



441 G St. N.W.
Washington, DC 20548

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March 21, 2016

The Honorable Richard Shelby
Chairman
The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Jeb Hensarling
Chairman
The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
House of Representatives

Subject: *Federal Reserve System: Federal Reserve Bank Capital Stock*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Board of Governors of the Federal Reserve System (the Board) entitled “Federal Reserve Bank Capital Stock” (RIN: 7100-AE 47). We received the rule on March 4, 2016. It was published in the *Federal Register* as an interim final rule with request for comment on February 24, 2016. 81 Fed. Reg. 9082.

The interim final rule establishes procedures for payment of dividends by the Federal Reserve Banks (Reserve Banks) to implement the provisions of section 32203 of the Fixing America’s Surface Transportation Act (FAST Act).¹ The interim final rule sets out the dividend rates applicable to Reserve Bank depository institution stockholders and amends regulatory provisions regarding treatment of accrued dividends when a Reserve Bank issues or cancels Federal Reserve Bank capital stock.

The Congressional Review Act (CRA) requires a 60-day delay in the effective date of a major rule from the date of publication in the *Federal Register* or receipt of the rule by Congress, whichever is later. 5 U.S.C. § 801(a)(3)(A). This interim final rule has a stated effective date of February 24, 2016. The rule was published in the *Federal Register* on February 24, 2016, and was received by Congress on March 7, 2016. 162 Cong. Rec. H1300 (March 10, 2016); 162 Cong. Rec. S1343 (March 8, 2016). Therefore, the final rule does not have the full required 60-day delay in its effective date. The 60-day delay in effective date can be waived, however, if the agency finds for good cause that delay is impracticable, unnecessary, or contrary to the public interest, and the agency incorporates a statement of the findings and its reasons in the rule issued. 5 U.S.C. §§ 553(d)(3), 808(2). The Board found that there is good cause to issue

¹ Pub. L. No. 114-94, § 32203, 129 Stat. 1312 (2015).

this rule with an immediate effective date because the rule is necessary to provide immediate guidance to the Reserve Banks regarding the issuance and cancellation of stock, which are governed by the provisions of the FAST Act that became effective on January 1, 2016. The Board found that a delay in the effective date would be impracticable and contrary to the public interest.

Enclosed is our assessment of the Board's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. In its submission to us, the Board indicated that preparing an analysis of costs and benefits was not applicable to this interim final rule. Based on this representation, our review of the procedural steps taken indicates that the Board complied with the applicable requirements.

If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shirley A. Jones, Assistant General Counsel, at (202) 512-8156.

signed

Robert J. Cramer
Managing Associate General Counsel

Enclosure

cc: Linda Robertson
Assistant to the Board of Governors
of the Federal Reserve System

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
FEDERAL RESERVE SYSTEM
ENTITLED
“FEDERAL RESERVE BANK CAPITAL STOCK”
(RIN: 7100-AE 47)

(i) Cost-benefit analysis

The Board of Governors of the Federal Reserve System (the Board) indicated in its submission to us that preparing an analysis of costs and benefits was not applicable to this interim final rule.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

The Board believes that this interim final rule will not have a significant economic impact on a substantial number of small entities. However, the Board is seeking comments on whether the interim final rule imposes undue burdens on, or has unintended consequences for, small organizations, and whether there are ways such potential burdens or consequences could be minimized.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

As an independent regulatory agency, the Board is not subject to title II of the Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

The Board found that there is good cause to issue this rule as an interim final rule because the rule is necessary to provide immediate guidance to the Reserve Banks regarding the issuance and cancellation of stock, which are governed by the provisions of the FAST Act that became effective on January 1, 2016. The Board found that obtaining notice and comment prior to issuing the interim final rule would be impracticable and contrary to the public interest. The Board found for the same reasons that there is good cause to publish the interim final rule with an immediate effective date. However, the Board believes that public comment on how it implements the FAST Act could help improve that implementation. Consequently, the Board invited comment on all aspects of this rulemaking and stated that it will review those comments before adopting a final rule.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

The Board determined that this interim final rule contains two information collection requirements under the Act. The Board reviewed the rule under the authority delegated to the Board by the Office of Management and Budget (OMB). The Board estimates that the first information collection requirement, entitled “Applications for Subscriptions to, Adjustment in

Holding of, and Cancellation of Federal Reserve Bank Stock” (OMB Control Number 7100-0042), will have an annual burden of 1052 hours. The Board estimates that the second information collection requirement, entitled “Application for Membership in the Federal Reserve System” (OMB Control Number 7100-0046), will have an annual burden of 207 hours.

Statutory authorization for the rule

The Board promulgated this interim final rule under the authority of sections 222, 248, 282, 286–288, 289, 321, 323, 327–328, and 466 of title 12, United States Code.

Executive Order No. 12,866 (Regulatory Planning and Review)

As an independent regulatory agency, the Board is not subject to review requirements of the Order.

Executive Order No. 13,132 (Federalism)

As an independent regulatory agency, the Board is not subject to review requirements of the Order.