CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 4, 2018

H.R. 4790
The Volcker Rule Regulatory Harmonization Act

As ordered reported by the House Committee on Financial Services on March 21, 2018

The Volcker Rule restricts financial institutions insured by the Federal Deposit Insurance Corporation from engaging in certain proprietary trading of securities, derivatives, commodity futures, and options on those instruments. With some exceptions, the rule also prohibits those institutions from owning, sponsoring, or having certain relationships with hedge funds and private equity funds. Rulemaking responsibilities under the Volcker Rule are shared among a group of financial regulatory institutions, including the Board of Governors of the Federal Reserve System.

H.R. 4790 would amend current law to grant the Federal Reserve's Board of Governors sole authority for that rulemaking. The bill also would exclude community banks—those with less than $10 billion in assets and that meet certain other criteria—from the Volcker Rule's requirements.

CBO estimates that the change would not significantly affect the budgets of any of the federal regulators because final rules implementing the Volcker Rule have already been adopted. Using information from affected agencies, CBO estimates that any future costs to amend rules would be insignificant. CBO also estimates that the exemption of community banks would not significantly affect the workload or other administrative costs of the relevant regulators.

Although CBO estimates that there is some probability of civil penalties' being collected over the 2018-2027 period for violations of the Volcker Rule, the bill's exemption for community banks is unlikely to significantly affect the amount of such penalties. CBO estimates that those penalties would be small if they are assessed at all for such banks.

Because enacting the bill would affect direct spending and revenues, pay-as-you-go procedures apply. However, CBO estimates that any net changes in direct spending or revenues would not be significant.

CBO estimates that enacting H.R. 4790 would not significantly increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

H.R. 4790 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Nathaniel Frentz. The estimate was approved by John McClelland, Assistant Director for Tax Analysis, and Theresa Gullo, Assistant Director for Budget Analysis.