

AMENDMENT TO H.R. _____

OFFERED BY MR. FOSTER OF ILLINOIS

At the end of the bill, add the following:

1 **Subtitle C—Miscellaneous**

2 **SEC. 191. STUDY ON FEASIBILITY OF REQUIRING USE OF**
3 **STANDARDIZED ALGORITHMIC DESCRIP-**
4 **TIONS FOR FINANCIAL DERIVATIVES.**

5 (a) IN GENERAL.—The Securities and Exchange
6 Commission and the Commodity Futures Trading Com-
7 mission shall conduct a joint study of the feasibility of re-
8 quiring the derivatives industry to adopt standardized
9 computer-readable algorithmic descriptions which may be
10 used to describe complex and standardized financial de-
11 rivatives.

12 (b) GOALS.—The algorithmic descriptions defined in
13 the study shall be designed to facilitate computerized anal-
14 ysis of individual derivative contracts and to calculate net
15 exposures to complex derivatives. The algorithmic descrip-
16 tions shall be optimized for simultaneous use by:

- 17 (1) commercial users and traders of derivatives;
18 (2) derivative clearing houses, exchanges and
19 electronic trading platforms;

1 (3) trade repositories and regulator investiga-
2 tions of market activities; and

3 (4) systemic risk regulators.

4 The study will also examine the extent to which the algo-
5 rithmic description, together with standardized and exten-
6 sible legal definitions, may serve as the binding legal defi-
7 nition of derivative contracts. The study will examine the
8 logistics of possible implementations of standardized algo-
9 rithmic descriptions for derivatives contracts. The study
10 shall be limited to electronic formats for exchange of deriv-
11 ative contract descriptions and will not contemplate disclo-
12 sure of proprietary valuation models.

13 (c) INTERNATIONAL COORDINATION.— In conducting
14 the study, the Securities and Exchange Commission and
15 the Commodity Futures Trading Commission shall coordi-
16 nate the study with international financial institutions and
17 regulators as appropriate and practical.

18 (d) REPORT.—Within 8 months after the date of the
19 enactment of this Act, the Securities and Exchange Com-
20 mission and the Commodity Futures Trading Commission
21 shall jointly submit to the Committees on Agriculture and
22 on Financial Services of the House of Representatives and
23 the Committees on Agriculture, Nutrition, and Forestry
24 and on Banking, Housing, and Urban Affairs of the Sen-

- 1 ate a written report which contains the results of the study
- 2 required by subsections (a) through (e).

