



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

December 14, 2011

H.R. 2779

A bill to exempt inter-affiliate swaps from certain regulatory requirements put in place by the Dodd-Frank Wall Street Reform and Consumer Protection Act

*As ordered reported by the House Committee on Financial Services
on November 30, 2011*

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law 111-203) requires that participants in swap transactions meet certain clearing, reporting, and margin requirements as well as certain business conduct standards. (A swap is a contract that calls for an exchange of cash between two participants, based on an underlying rate or index or the performance of an asset). H.R. 2779 would exempt from the definition of a swap those transactions in which the parties are affiliates as defined in the bill; thus, affiliated parties that enter into swap transactions would be exempt from those clearing, reporting, margin and business conduct requirements.

Neither the Commodity Futures Trading Commission nor the Securities and Exchange Commission (the agencies required to develop and enforce regulations related to swap transactions) has finalized regulations related to swap transactions. Based on information from the two agencies, CBO expects that incorporating the provisions of H.R. 2779 at this point in the regulatory process would not require a significant increase in the workload of either agency. Therefore, CBO estimates that any change in discretionary spending to implement the legislation, which would be subject to the availability of appropriated funds, would not be significant. Enacting H.R. 2779 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

H.R. 2779 would impose an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) by prohibiting state regulators from requiring insurance companies to report their holdings of inter-affiliate swaps on their annual statements. Because the limit on state authority would not require the expenditure of funds, CBO estimates that the bill would impose no costs on state, local, or tribal governments.

The bill contains no private-sector mandates as defined in UMRA.

The CBO staff contact for this estimate is Susan Willie. The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.