April 15, 2024

The Honorable Patrick McHenry Chairman Committee on Financial Services U.S. House of Representatives Washington, DC 20515	The Honorable Maxine Waters Ranking Member Committee on Financial Services U.S. House of Representatives Washington, DC 20515

Dear Chairman McHenry and Ranking Member Waters:

The undersigned associations strongly support H.J.Res.120, a resolution of disapproval under the Congressional Review Act to nullify the Financial Stability Oversight Council (FSOC) rule "Guidance on Nonbank Financial Company Determinations." Over the years, we have supported bipartisan bills to address FSOC's designation process that encourage increased transparency and due-process safeguards for nonbank financial companies under review by FSOC.

FSOC's final rule overturns its 2019 nonbank guidance that had appropriately balanced its mandate for financial stability with ensuring due process for any nonbank financial company under consideration for supervision by the Federal Reserve Board. In its place, FSOC has granted itself new authority and eroded important due process safeguards to make it easier to designate a nonbank as "systemically important." The rule deprioritizes the "activities-based approach" to systemic risk, a process that leverages the primary financial regulator to identify and address potential risks on a system-wide basis. FSOC also broadened the definition of "threat to the financial stability of the U.S.," such that FSOC now has the authority to investigate any entity over mere speculative risks.

The new rule ignores important considerations that Congress intended in the Dodd-Frank Act (P.L. 111-203) for FSOC to consider when assessing nonbank financial company determinations. Specifically, FSOC eliminated commitments to conduct a cost-benefit analysis and to assess the likelihood of a nonbank's distress or failure before designating it systemically important.

FSOC's final rule will make it easier to designate a nonbank financial company as systemically important and thus subject it to inappropriate bank-like capital requirements. FSOC's final rule requires nonbank financial companies to navigate an unpredictable process that dampens innovation and could have a material impact on their business.

The undersigned associations strongly support H.J.Res.120.

Sincerely,

American Council of Life Insurers
American Investment Council
Asset Management Group of the Securities Industry and Financial Markets Association
Investment Company Institute
LSTA

MFA
Mortgage Bankers Association
U.S. Chamber of Commerce

cc: Members of the House Committee on Financial Services