CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 11, 2013

H.R. 634
Business Risk Mitigation and Price Stabilization Act of 2013

As ordered reported by the House Committee on Agriculture on March 20, 2013

H.R. 634 would exempt nonfinancial entities that enter into a swap or a security-based swap transaction from meeting certain margin requirements when the transaction is designed to offset losses or gains in other investments. (A swap is a contract that calls for an exchange of cash between two participants, based on an underlying rate or index or on the performance of an asset.)

Both the Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC) are developing regulations relating to margin requirements (minimum amounts of collateral that must be deposited, often with a broker or exchange, to cover some or all of the risk of a counterparty) in swap transactions as the result of the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law 111-203). In addition, other financial regulators, including the Federal Reserve System, the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) among others, are also developing margin requirements that would apply to the entities they regulate. Final regulations have not been completed by any agency.

Based on information from several of the affected agencies, CBO expects that incorporating the provisions of H.R. 634 at this point in the regulatory process would not require a significant increase in the workload of any agency. CBO estimates that any change in discretionary spending by the SEC and CFTC to implement the legislation would not be significant. Further, under current law, the SEC is authorized to collect fees sufficient to offset its appropriation each year. Therefore, we estimate that the net cost to the SEC would be negligible, assuming appropriation actions consistent with that authority.

Enacting H.R. 634 would affect direct spending and revenues; therefore, pay-as-you-go procedures apply. CBO expects that workloads for affected financial regulators (the Federal Reserve System, FDIC, and OCC among others) would not be significantly affected by the new requirements, and thus, we estimate that the effect on direct spending and revenues would be insignificant.

H.R. 634 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on 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.