H.R. 3527
Protecting Main Street End-Users from Excessive Regulation

Sponsored by Reps. Randy Hultgren and Dan Boren

Summary:
Clarifies the swap dealer definition to ensure end-users are not misclassified as swap dealers.

Why:
Congress never intended for businesses that use swaps to hedge against risk to be regulated the same way as financial institutions under Dodd-Frank.

Businesses use swaps to manage risk to provide consistent, lower prices for consumers. These end-users do not pose a systemic risk to our financial system, and Congress never intended for them to be subject to the same stringent regulations as large financial institutions.

The CFTC has proposed a rule that establishes very broad and vague criteria for identifying swap dealing activity. Many end-users, particularly in the energy and agriculture sectors, that use swaps to hedge their commercial risks, may be forced to register as swap dealers and come under costly new regulatory requirements.

H.R. 3527 clarifies the swap dealer definition to ensure end-users are not misclassified as swap dealers.

Broad Definition Increases Costs by Hundreds of Millions Per Year

National Economic Research Associates (NERA) analyzed the costs of the CFTC's proposed definition of "swap dealer."

They found that, on average, the CFTC's proposal will impose $388 million in incremental costs on each non-financial energy company regulated as a swap dealer.

Moreover, NERA found that the CFTC significantly underestimated compliance costs.

NERA's economists identified three primary flaws with the CFTC's cost-estimates, including a lack of quantitative estimates, a tendency to greatly under-state costs, and a reliance on "presumed benefits that are speculative and unlikely to be realized."

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