

From: Regology, Inc.  
To: Federal Deposit Insurance Corporation (FDIC)  
Subject: RIN 3064–ZA13 - Comments on Approaches to analysing FDIC regulatory action  
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We commend FDIC for reviewing its framework for analyzing the effects of regulatory action. This document discusses viewpoints on the general framework to organize information that simplifies initial setup and ongoing updates to analysis conducted by FDIC on its regulatory actions. The team at Regology works with regulatory content from multiple agencies across U.S. Federal, State and international jurisdictions and with industry participants who wish to comply with that content. The team at Regology has leveraged this industry experience to provide insights on FDIC’s methodologies to reviewing regulatory action.

### **Setting a baseline and the use of accounting tables**

The use of Big Data and Artificial Intelligence technologies make it possible for FDIC to create multi-layered dynamic baseline models with in-built periodicity to associate the shifts in statutory and regulatory landscape with affected stakeholders and the broader economic landscape. One model can be created for each group of statutory and regulatory models that impact a similar group of stakeholders. The models can be made to log changes based on time (daily, monthly, etc.) and based on trigger events (issuance of a new rule, introduction of a new stakeholder category, other economic factors), thereby making each model dynamic and having a period. Such constantly morphing models allow FDIC the flexibility to start an assessment based on a new branch from the current “time sleeve” as the baseline, and merge the branch back into its main model (if needed) once the assessment is complete and the final rule has been published.

This further makes it possible to track a broad group of accounting table attributes (as recommended in Circular A-4) that may be applicable to specific stakeholders and specific impact classifications (as described in Table 1 of the RFI).

In the RFI, FDIC has weighed the benefits of analyzing multiple rules with a standard accounting tubularization against the rigidity of tables making it more difficult to present the analysis in a textual format. By using a flexible analytical model that combines rules, stakeholders, economy, stakeholders, and the impact on each, FDIC may be able to meet both goals by reflecting only the set of accounting table attributes that are relevant for the current analysis, yet maintaining all the broader attributes to compare multiple regulatory actions.

The RFI contemplates the implicit effects of existing statutory and regulatory action events on the baseline set for rule impact assessments. There is discussion on setting the baseline at pre-statute, post-statute, with or without proposed rules, the amount of time elapsed between proposal and the action being analysed, and consideration given to the affected entities making

adjustments to their activities between the time of the baseline and the action being analysed. A number of additional external factors emanate from other existing and evolving financial regulations set by FDIC and other agencies. Dynamically morphing baseline models with in-built periodicity address this issue by allowing for a comprehensive statutory and regulatory view upon which the actions of affected entities can be quantified. The model can be made to track specific clauses in each regulation (existing and proposed) such that the impact can be assessed at the macro level as well as the most granular level.

### **Benefits and cost analysis**

The RFI discusses costs and benefits from all major stakeholders and policy, as well as the costs and benefits relative to the broader economic welfare. In this model, by maintaining a constantly updated list of all stakeholders (affected entities, consumers, compliance professionals under each product / function of banking) and enumerating the attributes relevant for policy as well as broader economic welfare (cost and availability of bank credit and other financial services, frequency and severity of bank failures, U.S. economic performance, distribution effects), the agency can have access to a number of up-to-date variables for its analysis. Furthermore, the speed and accuracy of benefits and costs analyses of banking regulations published jointly by multiple agencies can be greatly improved by sharing such common variables across agencies. The proposed Dynamic baseline models incorporate all financial statutory and regulatory actions at the granularity of each individual provision, thereby satisfying each participating agency's own legal mandate and the joint interagency regulatory objectives and policies for the regulatory action under review.

### **Conclusion**

In conclusion, this comment response encourages FDIC to consider Artificial Intelligence and Big Data to enhance its current analysis models for all current and future regulatory action. The availability of such technologies allow for the creation of models and up-to-date variables that give the agency the ability to conduct analysis across multiple baselines and effects with and without the regulatory action. This brings greater transparency and speed than what's possible under traditional analytical techniques.