



**TITLE VII: WALL STREET TRANSPARENCY AND ACCOUNTABILITY**

- Mandates a new regulatory oversight regime with respect to the derivatives industry
- Provides additional transparency to derivatives trading to strengthen price discovery and risk management
- Repeals the exemption from Commodity Futures Trading Commission (CFTC) regulation of derivatives transaction execution facilities and boards of trade
- Requires that standardized and other swap transactions be cleared by a derivatives clearing organization (DCO), if not subject to an exemption
- Amends the Commodity Exchange Act to require coordination and joint industry rulemaking between the CFTC, the Securities and Exchange Commission (SEC) and other regulators
- Mandates core business practices and principles for DCOs
- Prescribes margin and capital requirements for swap dealers, major swap participants and DCOs in accordance with consistently applied formulas and models studied and prescribed by the CFTC and/or Securities and Exchange Commission (SEC)
- Defines and creates various categories of swap counterparties with varying levels of oversight, regulation and margin requirements
- Requires and regulates the accumulation and maintenance of swaps data by certain swap dealers and counterparties in swap information repositories and by DCOs
- Prohibits “federal assistance” to certain types of swap dealers and major swap participants, provided that insured depository institutions may receive “federal assistance” if (1) their swap activities are limited to hedging and similar risk mitigating activities and/or (2) they are acting as swap dealers or major swap participants in connection with swaps involving rates or assets that are permissible for investment by a national bank<sup>5</sup> (other than uncleared credit default swaps), and
- Gives the CFTC and SEC broad power to promulgate and amend rules and regulations to reduce systemic risk to the US financial system in the area of derivatives trading

**Rulemakings**

<b>Commodity Futures Trading Commission (CFTC)</b>	
<b>October 19, 2010 (90 days after enactment)</b>	<b>Bill Section</b>
CFTC to adopt into final rule to establish reporting requirements for swaps that were entered into before enactment.	§729

<sup>5</sup> Permissible investments for national banks generally are considered to include debt instruments, foreign exchange, and certain precious metals but not equity securities, energy products or agricultural commodities.



<b>January 17, 2011 (180 days after enactment)</b>	
CFTC to adopt rules establishing limits on the control of, or voting rights with respect to, any derivatives clearing organization that clears swaps, or swap execution facility or board of trade designated as a contract market that posts swaps or makes swaps available for trading by a bank holding company with total consolidated assets of US\$50 billion or more, a non-bank financial company supervised by the Board of Governors of the Federal Reserve System, their affiliates, a swap dealer, major swap participant, or person associated with a swap dealer or major swap participant.	§726(a)
CFTC to adopt rules to establish position limits on “exempt commodities” that may be held by any person with respect to contracts of sale for future delivery, or with respect to options on the contracts or commodities traded on, or subject to, the rules of a designated contract market.	§737(a)
<b>April 17, 2011 (270 days after enactment)</b>	
CFTC to adopt a rule to establish position limits on “agricultural commodities” that may be held by any person with respect to contracts of sale for future delivery, or with respect to options on the contracts or commodities traded on, or subject to, the rules of a designated contract market.	§737(a)
CFTC to establish rules implementing commodity whistleblower incentives and protections.	§748
<b>July 21, 2011 (1 year after enactment)</b>	
CFTC to establish rules for a derivatives clearing organization’s request for approval of any group, category, type or class of swaps that the organization desires to clear.	§723(a)
CFTC to establish rules for reviewing a derivatives clearing organization’s clearing of a swap, or a group, category, type or class of swap that it seeks to accept for clearing.	§723(a)
CFTC “may” adopt rules applicable to swap dealers and major swap participants, including registration rules and rules limiting their activities; rules shall require the registration of swap dealers and major swap participants not later than one year from the date of enactment.	§731
<b>No date given</b>	
CFTC to define, by rule or regulation, the term “substantial position” at the threshold that the CFTC determines to be prudent for the effective monitoring, management and oversight of entities that are systemically important or can significantly impact the financial system of the US.	§721(a)
CFTC authorized to adopt a rule to define the terms “commercial risk” and any other term included in an amendment to the Commodity Exchange Act.	§721(b)



CFTC to adopt a rule to further define the terms “swap,” “swap dealer,” “major swap participant” and “eligible contract participant.”	§721(c)
CFTC to prescribe rules it determines to be necessary to prevent abuse of the exceptions and may request information from those persons claiming the clearing exception as necessary to prevent abuse.	§723(a)
CFTC to establish rules mitigating conflicts of interest between swap dealers and major swap participants and derivatives clearing organizations, exchanges or swap execution facilities that clear or execute swaps in which the swap dealer or major swap participant has a material investment.	§725(d)
CFTC to adopt data collection and maintenance requirements for swaps cleared by derivatives clearing organizations that are comparable to the requirements for swap data reported to swap data repositories and swaps traded on swap execution facilities.	§725(e)
CFTC to establish rules to provide for the public reporting of swap transactions and price data.	§727
CFTC to establish rules to govern swap repositories, including data collection and maintenance standards that are comparable to those for derivatives clearing organizations.	§728
CFTC to adopt rules governing persons that are registered under swap data repositories.	§728
CFTC to adopt rules for the registration of swap dealers and major swap participants.	§731
CFTC to adopt rules for swap dealers and major swap participants for which there is no prudential regulator imposing capital and initial and variation margin requirements on all swaps not cleared by a registered derivatives clearing organization.	§731
CFTC to establish rules governing reporting and recordkeeping requirements, daily trading records, business conduct standards, and documentation and back office standards for swap dealers and major swap participants; CFTC to establish rules governing duties of swap dealers and major swap participants.	§731
CFTC to establish rules defining the universe of swaps that can be executed on swap execution facilities.	§733
CFTC to adopt data collection and reporting requirements for swap execution facilities that are comparable to requirements for derivatives clearing organizations and swap data repositories.	§733
CFTC to adopt rules governing the regulation of alternative swap execution facilities.	§733
CFTC to establish aggregate position limits across exchanges, swap execution facilities, foreign boards of trade, and swaps that are not cleared and which may perform a significant price discovery function.	§737(a)



CFTC authorized to adopt rules and regulations that are reasonably necessary to prohibit trading practices that are disruptive of fair and equitable trading.	§747
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<b>Securities and Exchange Commission (SEC)</b>	
<b>October 19, 2010 (90 days after enactment)</b>	<b>Bill Section</b>
SEC to establish an interim final rule governing reporting requirements for security-based swaps entered into prior to enactment.	§766(a)
Transition rules adopted by the SEC shall provide for the reporting to a registered security-based swap data repository or to the SEC no later than either (A) 90 days after the effective date; or (B) such other time after the date of enactment as the SEC may prescribe by rule or regulation for security-based swaps entered into on or after the date of enactment.	§763
<b>January 17, 2011 (180 days after enactment)</b>	
Transition rules adopted by the SEC shall provide for the reporting to a registered security-based swap data repository or to the SEC no later than 180 days after the effective date for security-based swaps entered into prior to the date of enactment.	§763
SEC to adopt rules establishing limits on the control of, or voting rights with respect to, any clearing agency that clears security-based swaps, or on the control of any security-based swap execution facility or securities exchange that posts or makes available security-based swaps, by a bank holding company with total consolidated assets of US\$50 billion or more, a non-bank financial company supervised by the Board of Governors of the Federal Reserve System, their affiliates, a security-based swap dealer, major security-based swap participant, or person associated with a security-based swap dealer or major security-based swap participant.	§765(a)
<b>July 21, 2011 (1 year after enactment)</b>	
SEC to establish rules for clearing agency's submission for review of any group, category, type or class of security-based swaps that the clearing agency seeks to accept for clearing.	§763(b)
SEC to establish rules for reviewing a clearing agency's clearing of a security-based swap, or a group, category, type or class of security-based swaps that it has accepted for clearing.	§763(c)
SEC may prescribe rules applicable to security-based dealers and major security-based swap participants, including rules that limit the activities of non-bank security-based dealers and major security-based swap participants.	§764(a)
SEC to issue rules to provide for the registration of security-based swap dealers and major security-based swap participants.	§764(a)



<b>No date given</b>	
SEC to define, by rule or regulation, the term “substantial position” at the threshold that the Commission determines to be prudent for the effective monitoring, management and oversight of entities that are systemically important or can significantly impact the financial system of the US.	§761
SEC “may” define the term (i) “commercial risk,” (ii) any other term included in an amendment to the Securities and Exchange Act by the legislation, and (iii) the terms “security-based swap,” “security-based swap dealer,” “major security-based swap participant” and “eligible contract participant” with regard to security-based swaps.	§761(b)
SEC may prescribe rules it determines to be necessary to prevent abuse of the “exceptions” to the rules and regulations and may request information from those persons claiming “exceptions” as necessary to prevent abuse.	§763(a)
SEC to adopt rules governing persons that are registered as clearing agencies for security-based swaps.	§763(b)
SEC to adopt data collection and reporting requirements for security-based swap execution facilities that are comparable to requirements for clearing agencies and security-based swap data repositories.	§763(c)
SEC to establish rules governing security-based swap execution facilities.	§763(c)
SEC to establish rules reasonably designed to prevent transactions, acts, practices and courses of business that are fraudulent, deceptive, or manipulative and fictitious quotations.	§763(g)
SEC, as is necessary or appropriate, to adopt rules to establish limits on the size of positions in any security-based swap that may be held by any person.	§763(h)
SEC, as is necessary or appropriate, to adopt rules requiring self-regulatory organizations to adopt rules regarding position limits and rules designed to ensure compliance with SEC requirements.	§763(h)
SEC may establish a rule requiring any person that effects transactions for their own account or for others’ accounts in security-based swaps or uncleared security-based swaps and any loan or group of securities or loans to report such information regarding any positions in such securities or loans.	§763(h)
SEC to establish rules to provide for the public reporting of swap transactions and price data.	§763(i)
SEC to establish rules governing security-based swap data repositories.	§763(i)
SEC to adopt rules for the registration of security-based swap dealers and major security-based swap participants.	§764(a)



SEC to adopt rules for security-based swap dealers and major swap participants for which there is no prudential regulator imposing capital requirements and initial and variation margin requirements on all swaps not cleared by a registered clearing agency.	§764(a)
SEC to adopt rules governing reporting and recordkeeping requirements, daily trading records, business conduct standards, and documentation standards for security-based swap dealers and major security-based swap participants.	§764(a)
SEC to adopt rules governing antitrust consideration for security-based swap dealers and major security-based swap participants.	§764(a)

<b>CFTC and SEC (jointly)</b>	
<b>July 21, 2011 (1 year after enactment)</b>	<b>Bill Section</b>
CFTC and SEC to promulgate the rules and regulations required to prepare for the effective dates of the provisions of the Act.	§712
<b>No date given</b>	
CFTC and SEC (in consultation with the Federal Reserve Board) to adopt rules regarding mixed swaps.	§712(a)
CFTC and SEC to jointly adopt rules requiring maintenance of books and records of swap data repositories and derivatives clearing organizations.	§712(d)
CFTC and SEC to jointly define the terms “swap,” “security-based swap,” “swap dealer,” “security-based swap dealer,” “major swap participant,” “major security-based swap participant,” “eligible contract participant” and “security-based swap agreement.”	§712(d)
CFTC and SEC to jointly adopt rules governing books and records of security-based swap agreements, including daily trading records, for swap dealers, major swap participants, security-based swap dealers and security-based swap participants.	§712(d)
CFTC and SEC to jointly adopt rules governing the maintenance of records of all activities relating to security-based swaps agreement transactions that are not cleared.	§712(d)
CFTC and SEC authorized to adopt rules to collect information concerning the markets for any types of swap or security-based swap and issue a report with respect to any types of swaps or security-based swaps determined to be detrimental to the stability of a financial market or its participants.	§714
CFTC and SEC authorized to adopt rule to jointly exclude any agreement, contract or transaction if the Commissions determine that the exception would be consistent with the public interest.	§721(d)



<b>“Prudential Regulators”<sup>6</sup></b>	
<b>No date given</b>	<b>Bill Section</b>
The prudential regulators, in consultation with CFTC and SEC, must jointly adopt rules imposing capital and initial and variation margin requirements on all swaps not cleared by a registered derivatives clearing organization for swap dealers and major swap participants for which there is a prudential regulator.	§731
The prudential regulators, in consultation with the CFTC and the SEC, must jointly adopt rules imposing capital requirements and initial and variation margin requirements on all security-based swaps not cleared by a registered clearing agency for security-based swap dealers and major security-based swap participants for which there is a prudential regulator.	§764(a)

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<sup>6</sup> Defined in §721 as either the Federal Reserve Board, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Farm Credit Administration or the Federal Housing Finance Agency.



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