BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

BEN S. BERNANKE
CHAIRMAN

November 8, 2011

Mr. Cass R. Sunstein
Administrator
Office of Information and Regulatory Affairs
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Sunstein:

This is a follow-up to the conversations that Governor Tarullo and I each have had with you about the efforts of the Federal Reserve to minimize regulatory burden, both in the ordinary course of carrying out our regulatory responsibilities generally and, more specifically, in implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act. As we each have discussed with you, the Federal Reserve carefully reviewed the President's Executive Order 13563 issued January 18, 2011, calling for all Federal executive agencies to take certain actions to reduce or minimize regulatory burden. While the Executive Order itself recognizes that it does not apply to independent agencies such as the Federal Reserve, we at the Federal Reserve have nonetheless for many years tried to abide by the principles described in the Executive Order and continue to believe that our regulatory efforts should be designed to minimize regulatory burden consistent with the effective implementation of our statutory responsibilities. For your information, I thought I would describe some of those efforts.

As a general matter, the Federal Reserve takes quite seriously the importance of evaluating the burdens imposed by our rulemaking efforts. To become informed about these benefits and costs, before we develop a regulatory proposal we often collect information directly from parties that we expect will be affected by the rulemaking through surveys of affected parties and meetings with interested parties and their representatives. This helps us craft a proposal that is both effective and minimizes regulatory burden. In the rulemaking process, we also specifically seek comment from the public on the costs and benefits of our proposed approach as well as on a variety of alternative approaches to the proposal. In adopting the final rule, we seek to adopt a regulatory alternative that faithfully reflects the statutory provisions and the intent of Congress while minimizing regulatory burden. We also provide an analysis of the costs to small depository organizations of our rulemaking consistent with the Regulatory Flexibility Act and compute the anticipated cost of paperwork consistent with the Paperwork Reduction Act.

The Federal Reserve believes strongly that public comment can enlighten our regulatory actions and inform our implementation of our statutory responsibilities. Consequently, the Federal Reserve has long followed the practice of providing the public a minimum of 60 days to comment on all significant rulemaking proposals, with longer periods permitted for especially complex or significant proposals, such as our capital rules. We also favor seeking public comment on significant statements of regulatory guidance, and typically invite the public to comment on major statements of supervisory guidance, such as our guidance regarding incentive compensation. In addition, we make available to the public our examination manuals, supervisory letters, transaction approvals (and denials), and other matters of interest to the public related to our regulatory responsibilities.

We also consult regularly with our fellow bank regulatory agencies on matters that might affect their institutions as well as on matters of common interest where a single regulatory approach across banking organizations of different charters would reduce compliance burden and risk. We accomplish this in many ways. The Federal Reserve participates in the Federal Financial Institutions Examination Council and in the Financial Stability Oversight Council, both of which facilitate interagency consultation and cooperation. Moreover, members of the Board as well as staff at senior levels have long established working associations with their peers that include regular meets to discuss policies of common interest and applicability. These many avenues of consultation at multiple levels increase the coordination and consistency of regulation across a banking industry that has multiple regulators and charters. We have expanded these channels to include regular consultation with the SEC, CFPB and other agencies as changes in law have caused our spheres of regulatory responsibilities increasingly to overlap.

The Federal Reserve also has for many years had a policy of conducting a zero-based review of each of its regulations on a periodic basis--typically every five years. The purpose of this review is to update each rule, reduce unnecessary burden, and streamline regulatory requirements based on our experience in implementing the rule and where permitted by the authorizing statutory provisions that motivated the rule.

The Federal Reserve has paid particular attention to reducing regulatory burden on community banking organizations. For example, the Federal Reserve has established a set of community depository institution advisory councils at each of the 12 Federal Reserve banks for the purpose of gathering input from community depository organizations on ways to reduce regulatory burden and improve the efficiency of our supervision as well as to collect information about the economy from the perspective of community organizations throughout the nation. A representative from each of these 12 advisory councils serves on a national Community Depository Institution Advisory Council that meets semiannually with the Board of Governors to bring together the ideas of all the advisory groups.

The Board of Governors has also established a committee of Board members for the purpose of reviewing all regulatory matters from the perspective of community depository organizations. These reviews are intended to find ways to reduce the burden on community depository organizations from our regulatory policies without reducing the effectiveness of those policies in improving the safety and soundness of depository organizations of all sizes.

We are also taking steps to reduce the burden on community depository organizations from our regulatory initiatives. For example, in its recent rulemaking proposals, the Federal Reserve has proposed and adopted streamlined approaches that reduce burden on community depository organizations that engage in fewer risky activities and have less complex structures. The Federal Reserve has also begun to separately and prominently identify which rulemakings apply to community depository organizations and what portions of particular rulemaking proposals are germane to community depository organizations, thereby reducing the attention community depository organizations must pay to the many rulemaking proposals that are currently pending.

In addition, we have commissioned an internal review of our process for reviewing applications and notices for mergers and other acquisitions. This review is intended to help us find ways to reduce the inefficiencies and delays in that process. Steps we can take to more efficiently inform the industry of our standards for reviewing expansion proposals and reach a conclusion on those proposals will increase certainty and reduce burden for depository organizations of all sizes.

The Federal Reserve is committed to adopting rules and policies that are effective in implementing its statutory responsibilities and the intent of Congress without imposing unnecessary costs. We continue to look for opportunities to reduce regulatory burden without impeding effective regulation and will keep you informed of our efforts.

Sincerely,