



Research

What's Left in Dodd-Frank Implementation

SAM BATKINS | OCTOBER 13, 2014

Recently, President Obama [met with](#) financial regulators in an effort to push the final phases of Dodd-Frank regulation. After more than four years of implementation, the law still has dozens of rules left in the regulatory pipeline. According to American Action Forum (AAF) research, the remaining costs could easily top \$10 billion, with more than 5.1 million pending paperwork burden hours.

NOTABLE PENDING DODD-FRANK RULEMAKINGS

Rule	Total Cost	Paperwork Hours
Margin and Capital Requirements	\$5.2 Billion	24,747
Home Mortgage Disclosure	\$2.1 Billion	90,000
Disclosure by Resource Extraction Issuers	\$1.4 Billion	332,123
Security-Based Swap Registration	\$541 Million	420,000
Standards for Clearing Agencies	\$225 Million	14,124
Pay Ratio Disclosure	\$218 Million	545,792

The chart above contains the proposed, but not yet final rules, for which regulators quantified costs and paperwork hours. Thus, for the [95 rules](#) that regulators have still not yet proposed, the costs and benefits remain a mystery. The most burdensome rule on the list, Margin and Capital Requirements, lists opportunity costs upwards of \$5.2 billion for swaps. That is, banks will be forced to segregate certain funds into accounts. Curiously, the administration [does not estimate](#) a date for the final rule.

The Mortgage Disclosure proposal from the Consumer Financial Protection Bureau (CFPB) would require additional reporting requirements from financial institutions. CFPB estimates roughly \$2.1 billion in total costs, with annual costs eclipsing [\\$500 million](#). Again, there is [no timeline](#) for finalizing this rule.

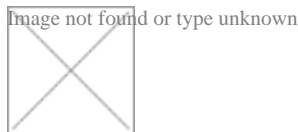
One rule on the list, regulating resource extraction, was already [struck down](#) in federal court. Judge John D. Bates found that the Securities and Exchange Commission (SEC) “abdicated its statutory responsibility” and

was “arbitrary and capricious” in its implementation of Dodd-Frank. Despite this forceful legal setback, SEC plans to publish a [second proposed rule](#) next March, but has no timeline for finalization.

The final rule listed, “Pay Ratio Disclosure,” like the resource extraction measure, had nothing to do with the financial crisis, but regulators have been busy with implementation despite the steep costs. The Pay Ratio proposal is essentially a shaming statute for data that [already exist](#): the ratio of employee compensation to CEO compensation. The costs for the redundant exercise of gathering compensation and benefits data for every employee top \$200 million, with roughly 500,000 paperwork burden hours. In spite of these burdens, SEC plans to finalize the rule sometime in [October 2014](#).

PAST AND PRESENT

Based on the law firm Davis Polk’s October [Dodd-Frank Progress Report](#), regulators have finalized 220 final rules out of 398 required rulemakings. The costs for these final rules started out slowly, with hardly any noticeable burdens in 2010. However, by 2012, Dodd-Frank costs escalated quickly. The graph below depicts Dodd-Frank’s regulatory costs by year.



Combined, the “Upcoming” burdens are at least \$10.3 billion in costs and 5.1 million hours, based on previous government estimates. That figure is likely to rise as regulators publish the remaining 95 rulemakings not even in the proposed form. With pending measures regulating [CEO pay](#) and performance, [compensation clawback](#), and additional [disclosure](#) requirements, expect costs and hours to escalate quickly.

CONCLUSION

During the President’s meeting with top financial regulators, he reportedly urged them to “stay the course.” However, business as usual with Dodd-Frank implementation means billions of dollars in higher costs, millions of more compliance hours, and additional barriers to [home ownership](#). Perhaps these are the reasons regulators refuse to give timelines for final rules and courts routinely strike down the expansive use of new regulatory power.