

Title: Arbitration

Rin: 3170-AA51

Publication Date:

Commented [RR(1)]: Should note that market failures dealt with appropriately, some estimates are aggregated and tabulated – presented in table form.

Sec. 1022 (and GIPRA):

1. **Universe** – Does the analysis assess the costs and benefits to persons identified by the Act, including consumers, covered persons, 1026 covered persons, and consumers in rural areas?

Yes.

2. **Content** – Does the analysis assess the potential loss of access to consumer financial products and services?

There is a statement, but not an assessment. This one is particularly problematic – it estimates significant increase in costs to providers and the analysis is unable to determine whether those costs will be able to be passed through.

Cost-benefit analysis best practices (based on OMB Circular A-4):

3. ***Is there a clear statement of the problem the rule is intended to address?***

Yes.

4. ***Does the analysis identify a market failure?***

It correctly points out that the rule will increase compliance with other rules, which presumably address market failures.

5. ***Does the analysis present evidence of a market failure?***

No, but that's ok in this instance.

6. ***Does the analysis define an appropriate baseline? Does it use the baseline consistently?***

Yes

7. ***Does the analysis define an appropriate time horizon?***

No.

8. ***Does the analysis identify a range of regulatory alternatives, including potential alternatives to regulation? What alternatives to regulation were identified (such as additional enforcement)?***

Yes.

9. Are benefits connected to market failure?

Yes – to the extent that increased compliance with existing standards reduces market failures.

10. Does the analysis assess the potential effectiveness of the regulation?

Not explicitly

11. Does the analysis correctly identify and account for costs, benefits, and transfers for each alternative? Does it explicitly identify and account for impacts on credit access and availability?

It identifies costs and benefits for the primary alternative adequately. Transfers are dealt with entries on both sides of the ledger.

The same treatment is not given to alternatives

No.

12. Are costs, benefits, and transfers quantified for each alternative? Does it explicitly identify and account for impacts on credit access and availability?

Primary only.

No.

13. Are costs, benefits, and transfers monetized for each alternative? Does it explicitly identify and account for impacts on credit access and availability?

Primary only.

No

14. Are future costs and benefits discounted to present value using appropriate rates?

Unclear

15. Does the analysis identify key sources of uncertainty?

Not formally

16. Does the analysis conduct sensitivity analyses for sources of uncertainty?

No.

17. Was the analysis put out for public comment prior to finalizing?

Yes.

18. The following questions should be included in a thorough evaluation, but are more difficult, time-consuming, and/or less-objective: Is the analysis transparent and reproducible? Is it transparent in its assumptions? Does it rely on the best available science and evidence? Does it comply with data quality standards?