

Congressman Jim Jordan (R-OH), RSC Chairman
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WEEKLY UPDATE

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Senate Vote on Cloture Motion on the Nomination of Richard Cordray to be Director of the Consumer Financial Protection Bureau Fails

Today, the Senate voted on a cloture motion on the nomination of Richard Cordray to be Director of the Consumer Financial Protection Bureau (CFPB). According to a Washington Post [report](#), "Senate Republicans blocked the confirmation of President Obama's nominee to lead his signature consumer watchdog agency, a move that prevents it from exercising many of its broad new powers." Many conservatives are [concerned](#) that the bureau does not have sufficient [accountability](#) to the American people. Republican Banking Committee staff highlighted several problems with the CFPB, including:

- 1) The CFPB is not accountable to Congress or the executive branch;
- 2) Oversight from the Financial Stability Oversight Council is illusory as it can only overturn CFPB rules if they risk the entire U.S. banking system and then only with a 2/3 vote while the Director of the CFPB is a voting member of the Council that is supposedly reviewing his rule;
- 3) The CFPB is structured unlike any other financial regulator with a single director (while the Federal Reserve, SEC, CFTC and FDIC are composed of boards) who cannot be fired (except for inefficiency, neglect of duty, or malfeasance), determines his own budget and has expansive jurisdiction including over entities that are not generally considered financial institutions;
- 4) The CFPB is not subject to the appropriations process;
- 5) The CFPB does not have to incorporate the comments of banking regulators on CFPB rules even if those rules increase the risk of bank failure; and
- 6) The CFPB Director has an unprecedented level of power with the ability to dictate what mortgages, car financing, even consumer product financing is available to the American people.

Financial Services Subcommittee on Oversight and Investigations Subpoenas Jon Corzine

This week, the Financial Services Subcommittee on Oversight and Investigations voted unanimously to subpoena Jon Corzine, former Chairman and CEO of MF Global. Corzine had been invited to voluntarily appear before the Subcommittee, but he refused the invitation through his attorney.

Mr. Corzine's appearance before the Subcommittee is necessary to help identify the causes of MF Global's collapse and what happened to its customers' funds. Mr. Corzine's testimony, along with that of other witnesses, will help the Subcommittee to properly and thoroughly examine MF Global's corporate behavior and will assist in identifying potential regulatory failures.

The hearing will take place Thursday December 15th at 1 p.m.

Fixing Dodd-Frank's Derivatives Provisions

The Dodd-Frank Act implemented 400 new rules that Democrats argued would strengthen the economy, stabilize the housing market, and streamline the regulatory process. Over one year later, it has become evident that some of the rules have further hurt small business growth and contributed to a slow economic recovery. RSC Members like Reps. Garrett (R-VA), Grimm (R-NY), Austin Scott (R-GA), Stivers (R-OH) have proposed these three bills that ease the burden government regulations imposed on the private sector by fixing derivatives provisions of the Dodd-Frank Act. The following summaries by the [Financial Services Committee](#), highlight the three pieces of legislation that help businesses.

H.R. 2586, the Swap Execution Facility Clarification Act (Reps. Garrett (R-NJ) and Hurt (R-VA)):

H.R. 2586 directs the CFTC and SEC to promulgate rules for swap execution facilities and security-based swap execution facilities (SEFs) to effectuate Congressional intent that SEFs can serve as an alternative to exchanges and provide an execution facility for illiquid or thinly-traded swaps. The legislation was approved by a voice vote.

H.R. 2586 ensures SEFs can serve as a platform for executing swaps and security-based swaps by:

- Requiring immediate execution of matched trades;
- Allowing market participants to receive and respond to a single quote;
- Removing regulatory obstacles that require SEFs to have a minimum number of participants receiving bids or offers; and
- Ensuring that trading platforms executing swap transactions include voice-based and hybrid trading models;
- Does not allow the government to dictate market structure.

H.R. 2682, The Business Risk Mitigation and Price Stabilization Act (Reps. Grimm (R-NY), Austin Scott (R-GA), and Owens (D-NY)):

The Business Risk Mitigation and Price Stabilization Act provides clarity to the derivatives title of the Dodd-Frank Act by reconfirming the end-user exemption from margin and capital requirements. End-users are firms and companies that use derivatives to manage their risks, not to speculate. H.R. 2682 was approved by a voice vote. Through colloquies during the debate on Dodd-Frank and plain-language statute, legislators made their intent clear that the derivatives title was not meant to impose margin requirement on end users. Yet, regulators have interpreted the derivatives title to give them authority to impose margin requirements on end-users.

H.R. 2779 (Reps. Stivers (R-OH) and Fudge (D-OH)):

H.R. 2779 provides an important clarification to the Dodd-Frank Act derivatives title, which treats inter-affiliate swaps the same as swaps between unrelated counterparties. Without correction, companies may face double the costs associated with hedging legitimate business risks. The legislation was approved unanimously by a vote of 53 to 0.

H.R. 2779 ensures entities under a common corporate ownership are able to appropriately manage risks without unnecessary costs. Under the legislation, inter-affiliate swaps will be exempt from the margin, clearing and reporting requirements of the Dodd-Frank Act.

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