

---

## Regulatory Notice 16-07

---

**Issue Date:** December 2, 2016  
**Attention:** Compliance and Operations Departments  
**Subject:** Mandatory Clearing of Mexican TIIE IRS Trades  
**Summary:** LatAm SEF, LLC is notifying Trading Privilege Holders of CFTC Clearing Requirement for Mexican TIIE Interest Rate Swaps

### Executive Summary

Effective Tuesday, December 13, 2016, the U.S. Commodity Futures Trading Commission (“CFTC”) requires that Mexican TIIE Interest Rate Swaps (“IRS”) having maturities of 21 years or less be submitted to a CFTC-registered or exempt Derivatives Clearing Organization (“DCO”). To ensure compliance with the December 13 clearing requirement, LatAm SEF is making changes to the LatAm SEF Trading System and requesting that Trading Privilege Holders update clearing instructions.

### Regulatory Summary

On October 14, 2016, the CFTC adopted amendments to regulation 50.4(a)<sup>1</sup>, which extended the list of mandatorily cleared swaps to include MXN-denominated fixed-to-floating interest rate swaps referencing the 28-day average Mexican interbank interest rate (referred to in LatAm SEF Rule 1213 as “Mexican TIIE Fixed/Floating Interest Rate Swap”). To maintain consistency with Mexican TIIE IRS maturities supported by Chicago Mercantile Exchange, Inc. (“CME”), the only registered DCO offering to clear Mexican TIIE IRS swaps at the time of the rulemaking, only Mexican TIIE IRS having terms of 28 days to a maximum of 21 years are subject to the clearing mandate. The amended rule is effective December 13, 2016.

Note: The Mexican TIIE IRS is the only LatAm SEF-listed swap currently subject to the CFTC clearing mandate.

### Operational Changes

Beginning Tuesday, December 13, 2016, the LatAm SEF Trading System will be modified to enforce clearing of Mexican TIIE IRS having maturities of 21 years or less (“Cleared MXN TIIE”). To effect this change, Cleared MXN TIIE will be configured for mandatory clearing to a CFTC-registered or exempt DCO, and only those Trading Privilege Holders having clearing instructions established in the LatAm SEF Trading System will be able to transact in Cleared MXN TIIE.

Note: Those Trading Privilege Holders having no clearing instructions established in the LatAm SEF Trading System will continue to have trading privileges in non-mandatorily cleared products and in Mexican TIIE IRS having maturities of 22 years or greater.

### Action Required

Trading Privilege Holders are requested to complete and return the attached LatAm SEF Participant Clearing Instructions form with details of their current DCO relationships.

Please submit the completed LatAm SEF Participant Clearing Instructions by email to [jskelly@latamsef.com](mailto:jskelly@latamsef.com) by December 13, 2016.

### Contacts

Comments and questions regarding this Notice should be directed to:

- Sandra Armstrong, Chief Compliance Officer  
Direct Line: (646) 344-3267  
Email: [sarmstrong@latamsef.com](mailto:sarmstrong@latamsef.com)
- Joseph Skelly, Corporate Communications  
Direct Line: (646) 344-3274  
Email: [jskelly@latamsef.com](mailto:jskelly@latamsef.com)

---

<sup>1</sup> 17 CFR Part 50, Clearing Requirement Determination Under Section 2(h) of the Commodity Exchange Act for Interest Rate Swaps (81 FR 71202).



**LatAm SEF Participant Clearing Instructions**

LatAm SEF delivers IRS trades to DCOs through MarkitWire based on Participant clearing relationships and counterparty agreement. To establish clearing instructions with LatAm SEF, please complete this form and submit to LatAm SEF at [membership@latamsef.com](mailto:membership@latamsef.com).

**Participant Company Details**

Company Name: \_\_\_\_\_  
 Systems Responsible Person: \_\_\_\_\_  
 Responsible Person Phone: \_\_\_\_\_ Email: \_\_\_\_\_

Clearing Relationships

Indicate the Clearing Firm(s) that will accept Participant’s orders, including self-clearing, affiliated and unaffiliated arrangements. If your firm is a self-clearing member of a DCO, enter your firm’s name under Clearing Firm and select “Self” under Relationship to Applicant.

Clearing Firm Name		LEI	Relationship to Applicant
			<input type="checkbox"/> Self <input type="checkbox"/> Affiliate <input type="checkbox"/> Third-Party
Asset Class	DCO Name	DCO Account Number	

Clearing Firm Name		LEI	Relationship to Applicant
			<input type="checkbox"/> Self <input type="checkbox"/> Affiliate <input type="checkbox"/> Third-Party
Asset Class	DCO Name	DCO Account Number	