CENTER FOR CAPITAL MARKETS
COMPETITIVENESS

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Mr. Robert deV. Frierson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Re: Enhanced Prudential Standards and Early Remediation Requirements for Covered Companies; FR Doc 1438 and RIN 7100-AD-86

Dear Mr. deV. Frierson:

The U.S. Chamber of Commerce ("Chamber") is the world's largest business federation, representing over three million companies of every size, sector, and region. The Chamber created the Center for Capital Markets Competitiveness ("CCMC") to promote a modern and efficient regulatory structure for capital markets to fully function in the 21st Century economy.

The CCMC previously submitted comments on the proposed rule regarding Enhanced Prudential Standards and Early Remediation Requirements for Covered Companies published by the Board of Governors of the Federal Reserve ("Board") on January 5, 2012, regarding the supervision of large bank holding companies ("Large BHCs") and nonbank financial companies designated by the Financial Stability Oversight Council ("FSOC") for supervision by the Board as systemically important financial institutions ("SIFIs").[1] More recently, we submitted comments on the proposed Enhanced Prudential Standards and Early Remediation Requirements for Foreign Banking Organizations and Foreign Nonbank Financial Companies published by the Board on December 14, 2012, regarding the supervision of foreign banking organizations and foreign nonbank financial companies (interchangeably

[1] Letter of April 30, 2012 from the Chamber to Ms. Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System commenting on *Enhanced Prudential Standards and Early Remediation Requirements for Covered Companies*; FR Doc 1438 and RIN 7100-AD-86.

referred to as "FBOs") designated by the FSOC for supervision by the Board as systemically important financial institutions.[2] Both of these comment letters detailed several concerns the CCMC had about these two proposals and their potential to have serious disruptive and adverse effects.

Along with our many substantive concerns, the Chamber's comments on these rulemakings expressed concern about the process associated with these proposals. Specifically, we noted that the proposals failed to provide a cost-benefit analysis. As we explained, in failing to do so, the proposals did not allow commenters to understand the economic impacts of the rules and standards under consideration. These procedural irregularities impaired the ability of commenters to provide the Board with informed comments on these two rulemakings. We write today to further explain these procedural concerns associated with the absence of a cost-benefit analysis in these proposed rules.

In addition to not comporting with the commitments that the Federal Reserve previously made concerning cost-benefit analysis as detailed in our comment letters, the absence of cost-benefit analysis for these proposals is inconsistent with the obligations of the Federal Reserve and other Federal banking agencies under the Riegle Community Development and Regulatory Improvement Act (Riegle Act, 12 U.S.C. §4802(a)). This law applies to all "Federal banking agencies" defined by cross-reference in Section 4801 of the Riegle Act (12 U.S.C. §1813) to include the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and Board of Governors of the Federal Reserve System. The Riegle Act mandates that "[i]n determining the effective date and administrative compliance requirements for new regulations that impose additional reporting, disclosure, or other requirements on insured depository institutions, each Federal banking agency *shall consider*, consistent with the principles of safety and soundness and the public interest—(1) any administrative burdens that such regulations would place on depository institutions, including small depository institutions and customers of depository institutions; and (2) the benefits of such regulations."[3]

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[2] Letter of April 30, 2013 from the Chamber to Mr. deV. Frierson, Secretary of the Board of Governors of the Federal Reserve System commenting on *Enhanced Prudential Standards and Early Remediation Requirements for Foreign Banking Organizations and Foreign Nonbank Financial Companies*; FR Doc 1438 and RIN-7100-AD-86.
[3] 12 U.S.C. §4802(a) (emphasis added).

The Federal banking agencies covered by the Riegle Act must meet these commitments whether or not they are raised by commenters in the course of a rulemaking because they are statutory requirements for their exercise of rulemaking authority by the relevant agencies that impose "additional reporting, disclosure, or other requirements on insured depository institutions." There can be no question that both the proposed Enhanced Prudential Standards for Covered Companies and for FBOs impose such additional obligations on insured depository institutions for purposes of the Riegle Act. As an organization representing both depository institutions and their customers, the CCMC has an interest in ensuring that regulators honor their obligations under the Riegle Act. We note that these requirements also apply to many of other regulations associated with implementation of the Dodd-Frank Act by the Federal Reserve and other Federal banking agencies, and not just the two proposals cited in this letter. To date, however, we have not seen the required cost-benefit analysis for any of these rulemakings.

We welcome the opportunity to discuss the cost-benefit analysis obligations of the Federal Reserve and other Federal banking agencies under the Riegle Act in relation to the Enhanced Prudential Standards Proposals for Covered Companies and FBOs and other pending and recently completed rulemakings by Federal banking agencies.

Sincerely,

Tom Quaadman