Section By Section Breakdown H.R. 5018

Sec. 1. Title: The Federal Reserve Accountability and Transparency Act of 2014

Sec. 2. Requirements for Policy Rules of the Federal Open Market Committee; Limited Fed GAO Audit Requirement

This requires the Fed to generate a monetary policy rule to provide added transparency about the factors leading to a future rate recommendation, has the Fed compare its rule to the Taylor rule and explain any differences, and has the GAO audit the rule to determine if it complies with the statute.

A monetary policy rule is an equation that shows exactly why the Fed recommends a particular monetary policy course and allows the public to predict how the Fed will change course in the future depending on how the economy shifts. The Taylor Rule is a popular example developed by Professor John Taylor, a Stanford economist and former Undersecretary of the Treasury. The Taylor Rule gives a precise interest rate recommendation based on changes in inflation and on the deviation of GDP growth from historical trends.

If the Fed's submission does not meet the statute's requirements for a valid rule, the bill allows HFSC or Senate Banking to instruct GAO to conduct a one-time audit of the Fed's conduct of monetary policy along parameters specified by that committee. Any time the Fed updates its rule, or if the GAO determines at any time that the rule does not comply with the statute, the bill requires the Fed Chairman to testify upon request of the House Financial Services Committee or the Senate Banking Committee.

Sec. 3. Federal Open Market Committee Blackout Period

This section clarifies that the FOMC blackout period, a Federal Reserve policy that prohibits Fed Governors and officials from speaking in public on any matter during the week prior to an FOMC meeting and immediately following an FOMC meeting, begins immediately after midnight on the day that is one-week before the meeting and ends at midnight on the day after the meeting takes place. It also clarifies that the blackout period does not apply to answering technical questions specific to data releases or to testimony regarding the Fed's supervisory and prudential functions.

In many instances congressional oversight has been frustrated by the Fed's blackout policy, with the Fed refusing to testify or respond to inquiries that had nothing to do with the formulation of monetary policy.

Sec. 4. Transparency of Stress Test and Regulatory Activities

This section requires the Fed to issue regulations, after providing for public notice and comment, for Section 165 Dodd-Frank stress test scenarios. The Fed's stress tests attempt to gauge how bank balance sheets hold up in worst case scenarios to ensure banks are prepared for periods of extended financial stress. News reports indicate this process has become arbitrary and unpredictable. This section also requires the Fed to disclose the results of resubmitted stress tests.

Sec. 5. Appearances Before The Congress

This section requires the Fed Chairman to testify before the House Financial Services Committee and the Senate Banking Committee on a quarterly basis (rather than semi-annually as provided under current law).

Sec. 6. Vice Chairman for Supervision Report Requirement

This section requires the Fed Vice Chairman for Supervision to provide as part of his statutorily required semi-annual testimony to the House Financial Services and Senate Banking Committees a report on the status of proposed and anticipated rulemakings. This section also requires that if the Vice Chairman for Supervision position is vacant, the Vice Chairman of the Board of Governors must fulfill the statutory requirement for semi-annual testimony.

Sec. 7. Economic Analysis

This section requires cost-benefit analysis for all Fed regulations.

It specifies particular costs the Fed must take into account, such as the cost impact of new rules on the safety and soundness of the banking system, on market liquidity in securities markets, on small businesses, on community banks, on economic growth, on cost and access to capital, on market stability, on global competitiveness, on job creation, on the effectiveness of the monetary policy transmission mechanism, and on employment levels.

This section also requires that major new rules must be accompanied by metrics which would indicate their success and requires a post-adoption study based on those metrics.

Sec. 8. Salary Disclosure and Office Staff of the Fed Board

This section requires the Fed to post on a public website the annual salary and the benefits of any employees whose salary exceeds that of a GS-15 federal employee. It also provides for at least two staff positions to advise each member of the Board of Governors who would be able to provide advice to the Governors independent of the Chairman’s influence. This section also subjects Fed employees to the same ethical standards as SEC employees.

Sec. 9. Requirements for International Negotiations

This section requires the Fed, FDIC, and Treasury to release for notice and comment a public disclosure of any positions the regulators plan to take as part of international regulatory negotiations and to provide a public report on the negotiations at their conclusion. Also requires a similar process for final agreements made pursuant to international negotiations.