

## Financial Reform This Week: Derivatives Market Jittery about Missed Deadlines

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### CFTC, SEC will miss July 16 deadline for derivatives changes to go into effect

The **Commodity Futures Trading Commission** reaches out to derivatives traders this week to calm their fears about the agency's failure to finalize dozens of new rules that are required by law to take effect on July 16.

Commissioners will [meet](#) Tuesday morning to discuss a broad exemption for over-the-counter derivatives trading, so that the market can continue to operate as usual until regulators complete the new rules. Companies and banks with derivatives contracts, also known as swaps, are worried that any deals done after the missed deadline could be challenged in court.

The **Dodd-Frank law**, approved nearly one year ago, set specific deadlines for regulators to write and finalize rules policing the multi-trillion-dollar derivatives market. Among them: new requirements to use clearinghouses to guarantee derivatives trades and to improve transparency in the secretive market.

A derivative is a sophisticated financial instrument whose value is derived from the value of another asset. Large companies often use derivatives to hedge against risks in interest rates, oil prices, foreign exchange, or even weather.

The **Securities and Exchange Commission**, which has a smaller role in regulating the derivatives market, announced on Friday that it would [suspend](#) some of the new derivatives rules.

"While such swaps will be subject to provisions addressing fraud and manipulation, the Commission intends to provide temporary relief from certain other provisions of the Exchange Act so that the industry will have time to seek, and the Commission can consider, what if any further guidance or action is required," the SEC said in a statement. The agency also estimated that it had either proposed or finalized rules for about two-thirds of more than 90 derivatives-related measures required by the law.

The CFTC and SEC will hold a joint public [meeting](#) on Thursday to help fine-tune exactly how to define key terms that will apply to all derivatives rules, such as "swap dealer" and "major swap

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participant.”

*Other Congressional hearings, rulemaking deadlines and events related to the Dodd-Frank reform law this week:*

### **Monday, June 13**

**How much does it cost?** - Deadline set by 10 Republican senators for inspectors general at financial regulatory agencies to [review](#) the economic analyses performed by their agencies about the costs of new rules required by the Dodd-Frank law.

### **Tuesday, June 14**

**CFTC derivatives deadlines** - Commodity Futures Trading Commission [meets](#) to discuss industry concerns about legal issues in the derivatives market when the agency misses its July deadline to issue regulations, as mandated by the Dodd-Frank law. Meeting begins 0930 ET and will be webcast.

**Bank capital requirements** - Federal Deposit Insurance Corp. board [meets](#) to discuss a final rule on risk-based capital standards for banks and the establishment of a risk-based capital floor. Meeting begins 1000 ET.

**Too Big To Fail banks** - House Financial Services subcommittee [holds](#) a hearing on whether the Dodd-Frank law will end "Too Big To Fail" banks that present a systemic risk. Begins 1000 ET.

**SEC, SIPC nominees** - Senate Banking Committee [holds](#) a confirmation hearing on the nominations of Luis Aguilar and Daniel Gallagher for the Securities and Exchange Commission, and the nominations of Frank D'Agostino and Gregory Karawan as directors of the Securities Investor Protection Corp. Begins 1000 ET and will be webcast.

### **Wednesday, June 15**

**Broker reporting** - Securities and Exchange Commission [meets](#) to discuss whether to propose amendments to the broker-dealer reporting rule 17a-5. Meeting begins 1000 ET.

**International banking** - House Financial Services Committee [holds](#) a hearing to receive the annual testimony of Treasury Secretary Tim Geithner on the state of international financial systems. Begins 1000 ET and will be webcast.

**Bank soundness** - Senate Banking subcommittee [holds](#) a hearing on bank safety and soundness issues learned from the financial crisis. Testifying are Michael Foley, senior associate director of the Fed's banking division, and David Wilson, deputy comptroller in the Office of the Comptroller of the Currency.

**Post-Lehman litigation** – In New York, SEC enforcement director Robert Khuzami speaks to the Federal Bar Council about the impact on securities litigation from the 2008 Lehman Brothers collapse and financial crisis. Begins at 1745 ET.

### **Thursday, June 16**

**Mortgage servicing standards** – Federal Reserve's Consumer Advisory Council [meets](#) to discuss national mortgage servicing standards, proposed risk retention and "qualified residential mortgages" rules. Meeting begins at 0900 ET.

**Defining 'swaps'** - Staffs of the Securities and Exchange Commission and the Commodity Futures Trading Commission [hold](#) a joint public meeting to discuss the definitions of key derivatives trading terms after receiving more than 130 comment letters in response to [proposed](#) definitions. Meeting begins at 0900 ET and will be available via listen-only phone line by calling 866-844-9416, conference ID 7731946.

**CFTC chief testifies** - Gary Gensler, chairman of the Commodity Futures Trading Commission, [testifies](#) at a Senate Agriculture Committee hearing on the status of derivatives rule-writing. Begins 0930 ET and will be webcast.

**Credit union lending** - Senate Banking Committee **holds** hearing on credit union lending. Testifying are Deborah Matz, chairman of the National Credit Union Administration, and representatives of the American Bankers Association and Independent Community Bankers of America. Hearing begins at 1000 ET and will be webcast.

**Global banks** - House Financial Services Committee **holds** hearing on international banking and finance reforms. Begins 1000 ET. Witnesses TBA.

**Forex-trading banks** - Deadline for public comments on the Federal Deposit Insurance Corp.'s [proposal](#) to set recordkeeping, disclosure and capital requirements for U.S. banks that trade foreign currency futures and options.

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