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# United States Senate

WASHINGTON, DC 20510

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December 10, 2018

The Honorable Steven Mnuchin  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue NW  
Washington, DC 20500

Dear Secretary Mnuchin,

We write you today to request an update on the progress being made by the Financial Stability Oversight Council (FSOC) to reform the systemically important designation process for nonbank financial companies. While we still agree that Congress should make statutory changes, in the interim we believe meaningful reforms can and should be made administratively. We are grateful for the work of you and your staff on the Treasury Department's November 2017 Report on Financial Stability Oversight Council Designations. To that end, we strongly encourage you, as Chair of FSOC, and your fellow FSOC members, to implement reforms that enshrine due process for market participants and acknowledge business models of individual firms.

The Treasury Department should prioritize the enactment of reforms recommended in its report as soon as possible. As you know, the FSOC's opaque and cumbersome regulatory structure has no measureable benefit. On the contrary, it is detrimental to individual companies, the customers they serve, our capital markets, investors, and the U.S. economy. It is critical that the FSOC, the most powerful regulatory body that most Americans have never heard of, makes fundamental changes to the way in which it operates. Particularly troubling is its history of flawed designations that have subjected individual companies to inappropriate and burdensome regulation by the Federal Reserve. Each designation created costs and economic distortions that extended beyond that single company, but failed to make the U.S. financial system safer. Only a transparent activities-based approach, that acknowledges the business of individual firms, developed in concert with a firm's primary regulator, will provide appropriate due process protections and produce effective, efficient regulation. The Treasury Department should not rely on arbitrary thresholds and should be prepared to justify any metrics used to identify system risk, especially if such activities have no history of posing risk to the financial system.

Now that we have exceeded the one year anniversary of the Report's publication, we would value an update on implementation of the recommended reforms, including:

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1. When do you expect reforms to the nonbank designation process to be considered by the FSOC?
2. Does the Treasury Department plan to provide an opportunity for public notice and comment for implementation of its recommendations?
3. What progress has the Treasury Department made in developing an “activities-based approach” or “industry-wide approach” as part of implementing its own recommendations?

Sincerely,



Thom Tillis  
United States Senator



M. Michael Rounds  
United States Senator



Tom Cotton  
United States Senator



David A. Perdue  
United States Senator