

Minority Views on H.R. 1256

The Swap Jurisdiction Certainty Act as introduced was an improvement over the bill introduced last year with the same title, recognizing the importance of providing the regulators with discretion to appropriately tailor US swaps rules to fit within the \$700 trillion global derivatives market. We continue to have concerns, however, about the presumption included in the bill that transactions involving some jurisdictions will be exempt, even if those jurisdictions will lack comparable rules for years to come.

The financial crisis of 2008 was exacerbated by the largely unregulated international market for over-the-counter derivatives, or swaps. Congress sought to prevent this market from ever threatening the US in the future by passing the Dodd-Frank Wall Street Reform and Consumer Protection Act. While the U.S. was not alone in those concerns, it is years ahead of other jurisdictions. The G-20, a group of the 20 largest national economies, agreed to a broad set of international principles to improve regulation of the financial sector, including imposing new requirements on swaps. We hope that those jurisdictions ultimately will adopt similar rules to effectively monitor and oversee swaps transactions, but that is far from certain at present. While Europe's framework for clearing is nearing completion, for example, its rules on trade execution are years away. Other jurisdictions like Singapore and Japan are also expected to lag the US by several years. As a result, many market observers are concerned that, our institutions and economy may be at risk from overseas swaps activity.

For these reasons, our regulators should continue to be empowered to appropriately apply US law overseas to protect the US economy, including in the interim period while other jurisdictions catch up to the US. HR 1256, however, presumes that G-20 countries will have swaps rules at the same time as the US, and that they will be comparable. This is a mistake.

At the same time, others have noted that if regulators overextend their reach, we may put US institutions at a competitive disadvantage without providing additional benefits for the US economy. For these reasons, we are supportive of the bill's goal to harmonize rules between our two derivatives regulators, but we have strong concerns with presuming that some jurisdictions

are already comparable to the US. To make this presumption also would ease pressure on other jurisdictions to implement robust rules of their own.

We have made considerable progress towards promoting transparency, accountability and stability in the derivatives markets. We oppose HR 1256 to continue that progress.

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