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DODD-FRANK REGULATIONS

Agencies' Efforts to Analyze and Coordinate Their Recent Final Rules

Why GAO Did This Study

The Dodd-Frank Act requires or authorizes various federal agencies to issue hundreds of rules to implement reforms intended to strengthen the financial services industry. Congress included a provision in statute for GAO to study these financial services regulations annually. This sixth annual report discusses (1) the regulatory analyses federal agencies conducted for the 30 rules issued pursuant to the Dodd-Frank Act that became effective between July 2015 and July 2016, (2) coordination among the regulators on these rules, and (3) indicators of the impact of select Dodd-Frank Act rules on financial market stability.

GAO assessed the extent to which regulators followed OMB's cost-benefit guidance for five major rules selected because they covered a variety of agencies and topics. GAO also examined coordination for three rules selected because they involved extensive interagency coordination and covered many regulators required to coordinate under the Dodd-Frank Act. GAO also reviewed documentation and interviewed regulatory staff.

What GAO Recommends

GAO makes no new recommendations but continues to monitor the implementation of five prior recommendations intended to improve, among other things, financial regulators' cost-benefit analysis, interagency coordination, and impact analysis associated with Dodd-Frank regulations. Not all regulators have implemented these recommendations.

View GAO-17-188. For more information, contact Lawrence Evans, Jr. at (202) 512-8678 or evansl@gao.gov.

What GAO Found

Federal financial regulators reported conducting the required regulatory analyses for rules issued pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) as part of the rulemaking process. For example, of the 30 rules GAO reviewed, which became effective between July 2015 and July 2016, the regulators analyzed the paperwork burden imposed for 12 rules for which they determined this analysis was required. For the remaining 18 rules, they determined that this analysis was not required or applicable. For instance, in some cases they determined that no new collection of information was required. As independent regulatory agencies, the federal financial regulators are not subject to executive orders requiring federal agencies to conduct detailed cost-benefit analysis in accordance with Office of Management and Budget (OMB) guidance, but regulators told GAO that they generally follow this guidance in spirit. GAO reviewed five of the nine rules considered major—that is, rules likely to result in an annual impact on the economy of \$100 million or more, among other things—and found that regulators addressed most key elements of OMB guidance in their regulatory analyses. For instance, these agencies generally quantified some costs related to these rules. However, they did not quantify benefits in each rule and noted data and other limitations to doing so. In 2011, GAO recommended that the regulators more fully incorporate OMB's regulatory guidance into their written rulemaking policies, but not all regulators have implemented this recommendation.

Regulators reported coordinating, as required or voluntarily, on 19 of the 30 rules GAO reviewed. The Dodd-Frank Act and the rulemaking process did not require regulators to coordinate on the remaining 11 rules. GAO focused in particular on coordination efforts involving three rulemakings: the Commodity Futures and Trade Commission's and the prudential regulators' rules on margin requirements for over-the-counter swaps, and the Bureau of Consumer Financial Protection's (CFPB) rule on integrated mortgage disclosures. For the swaps rules, regulators coordinated domestically and internationally and, according to regulators, they largely harmonized their respective rules. For the integrated mortgage disclosure rule, CFPB followed its internal guidance for coordinating with relevant agencies throughout the rulemaking process.

The full impact of the Dodd-Frank Act remains uncertain because some of its rules have not been finalized and insufficient time has passed to evaluate others. As of December 2016, regulators had issued final rules for about 75 percent of the 236 provisions of the act that GAO is monitoring. Using recently released data, GAO updated indicators from its prior reports, including those that monitor systemic risk characteristics of large U.S. bank holding companies. These indicators track changes in characteristics of these companies such as size, interconnectedness, leverage, and liquidity since the passage of the act to examine if the changes have been consistent with the goals of the act. While changes in the indicators are not necessarily evidence of the impacts of the act's provisions, trends in indicators suggested large bank holding companies have become larger but less vulnerable to financial distress.