

115TH CONGRESS
2D SESSION

S. 3283

To require the appropriate Federal banking agencies to increase the risk-sensitivity of the capital treatment of certain centrally cleared exchange-listed options and derivatives, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 26, 2018

Mr. ROUNDS (for himself and Ms. DUCKWORTH) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To require the appropriate Federal banking agencies to increase the risk-sensitivity of the capital treatment of certain centrally cleared exchange-listed options and derivatives, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Options Markets Sta-
5 bility Act”.

6 **SEC. 2. RULEMAKING.**

7 Within 180 days of the date of enactment of this Act,
8 the Board of Governors of the Federal Reserve System,

1 the Federal Deposit Insurance Corporation, and the
2 Comptroller of the Currency shall, jointly, issue a pro-
3 posed rule, and finalize such rule within 360 days of the
4 date of enactment of this Act, to adopt a methodology for
5 calculating the counterparty credit risk exposure, at de-
6 fault, of a depository institution, depository institution
7 holding company, or affiliate thereof to a client arising
8 from a guarantee provided by the depository institution,
9 depository institution holding company, or affiliate thereof
10 to a central counterparty in respect of the client's per-
11 formance under an exchange-listed derivative contract
12 cleared through that central counterparty pursuant to the
13 risk-based and leverage-based capital rules applicable to
14 depository institutions and depository institution holding
15 companies under parts 3, 217, and 324 of title 12, Code
16 of Federal Regulations. In issuing such rule, the Board
17 of Governors of the Federal Reserve System, the Federal
18 Deposit Insurance Corporation, and the Comptroller of
19 the Currency shall consider—

- 20 (1) the availability of liquidity provided by mar-
21 ket makers during times of high volatility in the cap-
22 ital markets;
- 23 (2) the spread between the bid and the quote
24 offered by market makers;

1 (3) the preference for clearing through central
2 counterparties;

3 (4) the safety and soundness of the financial
4 system and financial stability, including the benefits
5 of central clearing;

6 (5) the safety and soundness of individual insti-
7 tutions that may centrally clear exchange-listed de-
8 rivatives or options on behalf of a client, including
9 concentration of market share;

10 (6) the economic value of delta weighting a
11 counterparty's position and netting of a counter-
12 party's position;

13 (7) the inherent risk of the positions;

14 (8) barriers to entry for depository institutions,
15 depository institution holding companies, affiliates
16 thereof, and entities not affiliated with a depository
17 institution or depository institution holding company
18 to centrally clear exchange-listed derivatives or op-
19 tions on behalf of market makers;

20 (9) the impact any changes may have on the
21 broader capital regime and aggregate capital in the
22 system; and

23 (10) consideration of other potential factors
24 that impact market making in the exchange-listed

1 options market, including changes in market struc-
2 ture.

3 **SEC. 3. REPORT TO CONGRESS.**

4 At the end of the 5-year period beginning on the date
5 the final rule is issued under section 2, the Board of Gov-
6 ernors of the Federal Reserve System shall submit to the
7 Committee on Financial Services of the House of Rep-
8 resentatives and the Committee on Banking, Housing, and
9 Urban Affairs of the Senate a report detailing the impact
10 of the final rule during such period on the factors de-
11 scribed under paragraphs (1) through (10) of section 2.

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