

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

September 12, 2012

The Honorable Timothy Geithner
Chairman
Financial Stability Oversight Council
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. Secretary:

Today, the Government Accountability Office (GAO) released a report entitled: "New Council and Research Office Should Strengthen Accountability and Transparency of Their Decisions." The report, which we requested, is the result of an extensive, nine-month audit of the Financial Stability Oversight Council (FSOC or Council) and the Office of Financial Research (OFR) and the challenges they face in achieving their missions. As a result of its findings, GAO made ten recommendations that would improve the accountability and transparency of FSOC and OFR's decision-making, as well as the collaboration among FSOC members and external stakeholders.

FSOC's Transparency Policy states that the Council is "committed to conducting its business in an open and transparent manner." Additionally, during April 2012 testimony before our Committee, OFR offered repeated assurances that the agency is dedicated to transparency and accountability. We are concerned that these continued verbal and written commitments from FSOC and OFR are in direct conflict with the findings of the GAO report. The actions that FSOC and OFR have taken, and will take in the future, have the potential to directly and significantly affect the financial stability of the United States. It is therefore critically important that FSOC and OFR operate in a manner that promotes greater congressional and public understanding of their actions.

In light of these concerns, we write to you in your capacity as chairman of FSOC, and — pending Senate confirmation of a director — as steward of OFR, to seek your continued commitment that FSOC and OFR will operate transparently and efficiently, without imposing an undue burden on the nation's financial system. To assist the Committee in its continuing oversight of these two entities, we request the following information:

- (1) During the time of GAO's audit, OFR had not filled three of its top eight leadership positions. What steps is OFR taking to ensure that key leadership positions are filled?
- (2) GAO found that FSOC does not have a strategic plan and that the Council uses its annual report as the only documentation for its strategic framework. GAO further found that FSOC's annual reports are vague with regard to recommendations and fail to identify entities responsible for implementing — or the timeframes for completing — the recommendations. We agree with GAO's assertion that failing to

delineate clear lines of responsibility and set meaningful deadlines could lead to “ineffective oversight of financial institutions and markets” and could erode public trust in the Council.

- a. Will FSOC commit to making more detailed and specific recommendations in its annual reports that specify which member agencies are responsible for the implementation of the recommendations and the timeframes for implementation? If not, please state with specificity the Council’s reasons for not doing so.
 - b. The GAO report stated that FSOC may request a waiver from complying with the Government Performance and Results Act of 1993 (GPRA), which requires agencies to write strategic and annual performance plans.
 - i. Will FSOC commit that it will not seek an exemption from GPRA?
 - ii. If FSOC does intend to seek an exemption, please state with specificity the Council’s reasons for requesting the exemption.
- (3) In March 2012, OFR released its strategic framework that included an incomplete strategic plan. GAO found that OFR’s strategic framework did not discuss long-term goals or guidelines for program evaluation.
- a. Will OFR implement GAO’s recommendation to finalize a complete strategic plan?
 - b. If so, when can we anticipate receiving a copy of OFR’s complete strategic plan?
- (4) GAO concluded that FSOC does not record detailed records of committee meetings. Additionally, publicly-released minutes of FSOC meetings lack detail, even “when the information being discussed is not likely to be market sensitive or limit the quality of deliberations.”
- a. Does FSOC intend to take action to keep more detailed records of its meetings? If not, please state with specificity the Council’s reasons for not doing so.
 - b. Will FSOC allow for greater transparency into the Council’s performance by releasing detailed meeting minutes that are currently being withheld from the public? If not, please state with specificity the Council’s reasons for not doing so.
 - c. The Federal Reserve’s Federal Open Market Committee releases detailed records and transcripts of its meetings after a suitable period of time has elapsed following the conclusion of the meeting to which the record or

transcript relates. Will FSOC implement GAO's recommendation to do the same? If not, please state with specificity the Council's reasons for not doing so.

- (5) GAO found that FSOC and OFR are not efficiently utilizing modern technology to disseminate information to the public. Both entities have web pages that lack pertinent information and are difficult locate on the Department of Treasury's website. As a result, GAO recommends that both entities develop a "communication strategy."
 - a. What steps are FSOC and OFR taking to create web pages that are easily accessible and user friendly?
 - b. What commitment will FSOC make to ensure that the dates and times of its meetings are prominently displayed on its website?
 - c. What commitment will OFR make to ensure that its website lists all key documentation, including testimony before Congress?
 - d. When will FSOC and OFR take steps to provide the public with timely electronic updates of their activities?

- (6) FSOC has a statutory duty to facilitate coordination among member agencies regarding policy development and rulemaking, and to provide direction to OFR. Yet, GAO's report found that FSOC and OFR lack clearly defined roles and responsibilities for monitoring threats to the U.S. financial system. Additionally, the procedures employed by FSOC "may not help to identify new risks or threats that FSOC member agencies have not already identified on their own."
 - a. What are the measures FSOC is taking to establish coordination and cooperation policies among its member agencies?
 - b. What steps will FSOC and OFR take to implement GAO's recommendation that there be "clearly delineated roles" for monitoring financial threats among the entities and member agencies, thereby eliminating separate and duplicative efforts?
 - c. How will FSOC implement GAO's recommendation to share key financial risk indicators, so that member agencies can properly identify potential threats?

- (7) The Dodd-Frank Act gave FSOC the authority to designate Financial Market Utilities as systemically important and nonbank financial companies for supervision by the Federal Reserve. GAO found that FSOC has not taken steps to conduct a comprehensive evaluation of the economic impact of the designations on these entities or the economy. How will FSOC implement GAO's recommendation that it establish a "comprehensive framework" to assess the effect of these designations?

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Page 4

September 12, 2012

Please provide the requested information, along with any supporting documentation, by Wednesday, September 26, 2012. We appreciate your prompt attention to this matter. If you have any questions regarding the request, please contact Joseph Clark of Committee staff at (202) 226-63467.



SPENCER BACHUS
Chairman

Sincerely,



RANDY NEUGEBAUER
Chairman
Subcommittee on Oversight and
Investigations

cc: The Honorable Barney Frank
The Honorable Michael Capuano