

May 3, 2011

To: Members of the House Committee on Agriculture

From: Floyd Stoner, Executive Vice President, Congressional Relations & Public Policy

Re: ABA Support for H.R. 1573

I am writing on behalf of the American Bankers Association to express our support for H.R. 1573, which the Committee is scheduled to consider on Wednesday, May 4, 2011.

The proposed legislation would facilitate implementation of Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, promote regulatory coordination, and avoid market disruption. Developing the framework for regulating the swaps market is an enormous undertaking. The Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC) have now proposed rules in almost every area required to implement the mandate for transparency and disclosure in the swaps market. So banks and other market participants now have some understanding of the regulators' respective views about how the market will operate in the future.

However, the CFTC and the SEC have been working under tight statutory deadlines to draft these rule proposals. We are concerned that they have not had sufficient time to do thorough cost-benefit analyses and to carefully consider the interconnected sequencing and implementation of these rules. We also are concerned that banks and other market participants have not had sufficient time to consider the impact on their businesses and provide as much meaningful input as they would like in the process.

It is critical that implementation proceed in a way that does not disrupt the market. H.R. 1573, introduced by Committee Chairman Frank Lucas, would extend the implementation deadline by 18 months, which would provide regulators and market participants alike the opportunity to continue thoughtful consideration of the costs, benefits, and potential market impact of the proposed rules. ABA supports this extension. The additional time would enable regulators and industry to continue meaningful dialogue on the proposed mosaic of rules.

It also is critical that the regulatory implementation not, however unintentionally, provide incentives for banks and other market participants to move offshore. By establishing a statutory extension until December 2012, H.R. 1573 would align the timeframe for swaps reporting and central clearing in the United States and the G20. This should provide an important opportunity for regulators around the globe to harmonize their rules and thereby reduce the incentive for business to shift overseas based on real or perceived differences in international regulatory regimes.

ABA supports the provisions in H.R. 1573 that would provide the CFTC and the SEC with the authority to exempt certain persons from some of the regulatory requirements if they already are subject to supervision and regulation. In the rush to establish an appropriate framework for regulating the swaps market, we should not lose sight of the fact that imposing duplicative and potentially contradictory regulatory requirements could be harmful to the market.

We would also like to take this opportunity to reiterate the importance of ensuring that banks are not unnecessarily subject to burdensome new regulatory requirements. Small banks account for a truly *de minimis* portion of the bank swaps market and should be exempt from complex and costly clearing requirements just as other end users are. In addition, it is important that the regulatory definitions of swap dealer and major swap participant not impede the ability of small banks to provide long-term credit for customers and manage financial risk.

We appreciate the Committee's consideration of our views and would urge the Committee to support passage of H.R.1537.