

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

R. BRUCE JOSTEN
EXECUTIVE VICE PRESIDENT
GOVERNMENT AFFAIRS

1615 H STREET, N.W.
WASHINGTON, D.C. 20062-2000
202/463-5310

November 14, 2011

The Honorable Scott Garrett
Chairman
Subcommittee on Capital Markets and
Government Sponsored Enterprises
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
Subcommittee on Capital Markets and
Government Sponsored Enterprises
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Garrett and Ranking Member Waters:

The U.S. Chamber of Commerce, the world's largest business federation representing the interests of more than three million businesses and organizations of every size, sector and region, strongly supports H.R. 2308, the "SEC Regulatory Accountability Act" and the amendment in the nature of a substitute to be offered by Chairman Scott Garrett. This legislation would provide innovative measures to improve the cost-benefit analysis performed by the Securities and Exchange Commission (SEC) and would create the means of additional oversight over entities that perform a regulatory type function. The Chamber urges the Subcommittee to report these bills to the full House in the near term.

The use of cost-benefit analysis in rulemaking is a significant issue of public policy. It is particularly pertinent for the SEC in the wake of the recent decision of the DC Circuit Court of Appeals in *Business Roundtable and U.S. Chamber of Commerce v. Securities and Exchange Commission* vacating the proxy access rule because the appellate court concluded that the SEC "failed once again adequately to assess the economic effects of a new rule."

Smart regulation requires a reexamination of the process for developing and implementing regulations. A final regulation is the start of the process, not its completion. The current means of producing cost-benefit analysis is limited and subject to potential manipulation. Accordingly, the Chamber believes that the amendment in the nature of a substitute would provide a different approach that combines a pre-adoption cost-benefit analysis with a post-adoption look-back requirement.

Under this approach, as an example, the SEC would collect data and re-evaluate a rule after a defined period to determine the effectiveness of the rule, the need to keep it on the books, or to modify it. Such a periodic check of all rules would also help determine if rules are obsolete. Requiring the examination staff to consider these issues at the outset would likely cause it to be more pro-active in its inspection program, less inclined to focus on after the fact disasters and provide the SEC with more oversight of its function.

Finally, the Chamber also strongly supports the requirement for the SEC to develop a plan to subject other regulatory entities to cost and benefit requirements. This follows recommendations by others, including the SEC's own Advisory Committee on Improvements to Financial Reporting and provide for a formal means of determining costs and benefits on other entities, who fall within the scope of SEC jurisdiction, that engage in rule writing and standards development. These entities perform an important function, but their regulatory type functions should be subject to the same standards as the SEC.

The Chamber supports H.R. 2308 and the amendment in the nature of a substitute as it would assist the SEC in becoming a more effective regulator, promote the safety and soundness of the capital markets and assist capital formation needed for economic growth and job creation.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Bruce Josten". The signature is fluid and cursive, with the first name "R." and last name "Josten" being the most prominent parts.

R. Bruce Josten

Cc: Members of the Subcommittee on Capital Markets and Government Sponsored Enterprises