Solution

Opportunities to Streamline Financial Regulation

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From 1997 to 2008, financial regulatory growth increased by 17.8 percent and regulators have only accelerated this growth recently. After $847 million in Sarbanes-Oxley regulatory burdens and $29 billion in Dodd-Frank costs, regulatory accumulation in the financial sector has not been met with

attempts to streamline federal rules.

Recently, three financial regulators requested comments on how to identify and reform "outdated, unnecessary, or unduly burdensome" regulations. The Federal Reserve, Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptro

ller of the Currency (OCC) specifically want feedback on how to reform their applications and reporting regulations.

The American Action Forum (AAF) reviewed every paperwork requirement from the three agencies, totaling more than 36.7 million hours, and made the following observations:

- Electronic Reporting: Although not possible for all collections, data reveal there are 50 reporting requirements that include forms, yet are not available electronically. Between the three agencies, there are more than 100 forms that impose close to half-a-million hours of paperwork, but institutions cannot submit the requirements electronically.
- Review of Large Collections: There are two significant recordkeeping requirements that impose more than 3.7 million hours of paperwork. However, their burdens have remained virtually identical throughout history, despite opportunities for reform.
- Opportunities to Consolidate: AAF found plenty of specific statutory citations that had multiple paperwork requirements. For example, Dodd-Frank comprises a majority of OCC and FDIC's paperwork burden, leaving the potential for consolidation.

ELECTRONIC REPORTING

The paucity of electronic reporting is not just a problem for financial regulators. According to the administration, there are 9,272 recordkeeping or reporting requirements. Of these, only 3,910 "can be submitted electronically," or just 42 percent. In the year 2014, it makes little sense to have a majority of reporting requirements in paper form.

For financial regulators, AAF found 50 paperwork requirements that could not be submitted electronically. However, the distribution was uneven among the three agencies. OCC has just three, compared to 33 from the Federal Reserve, and 14 from FDIC that could not be submitted electronically.

Combined, these agencies had 102 forms unavailable for electronic submissions and the reasons for this remain unclear. One OCC collection, "Municipal Securities Dealers," requires entities "to notify the appropriate Federal regulatory agencies of their broker/dealer activities unless exempted from the notice requirements." This requirement contains six forms, all available online, but each "must be submitted in typewritten or printed manner." Combined, these requirements comprise 32 pages.

There is an opportunity for regulators to bring compliance into the 21st century by allowing for increased electronic reporting. Electronic submission would save time and money for the industry and for regulators.

LARGE COLLECTIONS

AAF defined "large collections," as any reporting or recordkeeping requirement that imposes more than a million hours of paperwork. Government-wide, there are 453 collections that meet this threshold, or 4.8 percent of all paperwork requirements.

For financial regulators, AAF found a requirement from the Federal Reserve (Sound Incentive Compensation) and one from FDIC (Regulation Z) that impose more than a million hours, yet have not significantly changed since their inception.

The Federal Reserve implemented the Sound Incentive Compensation requirement in 2010 and then made three "emergency extensions" during the past two years. However, the number of respondents, amount of paperwork, and cost of compliance has remained unchanged. The graph below details the stale history of this paperwork burden.

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Likewise, FDIC's Regulation Z collection has not changed significantly in a decade. In 2004, this requirement imposed 2.3 million hours and apparently does not impose a monetary cost on regulated entities. Currently, it still imposes 2.3 million hours of paperwork and FDIC has declined to monetize this burden. If the agency chose a conservative estimate of $32.10 per hour, the average wage for a "compliance officer," the cost of Regulation Z compliance would eclipse $76.1 million. The recent history of this requirement is displayed below.

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Reviewing these collections in light of the proposed rule could result in reducing or eliminating “unduly burdensome regulations.”

OPPORTUNITIES TO CONSOLIDATE

Because it’s difficult to determine which paperwork requirements are redundant, AAF examined what legislation or portion of the United States Code (USC) authorized the paperwork burden. For example, 12 USC 1815(a) authorized FDIC’s collection for “Interagency Biographical and Financial Reports,” which imposes 2,600 hours of paperwork. That same section of the USC authorized “Market Risk Capital Requirements,” which imposes 3,900 hours of paperwork.

FDIC also has two collections authorized by 15 USC 78q-1; the related collections, Transfer Agent Registration and Deregistration for Transfer Agents, both impose less than ten hours of paperwork and both concern transfer agents. These two collections could be combined to save time and money.

Dodd-Frank has played a significant role driving FDIC paperwork. According to recent estimates, the law comprises 28.4 percent of the agency’s collections. By hours, however, Dodd-Frank-related paperwork imposes 9.2 million hours of paperwork, or roughly three-fourths of FDIC’s total. There is plenty of room to review or consolidate FDIC’s 25 Dodd-Frank-related requirements.

Likewise, Dodd-Frank imposes 6.6 million hours of paperwork among OCC’s paperwork collections or two-thirds of the agency’s paperwork. In addition, there are six Dodd-Frank-related OCC collections that impose less than 1,000 hours. There are opportunities to streamline or consolidate these minor collections.

CONCLUSION

By moving to electronic reporting, reviewing large paperwork collections, and consolidating similar requirements, there are plenty of chances to streamline financial regulations. Even if agencies can manage to eliminate just a small fraction of their existing requirements, it would lead to considerable savings for American businesses.