

Dodd-Frank Act Title VII

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) is the headline US regulatory response to the financial crisis. Title VII of the Dodd-Frank Act contains the US framework regulating OTC derivatives (swaps), including its G20 commitments for the reporting, clearing and exchange trading, as well as margin requirements for non-cleared swaps. These underlying obligations have been built upon by significant amounts of CFTC and SEC Federal rulemaking and have been implemented on an incremental basis since the enacting of the Dodd-Frank Act in 2010.

Who is this relevant for?

Title VII of the Dodd-Frank Act is relevant for any organisation that transacts in OTC derivatives and applies directly to any participant that meets the definition of a 'Swap-Dealer' (SD), 'Security-based Swap Dealer' (SBSD), 'Major Swap Participant' (MSP) or 'Major Security-Based Swap Participant' (MSBSP). It is also relevant for any other financial entity 'predominantly engaged' in financial activities and any non-financial end users that generally engage in derivatives for hedging or risk-mitigation.

The precise scope of the various requirements under Title VII can become fiendishly complicated. Nonetheless, it is clear that any investment manager established in the US, any non-US manager trading with US and non-US Persons that are SDs, and any manager with a majority of US investors in its underlying fund should consider the rules under Title VII of the Dodd-Frank Act.

What does it cover?

Title VII of the Dodd-Frank Act covers a significant number of obligations, including all of the US's G20 commitments to OTC derivative reforms. The topics of particular interest to AIMA members include:

- **Mandatory central clearing** of certain swaps or security based swaps with a Derivatives Clearing Organisation (DCO);
- **Reporting of the details of all swaps to a trade repository.** Mandatorily clearable swaps have 15 minutes to be reported, non-mandatorily cleared swaps have between 1 and two hours;
- **Margin rules for non-cleared swaps.** These include rules for both initial and variation margin, as well as rules on segregation;
- **Mandatory exchange trading** of all mandatorily cleared swaps on a designated contract market (DCM) or Swap Execution Facility (SEF) when those swaps have been made available to trade by a SEF or DCM; Provisions to introduce **speculative position limits** in certain commodity derivative markets for spot and non-spot months; and
- The details of **end-user and inter-affiliate exemptions** from the scope of the rules.

Important future dates

Enacted in July 2010, the various provisions of the Dodd-Frank Act Title VII have become effective on a gradual basis - with mandatory central clearing of interest rate swaps and index credit swaps, as well as swap data reporting going live in 2013. Non-cleared margin rules began to be phased-in in September 2016. We still await final rules on speculative position limits.

Where can I find more information?

On the AIMA website you will find various AIMA submissions on rulemakings related to Title VII of the Dodd-Frank Act.

Please contact AIMA's [markets regulation team](#) for more detail on any aspect of the new rules.