

# GAO Highlights

Highlights of [GAO-14-67](#), a report to congressional addressees

## Why GAO Did This Study

The 2010 Dodd-Frank Act requires or authorizes various federal agencies to issue hundreds of rules to implement reforms intended to strengthen the financial services industry. As amended by Public Law No. 112-10, the act also mandates that GAO annually study financial services regulations. This report examines (1) the regulatory analyses agencies conducted in their Dodd-Frank rulemakings; (2) interagency coordination on such rulemakings and by CFPB in its supervision activities; and (3) the possible impact of selected Dodd-Frank provisions and related rules and agency plans to assess Dodd-Frank Act rules retrospectively. GAO identified and reviewed 70 Dodd-Frank rules that became effective from July 24, 2012, through July 22, 2013, to determine whether the required regulatory analyses and coordination were conducted; examined CFPB's policies, procedures, and other materials; developed indicators on the impact of the act's systemic risk-related provisions and rules; conducted a regression analysis to assess the act's impact on large bank holding companies; and interviewed federal financial regulators and officials from the U.S. Department of the Treasury, the Financial Stability Oversight Council, and OMB.

## What GAO Recommends

GAO recommends that OMB issue guidance to help standardize CRA processes. OMB disagreed such guidance is needed, in part because GAO did not identify inconsistencies in major rule designations. GAO maintains that the identified process inconsistencies could lead to differing designations under CRA, and its recommendation helps ensure consistency in designating major rules.

View [GAO-14-67](#). For more information, contact A. Nicole Clowers at (202) 512-8678 or [clowersa@gao.gov](mailto:clowersa@gao.gov).

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## DODD-FRANK REGULATIONS

### Agencies Conducted Regulatory Analyses and Coordinated but Could Benefit from Additional Guidance on Major Rules

## What GAO Found

Federal agencies conducted the required regulatory analyses for all rules issued pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) that GAO identified and reviewed. However, the Office of Management and Budget (OMB), in coordination with the agencies, may not be consistently determining which rules are considered major rules under the Congressional Review Act (CRA). Under the act, Congress is allowed to review major rules before they become effective. The act outlines criteria for determining whether a rule is major, such as whether it will result in an annual effect on the economy of \$100 million or more. OMB is responsible for determining which rules are major under CRA but relies on agency analyses to help make the determination. OMB guidance does not address whether independent agencies should submit all rules for review or how they should apply major rule criteria. GAO found that some independent agencies submitted all their rules to OMB, but others did not. GAO also found inconsistencies in how these agencies applied the CRA criteria. For example, GAO found rules issued by different agencies that had similar economic impacts but were not similarly classified as major. These issues raise the risk of some rules not being properly classified as major, limiting Congress's ability to review these rules before they become effective.

Federal regulators coordinated on 49 rulemakings pursuant to the Dodd-Frank Act or voluntarily. As required by the act, the Consumer Financial Protection Bureau (CFPB) established a framework to coordinate its supervision activities with prudential regulators and is establishing a similar framework to coordinate with state regulators. In May 2012, CFPB and prudential regulators entered into an agreement that specifies how they plan to meet the act's coordination requirements for the supervision of large banks (i.e., more than \$10 billion in assets). CFPB has entered into similar agreements with state regulators to coordinate examinations of banks and nonbank financial entities.

The Dodd-Frank Act has not been fully implemented and its full impact remains uncertain. Using recently released data, GAO updated its prior report's indicators monitoring certain risk characteristics of large U.S. bank holding companies. Although changes in the indicators are not evidence of causal links to the act's provisions, some indicators suggest these companies, on average, have decreased their leverage and enhanced their liquidity since the act's passage. Moreover, GAO's updated regression analysis suggests that the act continued to have little effect on the funding costs of large U.S. bank holding companies but may have helped improve their safety and soundness. Based on its analysis of the act and market data, GAO also developed new indicators for this report to monitor the extent to which certain of the act's swap reforms are associated with their intended outcomes. These indicators establish baselines for measuring future changes. Finally, GAO examined federal financial regulators' plans to conduct retrospective reviews of their Dodd-Frank rules. Executive Order 13,579 asks independent agencies, including federal financial regulators, to develop plans to conduct retrospective reviews of existing rules that may be excessively burdensome or costly. Regulators have varied in their approaches and progress in developing and implementing such plans. Given the importance of such reviews, GAO recommended in 2011 that the regulators determine how they will measure the impact of Dodd-Frank regulations in their plans, but they have not done so to date. GAO maintains that doing so would position the regulators to make their future retrospective reviews as robust as possible.