

Statement of Secretary Steven T. Mnuchin
Department of the Treasury
Before the Committee on Financial Services
United States House of Representatives
December 5, 2019

Chairwoman Waters, Ranking Member McHenry, and members of the Committee, thank you for inviting me to discuss the Financial Stability Oversight Council's 2019 annual report and other priorities of the Treasury Department. The report is the product of extensive collaboration among Council members, and I appreciate the hard work by the staffs of the Treasury Department and other member agencies.

The report provides Congress and the public with the Council's analysis of financial and regulatory trends, and its assessment of potential risks to U.S. financial stability. It also provides recommendations to enhance the integrity, efficiency, competitiveness, and stability of U.S. financial markets.

Since the publication of the Council's last annual report in December 2018, the U.S. economy has continued to perform extremely well. Economic growth in the United States far exceeds that of our G7 trading partners, and unemployment rates are near a 50-year low, including unemployment levels at or near all-time lows for African Americans, Hispanic Americans, Asian Americans, and women. Wages are rising faster for hardworking families; corporate and consumer delinquency and default rates are low; and financial conditions remain stable.

This year's annual report discusses a number of risks that we continue to monitor, but I want to highlight cybersecurity as one of the most important issues for the Council, regulators, and the private sector. Financial firms heavily rely on information technology, which creates great efficiencies for consumers and businesses, but also increases the risk that a serious cybersecurity incident could negatively affect the economy and potentially have implications for U.S. financial stability. We make specific recommendations in the report on this important topic. Among other things, government and industry should work together to constantly update and share best practices to ensure that we are treating cybersecurity as a vital national and economic security priority.

The report also provides a strong message to market participants about the need to prepare for the transition away from LIBOR as a reference rate. Failure to prepare adequately could cause significant disruptions across financial markets and to borrowers, given the widespread use of LIBOR in financial instruments. We recommend that market participants formulate and execute transitions plans, and that any new instruments that reference LIBOR should include fallback language to mitigate risk in the event that LIBOR becomes unavailable.

We also encourage financial regulators to evaluate the effects of new financial products and services on financial stability, including potential risks from digital assets and distributed ledger technologies. We will continue to use the Council's working group on these issues to promote consistent regulatory approaches to identify and address potential risks, while promoting America's leadership role in financial services innovation.

Turning to another of Treasury's key priorities, we will continue working with this Committee on meaningful housing finance reform to foster competition for the benefit of consumers, protect taxpayers from future bailouts, and facilitate a smooth transition for the government-sponsored enterprises out of conservatorship.

I am proud of the work we have done, with President Trump's leadership, to create a resilient, thriving, and prosperous economy. Thank you, and I look forward to answering your questions.