



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 27, 2012

H.R. 4235
Swap Data Repository and Clearinghouse Indemnification
Correction Act of 2012

*As ordered reported by the House Committee on Financial Services
on March 27, 2012*

Under current law, derivatives clearing organizations (DCOs) and swap data repositories (SDRs) are required to report information about swap transactions to the Commodity Futures Trading Commission (CFTC), or in the case of security-based SDRs, to the Securities and Exchange Commission (SEC). Further, such information must be shared with other regulatory agencies, both foreign and domestic, upon request and under certain conditions. H.R. 4235 would eliminate one of those conditions: that those other regulatory agencies indemnify the SDRs and the CFTC (or the SEC for security-based swap information) for expenses that arise from litigation related to the shared information. The bill would retain the current-law condition that those other regulatory agencies agree to certain confidentiality requirements prior to receiving the data.

Neither the CFTC nor the SEC (the agencies required to develop and enforce regulations related to swap transactions) has finalized regulations related to DCOs and SDRs. Based on information from the two agencies, CBO expects that incorporating the provisions of H.R. 4235 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. Further, under current law, the SEC is authorized to collect fees sufficient to offset the cost of its annual appropriation each year; therefore, we estimate the net cost to the agency would be negligible, assuming annual appropriation actions consistent with that authority.

Based on information from several federal financial regulators, CBO estimates that enacting H.R. 4235 would have an insignificant effect on direct spending; therefore, pay-as-you-go procedures apply. (Enacting the bill would not affect revenues.) Under current law, any litigation expenses of the federal government related to sharing information about swap transactions, in certain instances, would be paid by foreign regulators. Under the bill, such expenses would become a federal liability. CBO expects that any such liability would not arise in the next 10 years because the regulations are yet not in place.

H.R. 4235 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

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