

October 1, 2013

To: Members of the U.S. House of Representatives

From: James Ballentine, Executive Vice President, Congressional Relations and Political Affairs

Re: Support for H.R. 992, the Swaps Regulatory Improvement Act

On behalf of the members of the American Bankers Association (ABA) and the ABA Securities Association (ABASA), I am writing in support of H.R. 992, the Swaps Regulatory Improvement Act, which is scheduled for consideration on the House floor this week.

H.R. 992 would reform the swaps push-out requirement of the Dodd-Frank Act to allow banks to continue engaging in commodity, equity, and some structured finance products.

The push-out requirement applies only to swaps dealers and some major swaps participants, but it has been the focus of broad debate because it will affect the ability of both banks and their customers to centralize risk management. Banks would have to form separately capitalized and funded affiliates to conduct some swaps. Customers would lose the ability to do “one-stop shopping” with a bank for loans and swaps to offset their credit risk, even if they prefer to do “one-stop shopping” with a bank and may prefer to have a bank as a counterparty because of credit risk. Regulators have argued that the requirement would move derivatives trading out of banks and into less-regulated entities.

As a result of H.R. 992, farmers and energy companies would continue to have a cost-effective way to hedge against price changes in commodities and other bank customers could hedge against the value of securities they own. The legislation also would clarify that non-U.S. banks would be treated the same as U.S. banks.

H.R. 992 received strong bipartisan support during its consideration in committee, passing the Financial Services Committee by a vote of 53-6 and the Agriculture Committee by a vote of 31-14.

ABA urges Members to support H.R. 992 when it is considered on the House floor.