Congressional Budget Office
Cost Estimate

November 25, 2019

H.R. 4895, CFTC Reauthorization Act of 2019

As ordered reported by the House Committee on Agriculture on October 30, 2019

By Fiscal Year, Millions of Dollars	2020	2020-2024	2020-2029
Direct Spending (Outlays)	0	0	0
Revenues	*	1	2
Increase or Decrease (-) in the Deficit	*	-1	-2
Spending Subject to Appropriation (Outlays)	6	1,135	1,474

Statutory pay-as-you-go procedures apply?	**Yes**	**Mandate Effects**	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030?	**No**	Contains intergovernmental mandate?	**No**
		Contains private-sector mandate?	**Yes, Cannot Determine Costs**

* = between -$500,000 and $500,000.

H.R. 4895 would authorize the appropriation of whatever amounts are necessary each year through 2025 for the operations of the Commodity Futures Trading Commission (CFTC). Under H.R. 4895, the CFTC would:

- Adopt new rules regarding digital commodities;
- Require commodities exchanges, derivatives clearing organizations, and swap execution facilities to safeguard their data and periodically test their automated systems;
- Expand enforcement to cover violations that occur outside the United States;
- Expand whistleblower protections; and
- Codify increased net worth, income, and portfolio standards for investors who wish to trade in certain sophisticated financial instruments including hedge funds.

Using information from the CFTC, CBO expects that the agency's cost of operations would not change substantially under H.R. 4895. Accordingly, CBO estimates that the authorization in the bill would equal the same amount each year as the CFTC received in 2019 ($268 million), with an increase each year through 2025 to account for expected inflation. Assuming appropriation of the estimated amounts and based on historical spending patterns, CBO estimates that implementing the bill would cost $1.1 billion over the 2020-2024 period (see Table 1) and $340 million after 2024. The costs of the legislation fall within budget function 370 (commerce and housing credit).

Table 1.
Estimated Increases in Spending Subject to Appropriation Under H.R. 4895

	By Fiscal Year, Millions of Dollars					
	2020	2021	2022	2023	2024	2020-2024
Estimated Authorization[a]	7	283	291	299	308	1,188
Estimated Outlays	6	252	284	292	301	1,135

CBO estimates that enacting H.R. 4895 also would increase revenues by less than $500,000 each year and by $2 million over the 2020-2029 period.

a. Although H.R. 4895 would authorize appropriations for the Commodity Futures Trading Commission for 2020, CBO estimates that $268 million has been allocated, on an annualized basis, from funds made available under the current continuing resolution (Public Law 116-69), which provided appropriations through December 20, 2019. CBO estimates that adjusting the 2019 level for inflation would authorize the appropriation of an additional $7 million in 2020.

H.R. 4895 would authorize the CFTC to bring enforcement actions against, and secure civil monetary penalties from, people who recklessly assist violators of commodities law. Using information from the CFTC, CBO expects the agency would pursue additional cases related to violations of commodities law and estimates that collections of civil monetary penalties (which are recorded as revenues in the federal budget) would increase by $2 million over the 2020-2029 period.

The bill contains private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA), but CBO cannot determine whether the aggregate cost of those mandates would exceed the threshold established in UMRA ($164 million in 2019, adjusted annually for inflation).

H.R. 4895 would impose several new requirements that would broaden current practices and impose small changes to administrative procedures. Specifically, those provisions would:

- Require swap execution facilities to consult and cooperate with other entities—including designated contract markets—that are registered with the CFTC concerning the rules that govern certain emergencies (such as liquidation and suspension of swaps).
- Require chief compliance officers at swap execution facilities to implement policies and procedures regarding conflicts of interest.
- Expand federal protections for whistleblowers and prohibit employers from retaliating against employees for disclosing information to their supervisors about violations of CFTC rules or regulations.

- Increase the net worth, income, and portfolio thresholds that investors must meet to trade in certain "sophisticated funds," including futures and hedge funds. Increasing the thresholds would raise the barriers to entry for such funds, thus restricting investors who seek to trade in such funds but not affecting the status of investors who currently trade in those funds.

CBO estimates that the cost for private entities to comply with those provisions would be small.

H.R. 4895 also would direct the CFTC to issue rules that would impose new requirements on private entities. Specifically, the bill would direct the CFTC to issue regulations establishing:

- Disclosure requirements that contract markets and swap execution facilities must follow to trade digital-commodity derivatives,
- Requirements that commodity brokers include cash, securities, and other inventory of their businesses in customer property in the event of the broker's bankruptcy; and
- Requirements that swap execution facilities publicly disclose information deemed necessary by the CFTC.

Because the CFTC has not yet established those rules, CBO cannot determine the costs to comply with these provisions.

The bill contains no intergovernmental mandates as defined in UMRA.

The CBO staff contacts for this estimate are David Hughes (for federal costs), Joshua Shakin (for revenues), and Rachel Austin (for mandates). The estimate was reviewed by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.