



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

May 19, 2014

**H.R. 4413
Customer Protection and End User Relief Act**

As ordered reported by the House Committee on Agriculture on April 9, 2014

SUMMARY

H.R. 4413 would authorize appropriations for the Commodity Futures Trading Commission (CFTC) through 2018 and make changes in some of the agency's operating procedures. The bill also would amend the Commodity Exchange Act to provide greater protections for customer funds held by entities that broker transactions in commodity futures and to relax requirements on certain participants in swap transactions in a number of different circumstances. (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.)

CBO estimates that implementing H.R. 4413 would cost \$207 million in 2015 and \$948 million over the 2015-2019 period, assuming appropriation of the necessary amounts. CBO expects that enacting H.R. 4413 would affect direct spending and revenues; therefore, pay-as-you-go procedures apply. However, CBO estimates that those effects would not be significant.

H.R. 4413 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 4413 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars					2015- 2019
	2015	2016	2017	2018	2019	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
CFTC Reauthorization						
Estimated Authorization Level	221	228	236	245	0	930
Estimated Outlays	197	223	231	239	22	912
Other Provisions						
Estimated Authorization Level	12	6	6	6	7	37
Estimated Outlays	10	7	6	6	7	36
Total Changes						
Estimated Authorization Level	233	234	242	251	7	967
Estimated Outlays	207	230	237	245	29	948

Notes: CBO estimates that enacting H.R. 4413 would not have a significant effect on revenues or direct spending over the 2014-2024 period.

CFTC = Commodity Futures Trading Commission.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted near the end of fiscal year 2014, the necessary amounts will be appropriated near the beginning of each fiscal year, and outlays will follow spending patterns for similar activities at the CFTC.

Spending Subject to Appropriation

CFTC Reauthorization. H.R. 4413 would authorize appropriations for CFTC operations through 2018; for 2014, the CFTC received an appropriation of \$215 million. Based on the agency's current budget and adjusting for anticipated inflation, CBO estimates that extending the authorization of appropriations for the current functions of the CFTC through 2018 would cost \$912 million over the 2015-2019 period, assuming those inflation-adjusted amounts are appropriated each year.

Other Provisions. H.R. 4413 would require the agency to change certain procedures in its rulemaking process and to improve safeguards of market data in the agency's control. The bill also would direct the CFTC to prepare a report for the Congress examining the effect of high-frequency trading (the use of technology and computer algorithms to rapidly trade contracts) on the markets it oversees.

In addition, the bill would require entities that broker transactions in commodity futures, known as futures commission merchants, and the national association that regulates them to implement practices that provide additional protections for funds held for their clients. Finally, under the bill, certain swap transactions or participants in those transactions would be exempt from new regulations developed to meet the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act. For example, the bill would, under certain circumstances, exempt nonfinancial entities that enter into a swap transaction from meeting certain margin requirements.

Based on information from the CFTC, CBO estimates that the agency would require 25 additional personnel annually to handle the increased workload under these provisions, an increase of about 4 percent over the agency's 2013 staffing level. We estimate that salaries, benefits, and overhead for those additional staff, as well as new administrative expenses, would cost \$36 million over the 2015-2019 period, assuming appropriation of the necessary amounts.

Direct Spending and Revenues

H.R. 4413 would increase costs for the financial regulators (the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency) to amend certain regulations, which would affect direct spending and revenues. The bill also would affect federally owned utilities by changing the way CFTC regulates certain electric and natural gas utility contracts. Taken together, CBO estimates that these costs would not be significant over the 2014-2024 period.

PAY-AS-YOU-GO CONSIDERATIONS

CBO expects that enacting H.R. 4413 would affect direct spending and revenues; therefore, pay-as-you-go procedures apply. However, CBO estimates that those effects would not be significant.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 4413 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

PREVIOUS CBO ESTIMATES

On April 1, 2013, CBO transmitted a cost estimate for H.R. 1003, a bill to improve consideration by the Commodity Futures Trading Commission of the costs and benefits of its regulations and orders, as ordered reported by the House Committee on Agriculture on March 20, 2013. Provisions in title II of H.R. 4413 are similar to H.R. 1003, and the CBO cost estimates are the same.

CBO prepared two cost estimates for H.R. 634, the Business Risk Mitigation and Price Stabilization Act of 2013. On April 11, 2013, we transmitted a cost estimate for a version of the bill ordered reported by the House Committee on Agriculture on March 20, 2013. On May 29, 2013, we transmitted a cost estimate for a version of the bill ordered reported by the House Committee on Financial Services on May 7, 2013. Both versions of the bill are similar to provisions in title III of H.R. 4413, and the CBO cost estimates for those similar provisions are the same.

CBO prepared two cost estimates for H.R. 677, the Inter-Affiliate Swap Clarification Act. On April 11, 2013, we transmitted an estimate for a version of the bill ordered reported by the House Committee on Agriculture on March 20, 2013. On May 30, 2013, we transmitted a cost estimate for a version of the bill ordered reported by the House Committee on Financial Services on May 7, 2013. Both versions of H.R. 677 would place new requirements on the CFTC and the Securities and Exchange Commission. Provisions in title III of H.R. 4413 are similar to the provisions of H.R. 677 that applied to the CFTC; the CBO cost estimates for the similar provisions are the same.

CBO prepared two cost estimates for H.R. 742, the Swap Data Repository and Clearinghouse Indemnification Correction Act of 2013. On April 11, 2013, we transmitted a cost estimate for a version of the bill ordered reported by the House Committee on Agriculture on March 20, 2013. On May 17, 2013, we transmitted a cost estimate for a version of the bill ordered reported by the House Committee on Financial Services on May 7, 2013. Both versions of the bill are similar to provisions in title III of H.R. 4413, and the CBO cost estimates for the similar provisions are the same.

CBO prepared two cost estimates for H.R. 1256, the Swap Jurisdiction Certainty Act. On May 3, 2013, we transmitted a cost estimate for a version of the bill ordered reported by the House Committee on Agriculture on March 20, 2013. On May 30, 2013, we transmitted a cost estimate for a version of the bill ordered reported by the House Committee on Financial Services on May 7, 2013. Both versions of the bill are similar to provisions in title III of H.R. 4413, and the CBO cost estimates for the similar provisions are the same.

On April 1, 2012, CBO transmitted a cost estimate for H.R. 1038, the Public Power Risk Management Act of 2013, as ordered reported by the House Committee on Agriculture on March 20, 2013. Provisions in title III of H.R. 4413 are similar to H.R. 1038, and the CBO cost estimates are the same.

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