CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

R. BRUCE JOSTEN
EXECUTIVE VICE PRESIDENT
GOVERNMENT AFFAIRS

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March 11, 2013

The Honorable Tim Johnson
Chairman
Committee on Banking, Housing
and Urban Affairs
United States Senate
Washington, DC 20515

The Honorable Mike Crapo
Ranking Member
Committee on Banking, Housing
and Urban Affairs
United States Senate
Washington, DC 20515

Dear Chairman Johnson and Ranking Member Crapo:

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, believes that effective regulators are needed to ensure the safety and soundness of the financial markets. In 2007, the U.S. Chamber established the Center on Capital Markets Competitiveness (CCMC) to advocate for the modernization of the early20th century-era regulatory structure, replacing it with one that effectively regulates a globally competitive 21st century economy. Today the CCMC is releasing a report entitled ***The Importance of Cost-Benefit Analysis in Financial Regulation*.**

For more than three decades—under both Democratic and Republican administrations—cost-benefit analysis has been a fundamental tool of effective regulation. Not only do history and policy justify the use of cost-benefit analysis in financial regulation, but the law requires its use. In a trio of decisions culminating in its much-publicized 2011 decision in *Business Roundtable and U.S. Chamber of Commerce v. SEC*, the D.C. Circuit has interpreted the statutes governing the Securities and Exchange Commission (SEC) to require the agency to consider the costs and benefits of a proposed regulation and held that the SEC's failure to perform this cost-benefit analysis violates the Administrative Procedure Act. However, of the 192 final and proposed rules under the Dodd-Frank Wall Street Reform and Consumer Act ("Dodd-Frank Act"), approximately 60% have not had the benefit of cost-benefit or quantitative analysis.[1]

The report has found that:

- **Financial regulators have a statutory requirement to perform a cost-benefit analysis when writing regulations;**

- **The Courts, Inspector General reports and General Accounting Office reports have found that financial regulators are either ignoring these requirements or performing an inadequate cost-benefit analysis;**

[1] See Committee on Capital Markets Regulation review of Dodd-Frank regulations.

- **All financial regulators should use a broader, wider and more rigorous application of cost-benefit analysis to achieve better regulations; and**

- **Such analysis would allow regulators to achieve the desired benefits and better understand the possible consequences and costs that could result from their actions**.

The Chamber believes that this report provides a roadmap for U.S. financial regulators to achieve their mission to promote the safety and soundness of our capital markets. Such fair and efficient markets combined with reasonable investor and consumer protections will help to spur economic growth and job creation. The Chamber looks forward to working with Congress to achieve these goals.

Sincerely,

R. Bruce Josten

cc: The Members of the Committee on Banking, Housing and Urban Affairs