



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

November 17, 2015
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

H.R. 3189 – Fed Oversight Reform and Modernization Act of 2015

(Rep. Huizenga, R-MI, and 20 cosponsors)

H.R. 3189 would establish requirements for policy rules, codify blackout periods of the Federal Open Market Committee, establish a cost-benefit requirement for other rulemakings by the Federal Reserve Board, and establish numerous, burdensome reporting requirements for the Federal Reserve Board and its members. The Administration therefore strongly opposes H.R. 3189.

The Federal Reserve is an independent entity designed to be free from political pressures, and its independence is key to its credibility and its ability to act in the long-term interest of the Nation's economic health. One of the most problematic provisions in the bill would require the Comptroller General to audit the conduct of monetary policy by the Federal Reserve Board and the Federal Open Market Committee. The operations of the Federal Reserve are already subject to numerous audit requirements that ensure it is accountable to the Congress and the American people. The only aspect of the Federal Reserve's operations not subject to audit is its monetary policy decision-making, and for good reason. Subjecting the Federal Reserve's exercise of monetary policy authority to audits based on political whims of members of the Congress—of either party—threatens one of the central pillars of the Nation's financial system and economy, and would almost certainly have negative impacts on the Federal Reserve's work to promote price stability and full employment.

H.R. 3189 also would impose numerous, burdensome requirements for the Federal Reserve Board rulemaking authorities, including the imposition of a duplicative requirement that the Federal Reserve Board undertake a proscriptive cost-benefit analysis and a post-adoption impact assessment when promulgating rules. When a Federal agency, including an independent agency such as the Federal Reserve, promulgates a regulation, the agency must adhere to the robust substantive and procedural requirements of Federal law, including the Administrative Procedure Act, the Regulatory Flexibility Act, the Paperwork Reduction Act, and the Congressional Review Act, among other statutes. Additionally, Executive Order 13579 encourages independent regulatory agencies to conduct reasoned cost-benefit analysis, engage in public participation to the extent feasible, and conduct a systematic retrospective review of regulations. The provisions in this bill, therefore, would create unnecessary, duplicative, and onerous requirements for an entity tasked with ensuring the financial safety and soundness of the Nation's financial system.

In addition, the bill would add a number of procedural hurdles that would impede the Federal Reserve's ability to engage with international regulatory bodies and divert its resources to unnecessary reporting requirements. These provisions, along with provisions imposing parallel notification and consultation requirements on several other Executive Branch entities, could

impair the President's exercise of his exclusive constitutional authority to conduct the Nation's diplomatic relations.

If the President were presented with H.R. 3189, his senior advisors would recommend that he veto the bill.

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