CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 24, 2016

H.R. 4096
Investor Clarity and Bank Parity Act

As ordered reported by the House Committee on Financial Services on March 2, 2016

H.R. 4096 would amend current law, known as the "Volker Rule," to allow certain types of financial firms—hedge funds and private equity funds (known as "covered funds" under the rule)—to have the same name as an insured depository institution or its affiliate. As a result, the federal banking regulators—the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), and the Federal Reserve—along with the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC)—would be required to revise current regulations concerning allowable naming conventions.

Direct Spending and Revenues

Costs incurred by the FDIC and the OCC are recorded in the budget as an increase in direct spending. Those two agencies are authorized to collect premiums and fees from insured depository institutions to cover administrative expenses. CBO expects that they would do so to recover any costs associated with amending current regulations under the bill. Costs to the Federal Reserve System are reflected on the federal budget as a reduction in remittances to the Treasury (which are recorded in the budget as revenues). CBO estimates that any additional administrative costs to the Federal Reserve under the bill would be insignificant.

Because enacting H.R. 4096 would affect direct spending and revenues, pay-as-you-go procedures apply. However, CBO estimates that the net effects would be insignificant for each year.

CBO estimates that enacting H.R. 4096 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

Discretionary Costs

Costs incurred by the SEC and the CFTC are recorded in the budget as discretionary and are subject to future appropriations action. Based on the cost of similar activities, CBO estimates that each agency would need one or two full-time staff people to complete the rule-making. CBO estimates that the costs to those agencies would not be significant and subject to the availability of appropriated funds.

Intergovernmental and Private-Sector Impact

H.R. 4096 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

If any of the financial regulators increase premiums or fees to offset the costs of implementing the bill, H.R. 4096 would increase the cost of an existing mandate on private entities required to pay those assessments. Based on information from the agencies, CBO estimates that the incremental cost of the mandate would be small and would fall well below the annual threshold for private-sector mandates established in UMRA ($154 million in 2016, adjusted annually for inflation).

The CBO staff contacts for this estimate are Sarah Puro (for the FDIC), Nathaniel Frentz (for the Federal Reserve) and Logan Smith (for private-sector mandates). The estimate was approved by Theresa Gullo, Assistant Director for Budget Analysis.