

## **Minority Views on HR 677**

HR 677 would exempt swaps between affiliates from the mandatory margin, clearing, execution, capital and certain reporting requirements under Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. While we generally agree that swaps between affiliated corporate entities do not pose a systemic threat, we are concerned about the potential for abuse and question the wisdom of restricting the authority of the derivatives regulators.

During testimony, the CFTC Chairman Gensler stated that the bill would provide a loophole around our derivatives rules. HR 677 would exempt affiliate swaps no matter where the affiliate resides. So, even if an affiliate is in a foreign jurisdiction that lacks a clearing requirement and can enter into third party swaps, this bill would permit the affiliate to then allow the US affiliate to import that risk but prohibit our regulators from imposing any safeguards such as margin or capital.

In April of this year, the CFTC provided a broad exemption for inter-affiliate swaps from the clearing mandate, but imposed several conditions for affiliates that are not US persons. Importantly, if the CFTC determines at some point in the future that affiliate swaps do pose a risk to our markets, or if they are being used to evade US law, the regulator retains the authority to revise its regulations accordingly. HR 677, however, exempts affiliate swaps by statute, binding the hands of our derivatives enforcement.

Congress should do everything it can to enable businesses to grow, but should not undermine our efforts to build a stable finance system or create new avenues of evasion. For these reasons, we oppose HR 677.

Minority Views – H.R. 677

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