Testimony of Paul Saltzman, President

The Clearing House Association L.L.C.

Subcommittee on General Farm Commodities and Risk Management

House Committee on Agriculture

March 28, 2012

Chairman Conaway, Ranking Member Boswell and members of the subcommittee, my name is Paul Saltzman, and I am President of The Clearing House Association L.L.C. ("The Clearing House"). I appreciate the invitation to appear before you this morning to share The Clearing House's views on the important legislation currently pending before your subcommittee.

Established in 1853, The Clearing House is the oldest banking association in the United States. We are a nonpartisan advocacy organization and represent our owner banks on a variety of legal, legislative, and regulatory issues. Our members include the largest U.S. commercial banking organizations, including large regional banks, as well as several leading non-U.S. domiciled banks. I am also Executive Vice President and General Counsel of our affiliate, The Clearing House Payments Company L.L.C., which provides payment, clearing, and settlement services to its member banks and other financial institutions. The Clearing House Payments Co. clears almost $2 trillion and 63 million transactions every day in automated-clearing-house, funds-transfer, and check-image payments made in the United States.

The Clearing House has been asked to testify today on two of the three legislative proposals on this morning's hearing agenda. But before I do that, I would like to make clear that we are not here today to advocate for any fundamental changes to the basic protections that are embodied in Title VII of the Dodd-Frank Act ("Dodd-Frank"). Nor does The Clearing House take issue with the overarching policy goals expressed by Congress in Title VII to increase transparency in the derivatives markets; identify and mitigate against risk in the financial system; and promote overall market integrity.

On the contrary, we fully embrace those goals. Instead, I am here today, on behalf of The Clearing House and its members, to express our strong support for two thoughtful, targeted, balanced, and bipartisan bills, neither of which would in any way undermine the new regulatory regime established by Title VII. The two bills are H.R. 1838, which would amend the so-called bank derivatives "push-out" provisions of Section 716 of Dodd-Frank ;[1] and H.R. 3283, the "Swaps Jurisdiction Certainty Act." We strongly support both bills and urge their swift passage. These carefully crafted, bipartisan proposals would provide clarity and help avoid unintended consequences. The first bill, H.R. 1838, would clarify the scope of swaps and security-based swaps activities that may be conducted in a bank and would clearly extend the exemptions to the push-out requirement in Section 716 to uninsured U.S. branches and agencies of non-U.S. banks. The second bill, H.R. 3283, would clarify the extent to which the requirements of Title VII applicable to swap and security-based swap transactions would apply extraterritorially and to inter-affiliate transactions. These bills will enhance the efficiency of the risk management services provided by banks to their commercial counterparties, and facilitate the banks' management of the risks to which they are exposed in their business activities.

Although some of the concerns targeted by these bills could potentially be addressed through appropriately tailored regulations and interpretations by the Commodity Futures Trading Commission ("CFTC"), the Securities and Exchange Commission ("SEC"), and the prudential bank supervisors, we strongly believe that enactment of these two bipartisan bills is a better approach, which will provide greater certainty and address any limitations on the authority of the regulators. Moreover, the bills would provide needed clarity regarding the scope of these particular Title VII provisions and the Congressional intent underlying them.

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[1] As requested, this testimony addresses the bipartisan substitute amendment to H.R. 1838, adopted in the Financial Services Committee on Feb. 16, 2012, not H.R. 1838 as originally introduced on May 11, 2011.

In short, we believe these bills provide balanced and reasonable solutions to serious risks posed by the swaps push-out provision and the application of certain Title VII requirements to extraterritorial and inter-affiliate transactions, targeting, in each case, the most troublesome, and likely unintended, consequences.

Swaps Push-Out and H.R. 1838

Section 716

In general, and unless amended prior to its effective date,[2] Sec. 716 will require that U.S. insured depository institutions and U.S. branches and agencies of non-U.S. banks "push out" certain types of swaps dealing activity from the bank (or the branch). Sec. 716 provides exemptions for "insured depository institutions" (but not explicitly for uninsured U.S. branches and agencies, as discussed below) that would permit them to engage in (i) hedging and risk-mitigating swaps activity; and (ii) swaps involving rates, currencies, and other underlying assets that are permissible for national banks, including cleared credit default swaps. However – and importantly for commercial and agricultural end users throughout the country – most commodity swaps currently conducted by banks,[3] both large and small, are subject to the push-out requirement in Sec. 716.

H.R. 1838 would amend Section 716 to:

- permit banks to engage in swap activity for hedging and other similar risk mitigating activities that are directly related to the bank's activities;
- permit banks to engage in swaps and security-based swaps activity other than most types of structured finance swaps;

[2] Although there is some ambiguity regarding whether Sec. 716 is effective two years after the date of enactment of Dodd-Frank (which would be July 2012) or two years after the effective date of Title VII (which would be July 2013), we believe the better reading of the statutory language is that Sec. 716 is effective two years after the effective date of Title VII. That July 16, 2013 is the effective date is supported by the legislative history of the provision in which Senator Lincoln stated that the effective date of the provision is two years from the effective date of the *title*. (Cong. Rec., July 15, 2010, S5922)

[3] As noted above, banks would not be prohibited from engaging in swap dealing activity with respect to swaps with bank-permissible commodity reference assets, such as precious metals, or with respect to hedging and risk-mitigating activities.

- eliminate any ambiguity that the exemptions from the requirement to push-out swaps activity that are clearly available to insured depository institutions are also available to uninsured U.S. branches and agencies of non-U.S. banks; and
- clarify that the push-out requirement does not apply to swap or security-based swap activity outside the United States between a non-U.S. swap entity, which includes a non-U.S. branch of a U.S. depository institution or a non-U.S. subsidiary, and a non-U.S. counterparty.

Benefits of H.R. 1838

Because H.R. 1838 would permit banks to continue to engage in a wider range of swaps and security-based swaps activity without creating safety and soundness risk, it would be a significant step towards addressing concerns that have been raised regarding the negative unintended consequences of Sec. 716. Indeed, U.S. bank regulators have raised concerns about the potential harm the push-out requirement could have on the safety and soundness of institutions that are subject to its prohibition, as well as its potential to increase systemic risk. For example, in a May 12, 2010, letter to the Chairman of the Senate Banking Committee, Chairman Bernanke wrote the following: "Section 716 would force derivatives activities out of banks and potentially into less regulated entities … The movement of derivatives to entities outside the reach of the Federal supervisory agencies would increase, rather than reduce the risk to the financial system." Similarly, then-Chairman of the Federal Deposit Insurance Corporation ("FDIC") Sheila Bair, in an April 30, 2010, letter to then-Senators Dodd and Lincoln, took issue with the entire concept of pushing derivatives activities out of the bank and warned that "one unintended outcome of this provision would be weakened, not strengthened, protection of the insured bank and the Deposit Insurance Fund."

Promotes Efficient Risk Management

As a general matter, customers prefer to engage in derivatives transactions with banks, rather than their non-bank affiliates, because banks are typically more comprehensively regulated and more highly-rated entities with stronger credit than their non-bank counterparts and can therefore offer lending and derivative products at reduced cost and with greater security. In addition, end-users

typically establish relationships with one or a limited number of banks and then depend on those banks to service their hedging and other derivatives needs. This approach has the advantages of allowing end-users to work with banks that understand their businesses, needs and objectives, and have previously reviewed and made determinations with respect to the end user's credit. In addition, end-users are able to execute transactions based on agreements and documentation already in place with their banks, without the need for separate review and negotiation of new documentation. To the extent that end-users would be required to establish relationships with additional banks for one-off transactions, or for transactions in particular product categories, the process will become slower, more costly and less efficient and will impede the end-users' ability to engage in necessary hedging activities.

H.R. 1838 would avoid this result by allowing U.S. banking organizations to provide their customers with a wider range of products and services and maintain the scope of banks' lending opportunities. By permitting a greater range of swaps activity in the bank, H.R. 1838 would also help maintain other benefits that are derived from centralizing the activity in a single entity. In particular, these additional benefits include the ability to set-off in the event of a default where lending and derivatives activities are conducted in the same entity and the cost savings to customers by restoring certain netting opportunities, which can reduce their collateral obligations without increasing risks to the bank or systemic risks. This in turn, as noted above, facilitates more efficient and effective risk management by banks and their counterparties. For example, a commercial agricultural producer might enter into swaps on agricultural commodities with its bank counterparty in order to hedge its price risk to agricultural commodities arising from its production of such commodities. If that activity is subject to push-out, as it would be under Section 716, and the agricultural entity is also entering into interest rate swaps with the bank to hedge its financing risks, it will no longer be able to net the exposures arising in connection with the two types of transactions. The agricultural entity will therefore not be able to net its agricultural swaps against its interest rate swaps, which will increase its margin requirements,

thereby making its hedging more costly -- and potentially not cost-effective at all -- and exposing it to greater risk in the event of a default by the bank. These results would increase systemic risk, reduce hedging opportunities (or make them more costly) and serve no purpose in providing greater protection to the markets or market participants.

Promotes U.S. Bank Competitiveness

Enactment of H.R. 1838 would also be a key step towards lessening the competitive disadvantage that U.S. banks would face under Sec. 716, as compared to their non-U.S. bank counterparts that are not subject to similar requirements – and likely never will be. Indeed, there is a general and growing recognition that the swaps push-out provision is highly unlikely to be adopted in any other jurisdiction in any form, as Federal Reserve Board Governor Tarullo recently acknowledged in testimony before the Senate Banking Committee. Similarly, nearly two years ago, Chairman Bernanke warned Congress that "foreign jurisdictions are highly unlikely to push derivatives out of their banks."[4] In light of this practical reality, the broadening of the scope of swap activities that a bank may continue to engage in reflected in H.R. 1838 is even more critical, especially relative to the lending business. In this regard, U.S. banks could be placed at a serious competitive disadvantage in their traditional lending businesses if borrowers migrate their loans to non-U.S. banks in order to realize the benefits of set-off between their loans and their swaps exposure. Set-off and netting are just as important to customers as they are to banks.

Clarifies Treatment of U.S. Banks' Non-U.S. Operations

H.R. 1838 would also appropriately clarify that Sec. 716 does not limit the swaps activities of foreign branches of U.S. banking organizations. We believe this clarification to be wholly consistent with the Congressional intent underlying Sec. 716. Indeed, the legislative history of Sec. 716

[4] In fact, some non-U.S. jurisdictions actually require that derivatives transactions be conducted in the bank, as opposed to an affiliate, in part because of the supervisory benefits cited by Sheila Bair, among others.

is focused exclusively on domestic application and demonstrates no intent by Congress to extend the push-out requirement to the overseas branches of U.S. banks. Moreover, this clarification is consistent with longstanding precedent in U.S. banking law allowing U.S. banks to engage in a wider range of activities in their overseas branches than is permissible in their U.S. offices. Most importantly, however, extending the extraterritorial reach of Sec. 716 in this way would create undue and unnecessary competitive disadvantages for U.S. banks operating abroad, by limiting their ability to provide a full range of swaps to their overseas customers, which include overseas affiliates of their U.S. customers.

Clarifies Treatment of Non-U.S. Banks' U.S. Operations

Without the technical correction in H.R. 1838, the swaps push-out provision could also have a very negative impact on non-U.S. banking organizations with U.S. operations. As the result of an acknowledged drafting error in the statute[5], certain exemptions from Section 716 that permit banks to continue to engage in certain swaps activity may be available only to "insured depository institutions," a term that could be read to exclude the uninsured U.S. branches and agencies of non-U.S. banks. Accordingly, these exemptions may not apply to swaps activities conducted in these U.S. branches and agencies, which would leave all of their swaps activity potentially subject to the push-out requirement. This result would violate longstanding principles of national treatment and international comity and could, eventually, expose U.S. banks operating abroad to reprisals by foreign regulators. This issue is of most critical concern to The Clearing House member banks that are headquartered outside the United States, but it is an issue of concern for all of our members.

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[5] In a colloquy with Senate Banking Committee Chairman Dodd shortly after Senate passage of Dodd-Frank, Senator Blanche Lincoln, who was the principal author of Sec. 716, acknowledged a "significant oversight" in the technical drafting of Sec. 716 but stated unequivocally that Congress intended the exemptions for "insured depository institutions" to be available also to the U.S. branches of non-U.S. banks. (156 Cong. Rec., S5869, 5903-5904 (daily ed. July 15, 2010))

As noted above, we believe H.R. 1838, as reported in overwhelmingly bipartisan fashion by the Financial Services Committee, is a balanced and reasonable approach to addressing the unintended consequences of Section 716. It is also an important step towards competitive equity—extending exemptions to the push-out requirement to uninsured U.S. branches of non-U.S. banks and clarifying that the push-out prohibition does not apply to the non-U.S. operations of U.S. banking organizations. This would be reinforced by the clarification of the extraterritorial application of Title VII in H.R. 3283, described below. Moreover, as noted earlier, enactment of this legislation would in no way undermine Title VII's enhanced regulatory scrutiny of derivatives or compromise bank safety and soundness.[6] These modifications to Sec. 716 are critically important, both to the banking industry, end users, and our overall economy, and we strongly support their enactment.

Extraterritorial Application of Title VII and H.R. 3283

Effect of H.R. 3283

H.R. 3283[7] would provide clarity regarding the scope of Title VII's requirements by:

- Clearly defining who is a U.S. person and subjecting only those transactions that involve U.S. persons to the transaction-level requirements of Title VII. Importantly, agencies or branches of a U.S. person located outside the United States would be non-U.S. persons provided that they are established for valid business reasons and subject to substantive regulation in the local jurisdiction;

- Permit a non-U.S. swap dealer or security-based swap dealer to meet Title VII's capital requirements by complying with comparable home country standards; and

- Clarify that the transaction-level requirements of Title VII do not apply to inter-affiliate transactions.

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6 Congressman Barney Frank strongly backed this bipartisan substitute in the Financial Services Committee and had this to say during the full committee markup last month: "passing this bill … will not in any way, shape or form reduce sensible regulation of derivatives. It will not increase any exposure to the financial system from derivatives. [Sec. 716] was an unnecessary and, I think, somewhat unwise amendment. The bill before us … will restore this to what I think is the appropriate balance." Congressman Frank also noted that the legislation would in no way alter the application of the basic substantive regulatory requirements of Title VII (i.e., swap dealer registration, capital and margin requirements, and execution and clearing).

7 This testimony addresses the text of H.R. 3283, as introduced on Oct. 31, 2011.

Extraterritorial Application

H.R. 3283 provides important clarity regarding the extent to which Title VII may be applied to activities conducted outside the United States—a critical issue for U.S. and non-U.S. banking organizations alike, and one that has raised concerns in the banking industry, on both sides of the aisle in Congress, and among U.S. and non-U.S. regulators. Although Title VII's extraterritorial impact on U.S. and non-U.S. banking organizations would differ, the effects would be felt across all banking organizations and would have a negative impact on the U.S. financial markets.

The statute itself makes clear that the requirements of Title VII do not apply to activity outside the United States unless such activity has a "direct and significant connection with activities in, or effect on, commerce of the United States" or to prevent evasion of U.S. law and regulation. Application of Title VII's requirements to U.S. banking organizations' operations outside of the U.S. would run contrary to this statutory prohibition and would place U.S. banks at a significant competitive disadvantage to their non-U.S. counterparts in the global markets. In addition, broad extraterritorial application of Title VII could very well result in non-U.S. banking organizations pulling this activity, and potentially their banking activities as well, out of the United States.

Absent the statutory clarification provided in this legislation, the CFTC or SEC could apply Title VII broadly to U.S. banks' non-U.S. operations in a manner inconsistent with the statutory limitations set out in Title VII. Specifically, certain statements by the CFTC indicate an intent to apply the Title VII requirements both to non-U.S. subsidiaries of U.S. financial institutions, as well as to non-U.S. branches of U.S. banks that register as swap dealers, even when the activity conducted by such non-U.S. operations occurs entirely outside of the United States. For example, with respect to a U.S. banking organization registered as a swap dealer, this could mean that even transactions entered into by a non-U.S. branch of such U.S. bank with a non-U.S. person may be subject to all the transaction-level requirements of Title VII (including, most significantly, margin requirements) even when the transactions

take place entirely outside the United States. Moreover, these non-U.S. transactions could potentially become subject to U.S. execution and clearing requirements, which is impractical and would not advance U.S. policy interests. For non-U.S. banking organizations, Title VII requirements, if applied broadly, may be imposed on their overseas transactions. These results are particularly inappropriate given the fact that activities of non-U.S. branches of U.S. banks are subject to the jurisdiction of, and robust prudential supervision by, U.S. bank regulators.

An extraterritorial application of these requirements would create an unlevel playing field for U.S. banking organizations that compete outside the United States with non-U.S. banks that would not be required to register as swap dealers under Title VII or would not be subject to all of Title VII's requirements. The competitive disadvantage that U.S. banking organizations would likely face would be particularly pronounced through the application of Title VII margin requirements to swaps conducted between two non-U.S. counterparties. An example of the adverse impact the uneven application of margin requirements could have is evident in the prudential regulators' proposed rules regarding margin requirements for uncleared swaps. Those proposed rules provide for an exemption from margin requirements that would otherwise apply to a swap conducted between a non-U.S. swap dealer and a non-U.S. counterparty, subject to certain conditions. However, non-U.S. subsidiaries of U.S. financial institutions may not avail themselves of this exemption. The competitive disadvantages raised by such a limited exemption are obvious: if non-U.S. counterparties are required to post margin on their derivatives transactions with the non-U.S. branches and subsidiaries of U.S. banking organizations, these transactions are likely to migrate to non-U.S. competitors that do not have the same margin requirements.

Extending the scope of Title VII to non-U.S. transactions will also have a negative impact on commercial end-users and will make their hedging activities more costly and less efficient. For example, if the Title VII scope of application were to extend to a non-U.S. branch of a U.S. bank, or a

non-U.S. bank operating outside the U.S., and an end-user that is a non-U.S. subsidiary of a U.S. parent wishes to trade with that branch or bank, its transactions would become more costly, due to the associated compliance obligations. That, in turn, potentially makes the end-user's hedging less effective.

Although the scope of extraterritorial application of Title VII remains uncertain, subject to final rulemaking and regulatory interpretation, H.R. 3283 would be helpful in more clearly defining Title VII's scope. Resolution of this issue is critical because today's swap markets are global, and conflicting or overlapping requirements across jurisdictions harm all market participants. We recognize and appreciate the ongoing efforts among regulators to work towards global harmonization of the OTC derivatives regimes. At this point, however, broad harmonization of requirements across all jurisdictions most active in these markets remains unlikely. Even if such international harmonization could be achieved, U.S. requirements are likely to become effective earlier, which would subject U.S. banking organizations to a substantial competitive disadvantage before comparable requirements emerge (if at all) in other jurisdictions. Once lost, experience suggests that these relationships will never return.

Inter-affiliate Transactions

The treatment of inter-affiliate swaps transactions under Title VII is also of critical importance to all banking organizations. Title VII itself does not differentiate between affiliate and non-affiliate swap transactions and, as a result, it remains unclear whether the full range of requirements would apply to affiliate transactions.

U.S. and non-U.S. banking organizations alike rely on inter-affiliate swaps transactions for internal hedging and risk management purposes. Imposing requirements such as margin on these trades may increase operational and credit risk associated with the transactions with no offsetting benefits to the institutions themselves or U.S. financial stability, and imposing clearing and execution

requirements on these transactions would effectively eliminate their utility. These inter-affiliate transactions do not threaten the safety and soundness of the individual institutions nor do they contribute to systemic risk.

These amendments would in no way undermine the overarching goals of Title VII to increase transparency in the derivatives markets, to mitigate against systemic risk in the broader financial system, and to promote overall market integrity.

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Conclusion

In summary, The Clearing House and its members strongly endorse swift passage and enactment of these two bipartisan bills, each of which is carefully crafted to address these specific but significant concerns in a manner that does not imperil financial stability, undermine the regulation of derivatives or the safety and soundness of our banks, or jeopardize the international competitiveness of our institutions and markets. Mr. Chairman, The Clearing House and its members stand ready to assist you in this endeavor in any way we can. Again, we appreciate your invitation to testify before you today and would be pleased to answer any questions you may have.

The Clearing House®

Executive Biography

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Paul Saltzman is President of The Clearing House Association and Executive Vice President, General Counsel of The Clearing House Payments Company, the oldest and largest private sector payments operator in the United States. Mr. Saltzman oversees the legal, compliance, and litigation functions for the organization's payments business and leads the strategic agenda and operations of The Clearing House Association ("Association"), a not-for-profit, membership-based business league. The Association represents the interests of The Clearing House's commercial bank ownership on a diverse range of legal, tax, finance, legislative and regulatory matters through position papers, comment letters, and *amicus curiae* briefs. Under Mr. Saltzman's stewardship, the Association has emerged as the advocacy leader for the largest commercial banks in the United States and has been recognized for its development of a research and data-driven approach to legislative and regulatory advocacy. According to the *American Banker,* The Clearing House has "emerged as a major voice" on regulatory and policy issues affecting the banking sector and has provided a "new leadership model" for banking industry trade associations.

Mr. Saltzman has 25 years of experience in financial services, industry association management, and emerging technology development. For nearly a decade, Mr. Saltzman served as Executive Vice President and General Counsel for the Bond Market Association (now SIFMA), where he developed and steered the regulatory and legal agenda for the fixed-income industry. Under his direction, the Bond Market Association significantly increased its visibility and credibility with legislators and regulators. Among other notable achievements, Mr. Saltzman is credited with helping to lead the bond markets back to operation just 48 hours after the 9/11 attacks and establishing the organization's European presence.

Prior to joining The Clearing House, Mr. Saltzman was the Managing Director and General Counsel of Ellington Management Group, a leading alternative investment manager specializing in asset-backed securities and derivatives, where he was in

charge of all aspect of the company's legal, compliance, litigation and documentation functions, and Executive Vice President and Chief Operating Officer of Espeed, Inc., a publicly traded electronic marketplace with over 400 employees, where he successfully increased revenues, net income and market share. Mr. Saltzman was also formerly an in-house counsel for Greenwich Capital Markets and Kidder Peabody and Co., as well as an attorney specializing in structured finance at the international law firm of Skadden, Arps, Slate, Meagher & Flom LLP.

Mr. Saltzman is a graduate of Clark University, received his Juris Doctor from Boston University School of Law and is admitted to the bar in the State of New York. He is a member of the New York City, New York State, and American Bar Associations and serves on the American Bar Association Banking Law Committee, the University of North Carolina Banking Law Institute Advisory Committee, the Board of Advisors of the Center for Finance, Law & Policy at Boston University, the Clark University Liberal Education and Effective Practice Advisory Committee and the Muhlenberg College Parents Advisory Council. Mr. Saltzman is also a member of the Washington D.C.-based Exchequer Club, which brings together leaders in the legal and financial services community and is a frequent lecturer and speaker at conferences and events including those sponsored by the Practising Law Institute, the International Centre for Financial Regulation and the Conference of State Banking Supervisors.

Previously, Mr. Saltzman has served on the boards of the Duke University Global Capital Markets Center, the Institute for Financial Markets, the SEC Historical Society, SIFMA and Pro Bono Partnership, a leading provider of free legal services and resources to non-profit community-based organizations throughout the Tri-state area. Mr. Saltzman has also served as the Chairman of SIFMA's Brokers Advisory Committee.

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2009.

Name: Paul Saltzman

Organization you represent (if any): The Clearing House

1. **Please list any federal grants or contracts (including subgrants and subcontracts) <u>you</u> have received since October 1, 2009, as well as the source and the amount of each grant or contract. House Rules do <u>NOT</u> require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:**

Source: N/A **Amount:**

Source: **Amount:**

2. **If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) <u>the organization</u> has received since October 1, 2009, as well as the source and the amount of each grant or contract:**

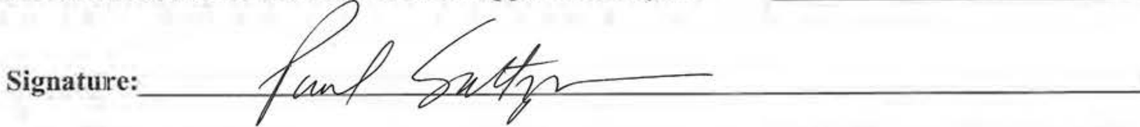
Source: FDIC **Amount:** $0

Source: Federal Reserve Bank of Atlanta (2) **Amount:** $0/$0

(See Attached)

Please check here if this form is NOT applicable to you: ______

Signature:



* Rule XI, clause 2(g)(5) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

THE CLEARING HOUSE PAYMENTS COMPANY L.L.C.

AGREEMENTS ENTERED INTO SINCE OCTOBER 1, 2009, WITH FEDERAL AGENCIES OR INSTRUMENTALITIES

DATE	AGENCY OR INSTRUMENTALITY	AMOUNT	NOTES
Dec. 3, 2009	FEDERAL DEPOSIT INSURANCE CORPORATION	$0.00	Confidentiality agreement.
June 1, 2010	FEDERAL RESERVE BANK OF ATLANTA	$0.00	Reciprocal intellectual property license agreement.
Jan. 27, 2011	FEDERAL RESERVE BANK OF ATLANTA	$0.00	EBIDS system operation and service agreement.