March 31, 2025

The Honorable Scott Bessent
Secretary
U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Bessent:

Congratulations again on your new role as Treasury Secretary. We write to you in your capacity as Chairman of the Financial Stability Oversight Council (FSOC) and ask that the previous administrations' actions that reduce clarity for financial institutions and firms and unnecessarily increase regulatory burdens are rescinded.

When financial institutions and firms are given clear expectations and rules that are commensurate to their complexity and risk profiles, the American financial system can thrive. When they are forced to devote increasing time and resources to building compliance systems to navigate new rules and guidance, fewer firms will be able to compete and make the economy flourish.

Specifically, on November 3, 2023, FSOC voted to update guidance on its determination process for designating nonbank financial companies and issued a new framework for identifying, assessing, and responding to financial stability risk.[1] Neither the updated guidance nor the new analytical framework improve FSOC's ability to address risks or provide greater transparency for financial institutions. The update would abandon responsible changes to the designation process made in 2019 and bring back an Obama-era focus on entity specific designation, as opposed to a more tailored focus on certain activities. This approach largely disregards FSOC's previous failed attempt to designate MetLife as systemically important, which a reviewing court struck down as arbitrary and capricious.[2]

Additionally, FSOC's new designation scheme argues that cost-benefit analysis should not be required before designating a nonbank as systemically important. This allows FSOC to be an undisciplined roving regulator unbound by a need to substantiate its designation decisions with data, analysis, and facts. When FSOC operates as a politically motivated actor, it only further erodes its credibility and increases the wild regulatory swings that create uncertainty for financial institutions and reduce their willingness to invest and innovate. This updated guidance should be

[1] U.S. Dept. of the Treasury, "FSOC Approves Analytic Framework for Financial Stability Risks and Guidance on Nonbank Financial Company Determinations," (Nov. 3, 2023) https://home.treasury.gov/news/press-releases/jy1876.
[2] Metlife, Inc. v. Financial Stability Oversight Council, 177 F. Supp. 3d 219 (D.D.C 2016).

rescinded and the FSOC should take a holistic approach to any designation process changes that emphasize cost-benefit analysis, rather than do away with it.

We appreciate your consideration on these important matters and look forward to working together to return the FSOC to its core mission of financial stability.

Sincerely,

French Hill
Chairman, Committee on Financial Services

Bill Huizenga
Vice Chairman, Committee on Financial Services

Frank D. Lucas
Chairman, Task Force on
Monetary Policy, Treasury Market Resilience, and Economic Prosperity

Ann Wagner
Chairman, Subcommittee on Capital Markets

Andy Barr
Chairman, Subcommittee on Financial Institutions

Warren Davidson
Chairman, Subcommittee on National Security, Illicit Finance, and International Financial Institutions

Bryan Steil
Chairman, Subcommittee on Digital Assets, Financial Technology and Artificial Intelligence

Daniel Meuser
Chairman, Subcommittee on Oversight and Investigations

Mike Flood
Chairman, Subcommittee on Housing and Insurance

cc: Representative Maxine Waters, Ranking Member, Committee on Financial Services
Kevin Hassett, Director of the National Economic Council