

Congress of the United States

Washington, DC 20515

February XX, 2016

Co-Sponsor H.R. 4248, the FSOC Designation Review Act

Help Make Financial System Safer with SIFI De-Risking Bill

Dear Colleague:

The Dodd-Frank Act created the Financial Stability Oversight Council (FSOC) and gives it the power to designate a nonbank financial company as a SIFI if it determines the company could pose a threat to the financial stability of the United States. But the Act fails to provide guidance to designated SIFI companies on how to “de-risk” so that potential threats to the financial stability are actually eliminated. H.R. 4248, the FSOC Designation Review Act, addresses this problem and provides a designated company with a “roadmap” for eliminating any potential threat to the financial stability.

Under current law, once a company is designated, Dodd-Frank requires that FSOC annually reevaluate the SIFI designation. FSOC may rescind a SIFI designation if two-thirds of its members find that the company no longer could pose a threat to the nation’s financial stability. However, Dodd-Frank does not provide guidance to FSOC on procedures it should follow for its annual reevaluations. Nor does Dodd-Frank Act provide any guidance to a nonbank financial company on how to “de-risk” so that potential threats to the financial stability are eliminated.

H.R. 4248, the FSOC Designation Review Act establishes new procedures for both FSOC and designated SIFIs to proactively address and eliminate potential risks to the financial stability of the United States:

- Triggers reevaluation of SIFI designation based upon material changes at company or its regulation.
- Requires FSOC to prepare “De-risking” analysis that describes the particular vulnerabilities the company has to financial distress and offers a “roadmap” for de-risking.
- Creates opportunity for company to submit its own “De-Risking” Plan and for FSOC to evaluate “De-Risking” Plan.
- Establishes process for FSOC to make preliminary determination on company “De-Risking” plan and opportunity for company response and engagement with FSOC.
- Reforms designation “reaffirmation” process to incorporate ongoing assessment of risk.
- Includes views of company’s Primary Regulator in Reevaluation.

H.R. 4248 will not rescind all existing SIFI designations or prevent new designations from occurring. Instead, the bill will increase the effectiveness of the statutorily mandated annual review process with clearer guidelines for both FSOC and SIFIs on how to encourage practices to remove potential systemic risk from the economy.

I urge you to join us and co-sponsor this important piece of legislation. If you would like to cosponsor this legislation, please contact Lauren Lattany with Rep. David Scott at lauren.lattany@mail.house.gov, (202)-225-2939 or Mary Christina Riley with Rep. Westmoreland at marychristina.riley@mail.house.gov, (202)-225-5901.

Sincerely,

David Scott
Member of Congress

Lynn Westmoreland
Member of Congress