

United States Senate

WASHINGTON, DC 20510

April 25, 2013

The Honorable Jacob Lew
Chairman
Financial Stability Oversight Council
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Chairman Lew:

We write with respect to the Financial Stability Oversight Council's ongoing efforts to assess non-bank financial firms to determine whether they threaten the U.S. financial system and whether any such threats are best addressed by designating individual companies as systemically important financial institutions (SIFIs). We applaud you in this endeavor, as this careful and thoughtful analysis is critically important to the Council's understanding and management of any potential threats to the U.S. financial system. As you move forward, we urge you to proceed with the highest standards of transparency and write to seek your commitment to those standards and clarification on several points related to the Council's assessment process.

The Council has previously articulated that in its evaluation of non-bank financial companies, it may develop additional guidance, metrics and thresholds that may be relevant to specific industries. We strongly support the efforts of the Council to differentiate among industries and to publish industry-specific guidance and metrics that it devises. We believe that this is appropriate given the distinct differences between the banking business model, on which the SIFI designation authority and regulatory scheme are based, and the business models of other financial services industries such as asset management or insurance. The Council has previously stated with respect to the asset management industry, that if any additional metrics are developed "it intends to provide the public with an opportunity to review and comment on any such metrics and thresholds." Based on this statement, we anticipate that the Council would commit to making any other industry-specific metrics public as well and would like the Council to clarify its intent in this area.

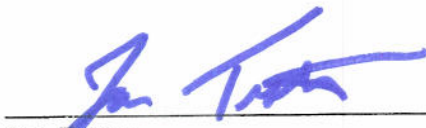
Equally important is ensuring that any analyses or studies—including those conducted by the Office of Financial Research—used in developing the metrics which may guide the Council are also made public for review and comment before any designations are initiated or metrics are finalized. We understand and appreciate the Council's authority to designate systemically important firms, but believe that entities under current or future consideration should be afforded a full understanding of the framework the Council will use in evaluating different lines of business. It is our view that a transparent evaluation and analysis process with robust public

comment is vital to the Council's task of effectively and appropriately analyzing any threats to the U.S. financial system. Furthermore, given that such industry and activity-specific analyses may be used by the Federal Reserve Board and other regulators to set regulatory standards for the businesses they oversee and to determine whether the bank holding company regulatory model is sufficiently adaptable to non-bank industries, it is essential that the analyses be available for public comment in a timely and transparent manner.


As you consider whether industry-specific metrics can assist the Council in analyzing industries and firms and identifying any potential threats to U.S. financial stability, the Council must also explain how such metrics are indicative of systemic risk as applied to individual companies and across non-bank financial firms. The Council should appropriately consider the differing business models, capital and risk structures, but also ensure that its designation standards are clearly indicative of systemic risk across firms and industries. We hope that you will detail how the Council plans to address these concerns.

We wholeheartedly support the Council's efforts to conduct deliberate, thoughtful and transparent analyses with opportunity for input before concluding whether any industries, firms or activities could threaten U.S. financial stability. We look forward to your response, and thank you for your attention to this matter.

Sincerely,



Jon Tester
Chairman
Subcommittee on Securities,
Insurance, and Investment



Mike Johanns
Ranking Member
Subcommittee on Securities,
Insurance, and Investment