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# Explainer: How small businesses play a role in the rulemaking process

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We often hear many questions about how the rulemaking process works. We decided to write a series of posts that explain some key parts of the rulemaking process. We'll add to the series in the coming weeks and months.

Before we propose a rule, we're sometimes required to organize a Small Business Review Panel so that we can hear from small businesses about the potential impacts of the rule. We're one of three federal regulators required to include the small business review process. Small businesses provide us with valuable feedback as we write regulations to help consumer financial products and services work for Americans.

## How we work with small businesses

We're a data-driven, evidence-based agency with a philosophy of issuing regulations only where there's a strong justification for doing so. The Dodd-Frank Act, the law that created the CFPB, requires us to organize a Small Business Review Panel when we're working on a rule that could have significant economic impacts on small entities. Small entities include small businesses, organizations, and small government bodies

Each Small Business Review Panel consists of representatives from the CFPB, Small Business Administration, and the Office of Management and Budget's Office of Information and Regulatory Affairs. The panel holds an outreach meeting with a representative group of small businesses to discuss the potential rules we're considering. We'll use that feedback to inform the rulemaking process.

## **The panel decides which small businesses participate**

First, we determine which types of small entities the proposed rule under consideration could directly affect. Then, we coordinate with the Small Business Administration to select individuals to represent these small entities. About 15 to 20 small business representatives usually participate in the process.

## **How the panel works**

Before the outreach meeting, the panel will distribute materials to each participant, including general background, an overview of the proposals being considered, and a list of issues and questions we'll discuss with the participants. We post these materials on our web site simultaneously so our rulemaking plans are transparent.

Small business representatives are given time to study the materials and we follow up with them to see if they have questions. Then, during the meeting, the panel hears from the representatives about the regulatory proposals.

Representatives typically discuss the anticipated compliance requirements and potential costs of the proposed rule. In addition to providing verbal feedback during the meeting, the small business representatives may submit written comments.

## **Panel meetings**

The panel's meetings aren't public, but we'll publish meeting materials on our website. We want a free and open discussion with the small business representatives, and we think the best way to do that is to keep the meetings small. We'll summarize our discussions in the panel report.

## **What happens next**

Within 60 days of meeting, the panel will complete a report on the input we received from the small business representatives. The report may include any significant alternatives that would minimize economic impacts. We'll publish the panel's report along with a proposed rule, which is the next step in the rulemaking process. We'll keep seeking feedback from consumers, consumer advocates, other regulators, and industry representatives that were not part of the panel process as we develop a proposed rule.