



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 11, 2013

H.R. 677 **Inter-Affiliate Swap Clarification Act**

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

H.R. 677 would exempt certain swap and securities-based swap transactions from various requirements when those transactions are between parties that prepare their financial statements in combination with a parent company or with an affiliate. (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.)

The Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC)—the agencies authorized to regulate swaps—have finalized several regulations related to swap transactions, but not all that would be affected by H.R. 677. Based on information from the two agencies, CBO estimates that incorporating the provisions of the bill at this point in the regulatory process would have a net discretionary cost of about \$1 million, assuming appropriation of the necessary amounts, to amend the regulations that have already been finalized and to make appropriate changes in rules that are not yet final.

Enacting H.R. 677 would affect direct spending and revenues; therefore, pay-as-you-go procedures apply. However, CBO estimates that those effects would not be significant. CBO expects that enacting H.R. 677 would have an insignificant effect on the workloads of the financial regulators (the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency) because affiliate regulations being developed by those agencies have not been finalized.

The discretionary cost of the bill is largely attributable to the activities of the CFTC. CBO estimates that any change in discretionary spending for the SEC to implement the legislation would be insignificant. 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 that the net cost to the SEC would be negligible, assuming appropriation actions consistent with that authority.

H.R. 677 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.