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COMMITTEE ON FINANCIAL SERVICES
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CHAIRMAN
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COMMITTEE ON FOREIGN AFFAIRS
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SELECT COMMITTEE ON THE STRATEGIC
COMPETITION BETWEEN THE U.S. AND THE
CHINESE COMMUNIST PARTY



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Congress of the United States
House of Representatives
Washington, DC 20515

Mr. Richard K. Delmar
Chair, Council of Inspectors General on Financial Oversight
Acting Inspector General
Office of Inspector General
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Acting Inspector General Delmar:

We write to request that the Council of Inspectors General on Financial Oversight (CIGFO) convene a working group to review and evaluate the effectiveness and internal operations of the Financial Stability Oversight Council (FSOC) surrounding the recent failures of Silicon Valley Bank (SVB), Santa Clara, California and Signature Bank, New York, New York.¹ The failure of SVB unleashed adverse depositor reactions system wide, generating an emerging threat to the stability of the United States financial system, according to regulators.

In response to the threat, emergency authorities were used on Sunday, March 12. The Board of Directors of the FDIC, the Federal Reserve Board of Governors, and the Secretary of the Treasury in consultation with the President, invoked systemic risk exceptions to the FDIC's typical least cost resolution procedures for SVB and Signature Bank. The Board of Governors of the Federal Reserve, with approval by the Secretary of the Treasury, invoked emergency lending authority provided for "unusual and exigent circumstances" under Section 13(3) of the Federal Reserve Act to create a new lending facility, the Bank Term Funding Program (BTFP).

Subsequent to invocation of the systemic risk exceptions and the Federal Reserve Board's Section 13(3) emergency lending authority, but also on March 12, 2023, a meeting of the Financial Stability Oversight Council (FSOC) was convened by the Secretary of the Treasury, who chairs FSOC.

A purpose and duty of FSOC, according to Section 112(a)(C) of the Dodd-Frank Act is to respond to emerging threats to the stability of the United States financial system. The Dodd-Frank Act also authorizes CIGFO to convene a working group, by majority vote, to evaluate the effectiveness and internal operations of the FSOC.

¹ Council of Inspectors General on Financial Oversight: *Guidelines for Establishment and Operation of Working Groups to Evaluate the Financial Stability Oversight Council*, as approved 3/9/2015, available at https://oig.treasury.gov/sites/oig/files/Agency_Documents/Working%20Group%20Guidelines%20392015.pdf.

We therefore request that CIGFO convene a working group to evaluate the effectiveness and internal operations of FSOC from the period beginning on Monday, March 6, 2023, to the present. A focus for the working group's efforts should be the effectiveness and associated internal operations of the FSOC and its Chair to attain effectiveness in responding to the financial stability threat leading up to the failure of SVB and in responding to the subsequent financial instabilities. Should the CIGFO vote in approval of forming out requested working group, we ask that you provide periodic updates to the Chair and Ranking Member of the Financial Services Committee as CIGFO works toward a finalized review and report.

Sincerely,

A handwritten signature in blue ink that reads "Andy Barr". The signature is written in a cursive, flowing style.

Andy Barr
Chairman
Financial Institutions and Monetary Policy Subcommittee
Financial Services Committee