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U.S. and U.K. Regulators Focus on “Opportunistic Strategies” in Credit Default Swaps

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The U.S. Securities and Exchange Commission, the U.S. Commodity Futures Trading Commission and the U.K. Financial Conduct Authority issued a joint statement Monday saying that so-called manufactured credit events and other “opportunistic strategies” related to credit default swaps “may adversely affect the integrity, confidence and reputation” of the markets. The statement appears to suggest that some of these strategies could run afoul of antifraud laws, and it says the agencies will pursue collaborative efforts, with industry input, to address their concerns. Although short on specifics, the statement is noteworthy and we expect more to come.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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