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B-325751

April 25, 2014

The Honorable Tim Johnson
Chairman
The Honorable Mike Crapo
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Jeb Hensarling
Chairman
The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
House of Representatives

Subject: *Federal Reserve System: Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Federal Reserve System (Federal Reserve) entitled “Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations” (RIN: 7100-AD-86). We received the rule on April 10, 2014. It was published in the *Federal Register* as a final rule on March 27, 2014, with a stated effective date of June 1, 2014. 79 Fed. Reg. 17,240.

The final rule implements certain of the enhanced prudential standards required to be established under section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act¹ for bank holding companies and foreign banking organizations with total consolidated assets of \$50 billion or more. The enhanced prudential standards include risk-based and leverage capital requirements, liquidity standards, requirements for overall risk management (including establishing a risk committee), stress-test requirements, and a 15-to-1 debt-to-equity limit for companies that the Financial Stability Oversight Council (Council) has determined pose a grave threat to financial stability. The rule also establishes risk-committee requirements and capital stress-testing requirements for certain bank holding companies and foreign banking organizations with total consolidated assets of \$10 billion or more. The rule does not impose enhanced prudential standards on nonbank financial companies designated by the Council for supervision by the Federal Reserve.

The Congressional Review Act (CRA) requires a 60-day delay in the effective date of a major rule from the date of publication in the *Federal Register* or receipt of the rule by Congress, whichever is later. 5 U.S.C. § 801(a)(3)(A). This final rule was published in the *Federal*

¹ 12 U.S.C. § 5365.

Register on March 27, 2014, received by the Senate on April 9, 2014, and received by the House of Representatives on April 10, 2014. 79 Fed. Reg. 17,240; 159 Cong. Rec. S2377 (Apr. 10, 2014); 159 Cong. Rec. H3193 (Apr. 10, 2014). The rule has a stated effective date of June 1, 2014. Therefore, this final rule does not have the required 60-day delay in effective date under CRA.

Enclosed is our assessment of the Federal Reserve's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Other than the 60-day delay, our review of the procedural steps taken indicates that the Federal Reserve complied with the applicable requirements.

If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shirley A. Jones, Assistant General Counsel, at (202) 512-8156.

signed

Robert J. Cramer
Managing Associate General Counsel

Enclosure

cc: Linda Robertson
Assistant to the Board of Governors
of the Federal Reserve System

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
FEDERAL RESERVE SYSTEM
ENTITLED
"ENHANCED PRUDENTIAL STANDARDS FOR
BANK HOLDING COMPANIES AND
FOREIGN BANKING ORGANIZATIONS"
(RIN: 7100-AD-86)

(i) Cost-benefit analysis

According to its submission to us, the Federal Reserve System (Federal Reserve) did not prepare an analysis of the costs and benefits with respect to this rule.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

The Federal Reserve determined that this final rule will not have a significant economic impact on a substantial number of small entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

As an independent regulatory agency, the Federal Reserve is not subject to title II of the Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

The Federal Reserve invited comment on two separate proposals to implement the enhanced prudential standards included in this final rule. On January 5, 2012, the Federal Reserve published proposed rules to implement the provisions of sections 165 and 166 of the Dodd-Frank Act for bank holding companies with total consolidated assets of \$50 billion or more and for nonbank financial firms supervised by the Federal Reserve (domestic proposal). 77 Fed. Reg. 594. On December 28, 2012, the Federal Reserve invited comment on proposed rules to implement the provisions of sections 165 and 166 of the Dodd-Frank Act for foreign banking organizations with total consolidated assets of \$50 billion or more and foreign nonbank financial companies supervised by the Federal Reserve (foreign proposal). 77 Fed. Reg. 76,628.

The Federal Reserve received over 100 public comments on the domestic proposal and over 60 public comments on the foreign proposal. Comments were received from U.S. and foreign firms, public officials (including Members of Congress), public interest groups, private individuals, and other interested parties. While many commenters expressed support for the broad goals of the proposed rules, some commenters criticized specific aspects of the proposals. Where it deemed appropriate, the Federal Reserve made adjustments to the final rule in response to the commenters' concerns.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

The Federal Reserve determined that this final rule contains an information collection requirement under the Order, which has Office of Management and Budget (OMB) Control Number 7100-0350. The Federal Reserve reviewed the final rule under the authority delegated to the Federal Reserve by OMB. In the final rule, the Federal Reserve invited comments on the burden estimate under the Act. The Federal Reserve estimated the current annual burden to be 59,320 hours (48,080 hours for initial setup and 11,240 hours for ongoing compliance), and estimated the annual burden for the revisions only to be 59,226 hours (31,990 hours for initial setup and 27,236 hours for ongoing compliance). This results in a total estimated annual burden of 118,546 hours (80,070 hours for initial setup and 38,476 hours for ongoing compliance).

Statutory authorization for the rule

The Federal Reserve promulgated this final rule under the authority of sections 321 to 338a, 481 to 486, 1467a, 1818, 1828, 1831n, 1831o, 1831p-1, 1831w, 1835, 1844(b), 3101 to 3111, 3101 note, 3904, 3906 to 3909, 4808, 5362, 5365, 5367, and 5368 of title 12, United States Code.

Executive Order No. 12,866 (Regulatory Planning and Review)

As an independent regulatory agency, the Federal Reserve is not subject to review requirements of the Order.

Executive Order No. 13,132 (Federalism)

As an independent regulatory agency, the Federal Reserve is not subject to review requirements of the Order.