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(Original Signature of Member)

115TH CONGRESS
2D SESSION

H. R. _____

To amend the Securities Exchange Act of 1934 and the Commodity Exchange Act to exempt swap transactions between affiliated entities from the swaps rules issued by the Securities and Exchange Commission and the Commodity Futures Trading Commission, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M____. _____ introduced the following bill; which was referred to the
Committee on _____

A BILL

To amend the Securities Exchange Act of 1934 and the Commodity Exchange Act to exempt swap transactions between affiliated entities from the swaps rules issued by the Securities and Exchange Commission and the Commodity Futures Trading Commission, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. TREATMENT OF TRANSACTIONS BETWEEN AF-**
2 **FILIATES.**

3 (a) SECURITIES EXCHANGE ACT OF 1934.—Section
4 3(a)(68) of the Securities Exchange Act of 1934 (15
5 U.S.C. 78c(a)(68)) is amended by adding at the end the
6 following:

7 “(G) TREATMENT OF TRANSACTIONS BE-
8 TWEEN AFFILIATES.—

9 “(i) EXEMPTION FROM SECURITY-
10 BASED SWAP RULES.—An agreement, con-
11 tract, or transaction described in subpara-
12 graphs (A) through (F) shall not be regu-
13 lated as a security-based swap under this
14 Act if all of the following apply with re-
15 spect to the agreement, contract, or trans-
16 action:

17 “(I) AFFILIATION.—1
18 counterparty, directly or indirectly,
19 holds a majority ownership interest in
20 the other counterparty, or a third
21 party, directly or indirectly, holds a
22 majority ownership interest in both
23 counterparties.

24 “(II) FINANCIAL STATEMENTS.—
25 The affiliated counterparty that holds
26 the majority interest in the other

1 counterparty or the third party that,
2 directly or indirectly, holds the major-
3 ity interests in both affiliated
4 counterparties, reports its financial
5 statements on a consolidated basis
6 under generally accepted accounting
7 principles or International Financial
8 Reporting Standards, or other similar
9 standards, and the financial state-
10 ments include the financial results of
11 the majority-owned affiliated
12 counterparty or counterparties.

13 “(ii) REPORTING REQUIREMENT.—If
14 at least 1 counterparty to an agreement,
15 contract, or transaction that meets the re-
16 quirements of clause (i) is a security-based
17 swap dealer or major security-based swap
18 participant, that counterparty shall report
19 the agreement, contract, or transaction
20 pursuant to section 13A, within such time
21 period as the Commission may by rule or
22 regulation prescribe—

23 “(I) to a security-based swap
24 data repository; or

1 “(II) if there is no security-based
2 swap data repository that would ac-
3 cept the agreement, contract or trans-
4 action, to the Commission.

5 “(iii) RISK MANAGEMENT REQUIRE-
6 MENT.—If at least 1 counterparty to an
7 agreement, contract, or transaction that
8 meets the requirements of clause (i) is a
9 security-based swap dealer or major secu-
10 rity-based swap participant, the agreement,
11 contract, or transaction shall be subject to
12 a centralized risk management program
13 pursuant to section 15F(j) that is reason-
14 ably designed to monitor and to manage
15 the risks associated with the agreement,
16 contract, or transaction.

17 “(iv) VARIATION MARGIN REQUIRE-
18 MENT.—Affiliated counterparties to an
19 agreement, contract, or transaction that
20 meets the requirements of clause (i) shall
21 exchange variation margin to the extent
22 prescribed under any rule promulgated by
23 the Commission or any prudential regu-
24 lator pursuant to section 15F(e).

1 “(v) ANTI-EVASION REQUIREMENT.—
2 An agreement, contract, or transaction
3 that meets the requirements of clause (i)
4 shall not be structured to evade the Dodd-
5 Frank Wall Street Reform and Consumer
6 Protection Act in violation of any rule pro-
7 mulgated by the Commission pursuant to
8 section 721(c) of such Act.”.

9 (b) COMMODITY EXCHANGE ACT.—Section 1a(47) of
10 the Commodity Exchange Act (7 U.S.C. 1a(47)) is amend-
11 ed by adding at the end the following:

12 “(G) TREATMENT OF TRANSACTIONS BE-
13 TWEEN AFFILIATES.—

14 “(i) EXEMPTION FROM SWAP
15 RULES.—An agreement, contract, or trans-
16 action described in subparagraphs (A)
17 through (F) shall not be regulated as a
18 swap under this Act if all of the following
19 apply with respect to the agreement, con-
20 tract, or transaction:

21 “(I) AFFILIATION.—1
22 counterparty, directly or indirectly,
23 holds a majority ownership interest in
24 the other counterparty, or a third
25 party, directly or indirectly, holds a

1 majority ownership interest in both
2 counterparties.

3 “(II) FINANCIAL STATEMENTS.—

4 The affiliated counterparty that holds
5 the majority interest in the other
6 counterparty or the third party that,
7 directly or indirectly, holds the major-
8 ity interests in both affiliated
9 counterparties, reports its financial
10 statements on a consolidated basis
11 under generally accepted accounting
12 principles or International Financial
13 Reporting Standards, or other similar
14 standards, and the financial state-
15 ments include the financial results of
16 the majority-owned affiliated
17 counterparty or counterparties.

18 “(ii) REPORTING REQUIREMENT.—If
19 at least 1 counterparty to an agreement,
20 contract, or transaction that meets the re-
21 quirements of clause (i) is a swap dealer or
22 major swap participant, that counterparty
23 shall report the agreement, contract, or
24 transaction pursuant to section 4r, within

1 such time period as the Commission may
2 by rule or regulation prescribe—

3 “(I) to a swap data repository; or

4 “(II) if there is no swap data re-
5 pository that would accept the agree-
6 ment, contract or transaction, to the
7 Commission.

8 “(iii) RISK MANAGEMENT REQUIRE-
9 MENT.—If at least 1 counterparty to an
10 agreement, contract, or transaction that
11 meets the requirements of clause (i) is a
12 swap dealer or major swap participant, the
13 agreement, contract, or transaction shall
14 be subject to a centralized risk manage-
15 ment program pursuant to section 4s(j)
16 that is reasonably designed to monitor and
17 to manage the risks associated with the
18 agreement, contract, or transaction.

19 “(iv) VARIATION MARGIN REQUIRE-
20 MENT.—Affiliated counterparties to an
21 agreement, contract, or transaction that
22 meets the requirements of clause (i) shall
23 exchange variation margin to the extent
24 prescribed under any rule promulgated by

1 the Commission or any prudential regu-
2 lator pursuant to section 4s(e).

3 “(v) ANTI-EVASION REQUIREMENT.—
4 An agreement, contract, or transaction
5 that meets the requirements of clause (i)
6 shall not be structured to evade the Dodd-
7 Frank Wall Street Reform and Consumer
8 Protection Act in violation of any rule pro-
9 mulgated by the Commission pursuant to
10 section 721(c) of such Act.”.