



CENTER FOR CAPITAL MARKETS
COMPETITIVENESS

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February 25, 2014

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

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Office of the Comptroller of the
Currency
250 E Street, SW
Washington, DC 20219

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Incentive Based Compensation Arrangements Docket No. R-1410, RIN No. 7100-AD69; RIN No. 3064-AD 56; Docket ID OCC-20110001; Release No. 34-64140; File No. S7-12-11

Dear Mr. de V. Frierson, Mr. Feldman, Ms. Murphy, and To Whom It May Concern:

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 Incentive Based Compensation Arrangements (“Proposed Incentive Based Compensation rules”) issued by the Board of Governors of the Federal Reserve (“Federal Reserve”), Federal Deposit Insurance Corporation (“FDIC”), Securities and

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Exchange Commission (“SEC”), and the Office of the Comptroller of the Currency (“OCC”) (also collectively “the regulators”).¹

Along with our many substantive concerns, the CCMC comments on the Proposed Incentive Based Compensation rules expressed concern about the process associated with these proposals. Specifically, we noted that the Proposed Incentive Based Compensation rules 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 regulators with informed comments on the Proposed Incentive Based Compensation rules. We write today to further explain these procedural concerns associated with the absence of a cost-benefit analysis in these proposed rules.

The absence of cost-benefit analysis for the Proposed Incentive Based Compensation rules is inconsistent with the obligations of the Federal Reserve, FDIC, and OCC 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 OCC, FDIC and Federal Reserve. 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.”²

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

¹ See CCMC comment letters of May 31, 2011 and July 13, 2011 as well as a coalition comment letter of May 23, 2011.

² 12 U.S.C. §4802(a) (emphasis added).

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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 Incentive Based Compensation rules 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 proposed rule cited in this letter. To date, however, we have not seen the required cost-benefit analysis for the Proposed Incentive Based Compensation rules.

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 Proposed Incentive Based Compensation rules and other pending and recently completed rulemakings by Federal banking agencies.

Sincerely,

A handwritten signature in black ink, appearing to read 'T. Quaadman', with a long, sweeping horizontal stroke extending to the right.

Tom Quaadman