issuing any order or adopting any Commission rule or regulation (including any exemption under section 4(c) or 4c(b)), or in requiring or approving any bylaw, rule, or regulation of a contract market or registered futures association established pursuant to section 17 of the CEA.[179] The Commission believes that the public interest to be protected by the antitrust laws is generally to protect competition. The Commission did not identify any anti-competitive effects in the NPRM.[180] The Commission requested comment regarding its analysis about the possible anti-competitive effects of the proposal and whether there are any other specific public interests to be protected by the antitrust laws in this context.[181] The Commission did not receive any comments in response to this particular request.

The Commission confirms its determination that this final rule is not anti-competitive and has no anti-competitive effects. Given this determination, the Commission has not identified any less anti-competitive means of achieving the purposes of the CEA.

D. Executive Orders 12866, 13563, and 14192

Executive Orders 12866 and 13563 direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select those regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety, and other advantages; and distributive impacts). Section 3(f) of Executive

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[179] Section 15(b) of the CEA, 7 U.S.C. 15(b).

[180] As discussed above and in the NPRM, the Commission identified one potential anti-competitive effect; however, the Commission determined that the amendments would not have an anti-competitive effect and in fact, may result in positive market effects. *See* section V.C.4 and NPRM, 91 FR at 25838.

[181] NPRM, 91 FR at 25838.

Order 12866 defines a “significant regulatory action” as any regulatory action that is likely to result in a rule that may: (1) have an annual effect on the economy of $100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities; (2) create a serious inconsistency or otherwise interfere with an action taken or planned by another agency; (3) materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; or (4) raise novel legal or policy issues arising out of legal mandates, or the President's priorities.

The Office of Management and Budget has determined that this action is not a significant regulatory action as defined in Executive Order 12866, as amended, and therefore it was not subject to Executive Order 12866 review.

This rulemaking is not expected to be an Executive Order 14192 regulatory action, because the proposed rule is not a significant regulatory action under E.O. 12866.

E. Congressional Review Act

Pursuant to the Congressional Review Act (5 U.S.C. § 801 et seq.), the Office of Information and Regulatory Affairs designated this rule as not a “major rule,” as defined by 5 U.S.C. § 804(2).

List of Subjects in 17 CFR Part 50

Business and industry, Clearing, Swaps.

For the reasons set forth in the preamble, the Commodity Futures Trading Commission amends 17 CFR part 50 as follows:

PART 50—CLEARING REQUIREMENT AND RELATED RULES

1. The authority citation for part 50 continues to read as follows:

Authority: 7 U.S.C. 2(h), 6(c), and 7a-1, as amended by Pub. L. 111-203, 124 Stat. 1376.

2. In § 50.4, revise paragraph (a) to read as follows:

§ 50.4 Classes of swaps required to be cleared.

(a) *Interest rate swaps.* Swaps that have the following specifications are required to be cleared under section 2(h)(1) of the Act, and shall be cleared pursuant to the rules of any derivatives clearing organization eligible to clear such swaps under § 39.5(a) of this chapter.

Table 1 to Paragraph (a)						
Specification	Fixed-to-floating swap class					
1. Currency	Australian Dollar (AUD)	Euro (EUR)	Hong Kong Dollar (HKD)	Norwegian Krone (NOK)	Polish Zloty (PLN)	Swedish Krona (SEK).
2. Floating Rate Indexes	BBSW	EURIBOR	HIBOR	NIBOR	WIBOR	STIBOR.
3. Stated Termination Date Range	28 days to 30 years	28 days to 50 years	28 days to 10 years	28 days to 10 years	28 days to 10 years	28 days to 15 years.
4. Optionality	No	No	No	No	No	No.
5. Dual Currencies	No	No	No	No	No	No.
6. Conditional Notional Amounts	No	No	No	No	No	No.

Table 2 to Paragraph (a)		
Specification	Basis swap class	
1. Currency	Australian Dollar (AUD)	Euro (EUR).
2. Floating Rate Indexes	BBSW	EURIBOR.
3. Stated Termination Date Range	28 days to 30 years	28 days to 50 years.
4. Optionality	No	No.
5. Dual Currencies	No	No.

6. Conditional Notional Amounts	No	No.

Table 3 to Paragraph (a)				
Specification	Forward rate agreement class			
1. Currency	Euro (EUR)	Polish Zloty (PLN)	Norwegian Krone (NOK)	Swedish Krona (SEK).
2. Floating Rate Indexes	EURIBOR	WIBOR	NIBOR	STIBOR.
3. Stated Termination Date Range	3 days to 3 years	3 days to 2 years	3 days to 2 years	3 days to 3 years.
4. Optionality	No	No	No	No.
5. Dual Currencies	No	No	No	No.
6. Conditional Notional Amounts	No	No	No	No.

Table 4 to paragraph (a)										
Specification	Overnight index swap class									
1. Currency	Australian Dollar (AUD)	Canadian Dollar (CAD)	Euro (EUR)	Mexican Peso (MXN)	Singapore Dollar (SGD)	Sterling (GBP)	Swiss Franc (CHF)	U.S. Dollar (USD)	U.S. Dollar (USD)	Yen (JPY)
2. Floating Rate Indexes	AONIA-OIS	CORRA-OIS	€STR	MXN-TIIE ON-OIS Compound	SORA	SONIA	SARON	FedFunds	SOFR	TONA.
3. Stated Termination Date Range	7 days to 2 years	7 days to 30 years	7 days to 3 years	28 days to 21 years	7 days to 10 years	7 days to 50 years	7 days to 30 years	7 days to 3 years	7 days to 50 years	7 days to 30 years.
4. Optionality	No	No	No	No	No	No	No	No	No	No
5. Dual Currencies	No	No	No	No	No	No	No	No	No	No

6. Conditional Notional Amounts	No	No	No	No	No	No	No	No	No	No

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3. In § 50.26, revise paragraph (a) to read as follows:

§ 50.26 Swap clearing requirement compliance dates.

(a) *Compliance dates for interest rate swap classes.* The compliance dates for swaps that are required to be cleared under § 50.4(a) are specified in the following table.

Table 1 to Paragraph (a)

Swap asset class	**Swap class subtype**	**Currency and floating rate index**	**Stated termination date range**	**Clearing requirement compliance date**
Interest Rate Swap	Fixed-to-Floating	Euro (EUR) EURIBOR	28 days to 50 years	Category 1 entities March 11, 2013. All non-Category 2 entities June 10, 2013. Category 2 entities September 9, 2013.
Interest Rate Swap	Fixed-to-Floating	Australian Dollar (AUD) BBSW	28 days to 30 years	All entities December 13, 2016.
Interest Rate Swap	Fixed-to-Floating	Hong Kong Dollar (HKD) HIBOR	28 days to 10 years	All entities August 30, 2017.
Interest Rate Swap	Fixed-to-Floating	Norwegian Krone (NOK) NIBOR	28 days to 10 years	All entities April 10, 2017.
Interest Rate Swap	Fixed-to-Floating	Polish Zloty (PLN) WIBOR	28 days to 10 years	All entities April 10, 2017.
Interest Rate Swap	Fixed-to-Floating	Swedish Krona (SEK) STIBOR	28 days to 15 years	All entities April 10, 2017.
Interest Rate Swap	Basis	Euro (EUR) EURIBOR	28 days to 50 years	Category 1 entities March 11, 2013. All non-Category 2 entities June 10, 2013. Category 2 entities September 9, 2013.

Interest Rate Swap	Basis	Australian Dollar (AUD) BBSW	28 days to 30 years	All entities December 13, 2016.
Interest Rate Swap	Forward Rate Agreement	Euro (EUR) EURIBOR	3 days to 3 years	Category 1 entities March 11, 2013. All non-Category 2 entities June 10, 2013. Category 2 entities September 9, 2013.
Interest Rate Swap	Forward Rate Agreement	Polish Zloty (PLN) WIBOR	3 days to 2 years	All entities April 10, 2017.
Interest Rate Swap	Forward Rate Agreement	Norwegian Krone (NOK) NIBOR	3 days to 2 years	All entities April 10, 2017.
Interest Rate Swap	Forward Rate Agreement	Swedish Krona (SEK) STIBOR	3 days to 3 years	All entities April 10, 2017.
Interest Rate Swap	Overnight Index Swap	Euro (EUR) €STR	7 days to 3 years	All entities September 23, 2022.
Interest Rate Swap	Overnight Index Swap	Singapore Dollar (SGD) SORA	7 days to 10 years	All entities October 31, 2022.
Interest Rate Swap	Overnight Index Swap	Sterling (GBP) SONIA	7 days to 2 years	Category 1 entities March 11, 2013. All non-Category 2 entities June 10, 2013. Category 2 entities September 9, 2013.
			2 years + 1 day to 3 years	All entities December 13, 2016.
			3 years + 1 day to 50 years	All entities September 23, 2022.
Interest Rate Swap	Overnight Index Swap	Swiss Franc (CHF) SARON	7 days to 30 years	All entities September 23, 2022.
Interest Rate Swap	Overnight Index Swap	U.S. Dollar (USD) FedFunds	7 days to 2 years	Category 1 entities March 11, 2013. All non-Category 2 entities June 10, 2013. Category 2 entities September 9, 2013.
			2 years + 1 day to 3 years	All entities December 13, 2016.

Interest Rate Swap	Overnight Index Swap	U.S. Dollar (USD) SOFR	7 days to 50 years	All entities October 31, 2022.
Interest Rate Swap	Overnight Index Swap	Australian Dollar (AUD) AONIA-OIS	7 days to 2 years	All entities December 13, 2016.
Interest Rate Swap	Overnight Index Swap	Canadian Dollar (CAD) CORRA-OIS	7 days to 2 years	All entities July 10, 2017.
			2 years + 1 day to 30 years	All entities [**INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER.**]
Interest Rate Swap	Overnight Index Swap	Yen (JPY) TONA	7 days to 30 years	All entities September 23, 2022.
Interest Rate Swap	Overnight Index Swap	Mexican Peso (MXN) MXN-TIIE ON-OIS Compound	28 days to 21 years	All entities [**INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER.**]

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Issued in Washington, DC, on September 2, 2026, by the Commission.

Robert Sidman,

Deputy Secretary of the Commission.

NOTE: The following appendix will not appear in the Code of Federal Regulations.

Appendix to Clearing Requirement Determination Under Section 2(h) of the Commodity Exchange Act for Interest Rate Swaps to Account for CAD and MXN Interest Rate Benchmark Transitions – Commission Voting Summary

On this matter, Chairman Selig voted in the affirmative. No Commissioner voted in the negative.

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