

SECTION-BY-SECTION FOR THE AMENDMENT IN THE NATURE OF A SUBSTITUTE FOR H.R. 1317  
TO AMEND THE COMMODITY EXCHANGE ACT AND FOR OTHER PURPOSES.

**Section 1. Treatment of Affiliate Transactions.**

Section 1(a) amends the Commodity Exchange Act to allow a Centralized Treasury Unit (CTU) affiliated with an end-user to qualify for the end-user clearing exemption, provided:

- the end-user qualifies for the end-user clearing exemption,
- the CTU is hedging the affiliated end-user's commercial risk, and
- the affiliated end-user is not a financial entity.

The section also requires the use of a credit support measure if the exempted swap is entered into with a swap dealer or major swap participant.

*All of Section 1(b) of the ANS reflects the amendments to HR 1317 made by the House Committee on Financial Services.*

Section 1(b)(1) redesignates subparagraph (C) as subparagraph (E)

Section 1(b)(2) amends the Security Exchange Act to allow a Centralized Treasury Unit (CTU) affiliated with an end-user to qualify for the end-user clearing exemption, provided:

- the CTU does not hedge the commercial risk of a financial entity,
- the CTU is wholly owned by an entity which either qualifies for the end-user exemption or is not a financial entity,
- the CTU is not indirectly majority owned by a financial entity,
- the CTU is not ultimately owned by a parent company that is a financial entity,
- the CTU does not provide and services to a non-bank financial company supervised by the Federal Reserve Board of Governors,
- the CTU is not a financial entity,
- the CTU does not have an affiliate which is a swap dealer, security-based swap dealer, major swap participant, or major security-based swap participant
- the CTU only hedges or mitigates commercial risk,
- the CTU or any affiliate does not enter into any transaction with or on behalf of and affiliate which is a financial entity, and
- the CTU or any affiliate does not combine or consolidate the risks entered into by any financial entity

Section 1(b)(3) requires that and security-based swap transaction entered into by a CTU under Section 1(b)(2) be subject to a centralized risk management program which can monitor and manage the associated transactions and identify each end-user affiliate on whose behalf each security-based swap was initiated.