

Himes, Hultgren Introduce Bill to Help Keep Risk Management Costs Low for American Companies & Farmers, Protect Soundness of American Financial System

Mar 6, 2013 | Issues: [Financial Reform](#), Financial Services

WASHINGTON, DC—U.S. House Financial Services Committee members Congressmen Randy Hultgren (IL-14) and Jim Himes (CT-4), along with Reps. Richard Hudson (NC-8), and Sean Patrick Mahoney (NY-18), who serve on the House Agriculture Committee, introduced legislation today that will modify the “push-out” provision in the Dodd-Frank Act to ensure that federally insured financial institutions can continue to conduct risk-mitigation efforts for clients like farmers and manufacturers that use swaps to insure against price fluctuations. The *Swaps Regulatory Improvement Act* modifies section 716 of the Dodd-Frank Act to allow commodity and equity derivatives in banks with federal insurance.

“We need financial regulation that allows businesses and the banks they use to have access to the tools that help keep prices of consumer goods—like groceries and home heating oil—steady, while ensuring that the taxpayers are never again on the hook for the types of wild bets helped crash the economy in 2008,” Himes said. “This bill maintains Dodd-Frank’s prohibition on that risky behavior at banks that are insured by the taxpayers while allowing businesses that produce products Americans use every day to continue to use swaps to maintain predictability in their operations and in the prices of their products.”

Under the Section 716 in the Dodd-Frank Act, federally insured banks would not be permitted to conduct certain swaps trading, including trading of commodity, equity, and credit derivatives, thus compelling the banks to “push-out” that activity into separately capitalized non-bank affiliates. By prohibiting this activity in federally-insured institutions, regulators would lose some oversight. This legislation will help ensure these swaps take place within institutions that are more closely monitored by federal regulators.

“I am proud to sponsor this bill and appreciate my colleagues’ support. Section 716 has to be fixed and we’ve got the bipartisan support to get something done this term,” said Hultgren. “Section 716, without this change, makes our whole financial system less safe and will result in a real cost increase for some basic products and services, like groceries and the gas bill.”

This legislation mirrors the final version H.R. 1838 that the Financial Services Committee reported last Congress, as amended by Himes. Senate Banking Committee members Senators Kay Hagen and Patrick Toomey along with Senate Agriculture Committee members Senators Mike Johanns and Mark Warner have introduced companion legislation.