

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

R. BRUCE JOSTEN
EXECUTIVE VICE PRESIDENT
GOVERNMENT AFFAIRS

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June 23, 2014

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Hensarling and Ranking Member Waters:

The U.S. Chamber of Commerce, the world's largest business federation representing the interests of more than three million businesses of all sizes, sectors and regions, as well as state and local chambers and industry associations, and dedicated to promoting, protecting, and defending America's free enterprise system, appreciates you holding the hearing entitled "The Annual Report of the Financial Stability Oversight Council." Because of the important role the Financial Stability Oversight Council (the "FSOC" or "Council") plays in ensuring the stability of the financial system, Congressional oversight is paramount.

Nearly four years after the creation the FSOC, many questions remain unanswered as the Council's operations are opaque and unaccountable.

While Congress, through the Pryor-Vitter amendment, clearly determined that the designation process should be used rarely, to date, three nonbank financial companies have been designated as systemically important financial institutions ("SIFIs") while another round of designations are anticipated soon has been reported though leaks to the press. Yet, the FSOC has not provided any guidance regarding the factors considered or the process for determining whether to move companies through the designation process. There is no guidance on how the FSOC determines that a particular metric has been triggered. As a result, companies do not have clear rules of the road to understand how they can mitigate risk-taking to avoid SIFI designation.

Moreover, the enhanced prudential standards by which nonbank SIFIs must comply remains incomplete. Without the benefit of understanding the consequences of designating a particular company, it remains unclear how the FSOC determines designation is the best solution when all alternatives should be considered. While designation is the most obvious action the FSOC may take, it is only one of a number of actions available to it. Further, given the predominance of the Federal Reserve Board in systemic risk regulation, it is likely the regulatory scheme may be predicated on a bank regulatory model, which does not comport with existing business models of nonbank companies. Until these rule are finalized, the FSOC, potential designees, investors and the marketplace have no means to gauge the consequences of designation.

Utilizing the all available data and consulting the best industry regulatory expertise in its analysis and decision making will allow the FSOC to make appropriate decisions that help maintain a stable financial system while allow for economic growth and job creation. The recent dissents from certain voting and nonvoting members of FSOC regarding a specific SIFI designation, as well as the release of a severely flawed asset management report by the research arm of the FSOC, suggests that the FSOC is underutilizing the many sources of data and expertise available to it. We believe that operating in a silo under its own auspices may result in a weaker financial system and a flailing U.S. economy.

Furthermore, more transparency is needed to also better understand how the domestic systemic risk process, will correlate with the global systemic risk process that is being constructed by the Financial Stability Board and other international entities.

The Chamber hopes that you will take these concerns into account as you conduct this hearing and consider proposals to maintain and promote the efficient capital market needed to support and grow a free enterprise system.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Bruce Josten". The signature is fluid and cursive, with a large initial "R" and a long, sweeping tail.

R. Bruce Josten

cc: Members of the House Financial Services Committee