CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 19, 2015

H.R. 1317

A bill to amend the Commodity Exchange Act and the Securities Exchange Act of 1934 to specify how clearing requirements apply to certain affiliate transactions, and for other purposes

As ordered reported by the House Committee on Agriculture on September 30, 2015

H.R. 1317 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 bill would broaden requirements that affiliate transactions must meet in order to be eligible for exemptions, and expand the types of entities that would not be eligible for such exemptions.

The Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC)—the agencies principally authorized to regulate swaps—have finalized some but not all of the regulations related to swap transactions, that would be affected by H.R. 1317. 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.

The net discretionary cost of the bill would largely be 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.

Enacting H.R. 1317 also would affect direct spending and revenues; therefore, pay-as-you-go procedures apply. CBO expects that enacting H.R. 1317 would affect 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; however, we expect those effects would be small and would have an insignificant effect on the budget.

CBO estimates that enacting H.R. 1317 would not increase net direct spending or on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2026.

H.R. 1317 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.

On September 11, 2015, CBO transmitted a cost estimate for H.R. 1317, as ordered reported by the House Committee on Financial Services on July 29, 2015. The two versions of the bill are similar and CBO's estimates of their budgetary effects are the same.

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