CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 27, 2012

H.R. 3283
Swap Jurisdiction Certainty Act

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

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law 111-203) requires that participants in swap transactions meet certain clearing, reporting, and margin requirements as well as certain standards of business conduct. (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.)

H.R. 3283 would exempt from those requirements swap transactions entered into between a registered swap dealer that is a U.S. company or the affiliate of a U.S. company and:

- The dealer's U.S. or foreign affiliate or a foreign company that is not registered with the Commodity Futures Trading Commission (CFTC), in the case of commodity-based transactions; or

- The dealer's U.S. or foreign affiliate, in the case of securities-based transactions.

Further, H.R. 3283 would specify that capital, reporting, and margin requirements apply to swap transactions between foreign swap dealers that are registered with the CFTC (or the Securities and Exchange Commission (SEC) in the case of securities-based swap transactions) and a U.S. company that is not an affiliate of the dealer. H.R. 3283 also would allow foreign swap dealers to meet the capital requirements of their home country so long as the country is a signatory to certain international banking regulations (known as the Basel Accords).

Both the CFTC and the SEC are developing regulations relating to swap transactions including margin, clearing, and reporting requirements as well as standards of conduct for swap dealers. Some of these rules have been adopted while many more are in earlier stages of the regulatory process. Based on information from the two agencies, CBO estimates that incorporating the provisions of H.R. 3283 at this point 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 (less than $500,000). Further, the SEC is authorized to collect fees sufficient to offset its annual appropriation; therefore, CBO estimates that the net cost to the SEC to implement H.R. 3283 would be negligible, assuming appropriation actions consistent with the agency's authorities. Enacting H.R. 3283 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

H.R. 3283 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.