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SENATE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
"CONTINUED OVERSIGHT OF THE IMPLEMENTATION OF
THE WALL STREET REFORM ACT"
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Chairman Johnson, Ranking Member Shelby, and members of the Committee, thank you for the opportunity to discuss Treasury's progress implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act).

The Dodd-Frank Act is the strongest set of financial reforms enacted since the Great Depression, and was passed in the wake of the worst financial crisis this country has experienced since that time.

That crisis cost nearly nine million jobs, wiped out more than a quarter of household wealth, and deeply compromised Americans' trust in our financial system.

Today, our country's foremost challenge is helping the millions of Americans who lost their jobs as a result of the recession find new employment. Nearly three million private sector jobs have been created within the last two years, but our economy is not creating new jobs fast enough.

Congress took an important first step by passing important provisions of the President's American Jobs Act that provide tax cuts for hiring unemployed or service-disabled veterans and repeal a tax on federal contractors. It should pass the remainder without delay. Independent economists estimate that the provisions in the American Jobs Act, taken together, would create up to two million new jobs and add nearly two percentage points to economic growth next year.

At the same time as we work to create jobs, Treasury is focused on implementing the Dodd-Frank Act to build a more efficient, transparent, and stable financial system – one that supports this country's long-term economic strength and leadership, rather than jeopardizes it.

Congress designed the Dodd-Frank Act's reforms to address the key failures in our financial system that precipitated and prolonged the financial crisis. Its core elements include:

- *Tougher constraints on excessive risk-taking and leverage.* To lower the risk of failure of large financial institutions and reduce the damage to the broader economy if a failure occurs, the Dodd-Frank Act provides authority for regulators to impose more conservative limits on risks that could threaten the stability of the financial system.

- *An orderly liquidation authority to protect taxpayers.* The Dodd-Frank Act creates a new orderly liquidation authority to break up and wind down a failing financial firm so that taxpayers and the economy are protected.

- *Comprehensive oversight of derivatives.* The Dodd-Frank Act creates a new regulatory framework for the over-the-counter (OTC) derivatives market to increase oversight, transparency, and stability in this previously unregulated area.

- *Stronger consumer protections.* The Dodd-Frank Act created the Consumer Financial Protection Bureau (CFPB) to concentrate authority and accountability in a single federal agency for consumer financial products and services.

- *Increased transparency and market integrity.* The Dodd-Frank Act includes a number of measures that increase disclosure and transparency in financial markets, including new reporting rules for hedge funds, trade repositories to collect information on derivatives markets, and improved disclosures on asset-backed securities.

- *Accountability for stability and oversight across the financial system.* The Dodd-Frank Act created the Financial Stability Oversight Council (the Council) to identify risks to the financial stability of the United States, promote market discipline, and respond to emerging threats to the stability of the U.S. financial system. To support the Council, the Office of Financial Research (OFR) collects and improves the quality of financial data and develops tools to evaluate risks to the financial system.

Our current economic challenges only increase our commitment to meeting our responsibility to the American public to implement these reforms fully, quickly, and carefully. As the President has said, "We have a responsibility to write and enforce these rules to protect consumers of financial products, taxpayers, and our economy as a whole… History cannot be allowed to repeat itself."

Going forward, the Dodd-Frank Act aims to mitigate the effect of future stresses in the financial system on our economy and provides the government with new tools in times of crisis. It aligns the boundaries of our regulatory structure with the risks presented by our modern-day financial system. It restores the balance between innovative financial markets and financial stability. And it meets our responsibility to the American people to learn the lessons of this crisis, and to act upon them.

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Implementation Principles

Several key principles continue to guide our implementation of the Dodd-Frank Act.

1. Balancing Speed with Quality and Consistency

Treasury and the independent regulatory agencies responsible for writing most of the Dodd-Frank Act's rules are working to provide clarity to the public and the markets as quickly as possible.

However, a regulatory system that addresses the substantial flaws that led to the financial crisis should not be built in haste. The Dodd-Frank Act is designed to help protect our economy for generations. Many of its reforms involve some of the most complex areas of finance.

As a result, Treasury and the independent agencies are committed to balancing speed and certainty with adequate time for broad public engagement and dialogue, coordination among U.S. regulators and our international counterparts to help achieve a level playing field, and analyses of costs and benefits to help ensure rules build a stronger, more resilient financial system without placing unnecessary burdens on industry.

Substantial progress has been made since the Dodd-Frank Act was passed less than 18 months ago. Since July 2010, financial regulators have publically proposed or finalized nearly all the major rules related to the core elements of reform. The ultimate shape of both individual requirements and overall reform is becoming clearer by the week. Increasingly, financial firms are in a position to adjust their business models in anticipation of final rules.

Rules proposed or finalized include:

- the Volcker Rule;
- rules for designating non-banks and financial market utilities for enhanced supervision and prudential standards;
- rules governing the orderly resolution of large failing financial firms;
- the majority of OTC derivative market regulations;
- risk retention requirements;
- reporting requirements for large hedge fund and private equity funds;
- and rules enhancing protections for investors.

Treasury will continue to work with the independent regulators in pursuit of final rules that are both timely and fully considered.

2. Transparency and Public Engagement

An open and ongoing public dialogue is critical to the rule-writing process. Regulators have gone above and beyond statutory requirements to engage broadly with interested parties prior to issuing proposed rules, review and consider comments on proposed rules carefully, and pursue public rulemakings in cases where the Dodd-Frank Act does not require them, such as with respect to the process for the designation of nonbank financial companies.

Over a year ago, the Financial Stability Oversight Council released an integrated Dodd-Frank Act implementation roadmap to provide the public with a general guide to the rule-writing agencies' anticipated timelines and sequencing for the implementation of Dodd-Frank Act rules. Many of the Council's member agencies have provided the public with notice of anticipated rulemaking timelines significantly in advance of the rulemaking activity itself.

To bolster their efforts, the Council has also made available on its website links to each member agency's Dodd-Frank Act implementation webpage, providing the public with a single portal to updated agency timelines, proposed rules, key studies, final rules, public comments, and other implementation materials.

Through the comment process and public forums, member agencies have also sought the public's input on how rules interrelate and how, and in what sequence, they can best be implemented. Agency efforts have included sponsoring multi-agency public forums, including SEC and CFTC joint roundtables regarding implementation of derivatives reform, to hear the public's views on the substance and implementation of rules involving parallel or overlapping issues.

Transparency and public input informs and strengthens the reform process, helping to ensure new rules foster healthy and dynamic markets. Treasury will continue to encourage and prioritize maximum transparency and public engagement as reform moves forward.

3. Strengthening Coordination

Strong coordination is essential for implementing the Dodd-Frank Act in a way that creates a coherent, efficient, and effective financial regulatory system. Coordination is important for closing gaps and minimizing opportunities for regulatory arbitrage, which could leave the U.S. and global financial system more vulnerable to future crises. Coordination is also important to avoid overlapping or conflicting regulations that may create inefficiencies or unnecessary compliance burdens within the financial industry.

The Dodd-Frank Act provides for coordination of various kinds and with various degrees of specificity. One of the duties of the Financial Stability Oversight Council is to facilitate information sharing and coordination among its independent member agencies, both during the implementation of the Dodd-Frank Act and as it carries out its broader responsibilities.

Congress granted specific authority to the Secretary of the Treasury, as the Chairperson of the Council, to coordinate the work of the agencies on two important Dodd-Frank rulemakings: the Volcker Rule, which limits banks' ability to take excessive risks, and the risk retention rule, which improves the alignment of incentives among financial institutions involved in securitization.

Congress did not provide Treasury or the Secretary of the Treasury, as Chairperson of the Council, the authority to force coordination among its independent member agencies. Yet even without this authority, Treasury is encouraged by the efforts the Council's member agencies have made over the past eighteen months, and their unanimous recognition of the importance of coordination, even when not statutorily required, in the Council's first annual report.

Treasury, along with the Council's other member agencies, is committed to going beyond the coordination requirements in the Dodd-Frank Act, and will continue to seek opportunities to improve and increase coordination going forward.

4. Working Toward Simple, Streamlined, and Balanced Reform

As Dodd-Frank implementation moves forward, Treasury believes that it is important for agencies to streamline, simplify, and consider the economic effects of significant rulemakings. Implementation must strike the right balance between shaping a financial system that is safer and more resilient and one that is innovative and dynamic. Analyzing new regulations' costs and benefits, both in terms of individual rules and rules in the aggregate, is an important part of getting the balance right.

The Dodd-Frank Act made several important institutional changes to help streamline regulations and the regulatory process more broadly. It consolidated prudential supervision of federally-chartered depository institutions by folding the Office of Thrift Supervision's prudential responsibilities into the Office of the Comptroller of the Currency's mandate. It created the Consumer Financial Protection Bureau, which is now responsible for rulemakings under Federal consumer financial protection laws that were previously spread among seven Federal agencies. It also created the Financial Stability Oversight Council in part to facilitate information sharing and strengthen coordination among its member agencies.

In addition to these institutional reforms, agencies have also made efforts to streamline supervisory requirements and new regulations as the rule-writing process moves forward. Last week, the CFPB requested public input on ways to streamline regulations under the consumer financial protection laws that it has inherited from seven federal agencies. The CFPB is asking the public to identify provisions that it should put the highest priority on updating, modifying, or eliminating, and is also seeking suggestions for making compliance easier for firms, especially smaller ones.

Another example is last month's joint statement from the CFPB, along with the Federal Deposit Insurance Corporation, Federal Reserve Board, Office of the Comptroller of the Currency, National Credit Union Administration (together, the prudential regulators). The statement provided greater clarity regarding how the agencies expect to carry out supervisory and enforcement responsibilities with respect to consumer protection. Since the prudential regulators oversee compliance with Federal consumer financial laws for depository institutions and credit unions with assets below $10 billion, while the CFPB oversees all institutions above that limit, the agencies jointly agreed on common standards and intervals for measuring financial institutions' asset sizes and determining supervisory authority.

The CFPB has also begun carrying out its mission to streamline and simplify rules and requirements with regard to consumer financial products and services. One of its first initiatives was to combine two federally required mortgage disclosure forms into one clear, simple document. The CFPB is currently soliciting public feedback on two potential designs, while also working with the Department of Education to develop a straightforward new form for colleges and universities to use to communicate student aid offers.

As new rules are designed to strengthen our financial system, the Administration is leading a government-wide effort to streamline, simplify, and review the costs and benefits of new and existing regulations. In January, the President issued an Executive Order directing executive agencies to develop a plan to streamline regulations, including carrying out a review of existing regulations and assessing the costs and benefits – both qualitative and quantitative – of any new rules or requirements. In June, Secretary Geithner requested independent member agencies of the Financial Stability Oversight Council to adopt the principles and guidelines of the President's Executive Order. In July, the President issued a second Executive Order encouraging all independent regulatory agencies, to the extent permitted by law, to follow the key provisions of the January order, including eliminating or fixing rules that are outdated or unjustifiably costly, and making sure that new regulations undergo vigorous review. The President asked that they publish written plans describing their efforts within 120 days.

All independent agencies, including those responsible for Dodd-Frank Act rulemakings, are expected to submit plans, and many have already done so. The Federal Reserve, for example, is increasing efforts to review all regulatory matters from the perspective of community depository organizations, alongside regular zero-base reviews of its regulations roughly every five years. In addition to its ongoing review of rules affected by the Dodd-Frank Act, the FDIC is also undertaking a community bank initiative that includes a review of its examination process and rulemaking process to further our understanding of the challenges and opportunities for community banks. The CFTC has also submitted a plan describing its efforts, and is examining and revising a number of existing regulations as part of its implementation of the Dodd-Frank Act. It plans to begin periodic, retrospective reviews of regulations not reviewed as part of the Dodd-Frank Act work as soon as that work is complete.

In their plans, independent agencies have stressed the importance of understanding the costs and benefits of new rulemakings, their methods for doing so, and their compliance with statutes designed to ensure that regulatory agencies consider and minimize regulatory burdens.

However, it is important to ensure that analyzing the costs and benefits of reforms is balanced with their full and timely implementation. As reform moves forward, we should not lose sight of the continuing costs of the financial crisis this country experienced – millions of jobs, trillions of dollars, and countless lost opportunities – or the potential costs of stalled or incomplete reform on our economy in the future.

5. Building a Level Playing Field for Strong Global Reform

Through the G-20, the Financial Stability Board, and regular bilateral engagement, the United States continues to lead and foster consensus on key areas of financial reform to help strengthen global financial stability, build more resilient financial markets, and promote greater consistency and convergence in regulatory outcomes.

In 2009, the G-20 leaders agreed to a set of objectives in pursuit of a stronger and more internationally consistent supervisory and regulatory framework. Among other issues, the G-20 leaders pledged to reshape their regulatory systems to identify and take account of macro-prudential risks; to extend regulation and oversight to all systemically important financial institutions, instruments and markets; to work to improve the quality, quantity, and international consistency of capital in the banking system; and to create greater transparency and alignment in frameworks for OTC derivatives.

Between the G-20 meetings in London and Pittsburgh in 2009 and last month's meeting in Cannes, notable progress has been made with our counterparts around the world on these and other issues critical to global financial stability.

Following the G-20 leaders call at the Pittsburgh Summit, in 2011 regulators reached agreement on the new Basel III framework for bank capital and liquidity that is designed to allow institutions to absorb a level of losses comparable to what we faced at the peak of the financial crisis without turning to taxpayer support. These heightened standards phase in gradually, so that banks can adjust while continuing to provide credit to households and businesses. Basel III will also help to ensure that the level and definition of capital will be uniform across borders, and for the first time, outlines mandatory leverage and liquidity ratios.

At the Cannes Summit, the G-20 leaders endorsed measures to address challenges posed by global systemically important financial institutions. These measures include requirements for higher loss absorbency capacity, new tools to facilitate orderly resolution, and more intensive and effective supervision. The largest firms will be required to hold additional capital buffers to reduce the risks of potential disruptions caused by the failure of one of these firms.

In addition to international work on systemically important firms, G-20 leaders have also adopted principles aligned with the Dodd-Frank Act to promote international consistency across derivatives markets. These principles are fully consistent with those included in the Dodd Frank Act.

Two years ago in Pittsburgh, the G-20 leaders reached agreement on requiring increased clearing, trading on exchanges, and reporting for over-the-counter trade. In Cannes, the G-20 leaders also agreed to pursue a U.S. proposal for a new global margin standard on uncleared derivatives trades to create uniform incentives for central clearing, while also pushing forward on efforts supported by policy makers and industry alike to develop an international legal entity identifier system, which will help precisely identify parties to financial transactions. That is important, for example, for trading in derivatives, where it will help shine a spotlight on counterparty exposures and thus interconnectedness, a key factor in assessing threats to financial stability. These efforts are critical to ensure international coherence and greater oversight of capital markets. Treasury is working with our G-20 counterparts to synchronize implementation.

As the world's leading economy, financial reform in the United States should set a strong, clear example for the international community. Treasury will remain committed to fully implementing the Dodd Frank Act at home, while working with our counterparts around the world to strengthen global reform.

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The Dodd-Frank Act made Treasury responsible for standing up several important new institutions to help ensure our financial system is stronger and more resilient going forward. In addition to the Consumer Financial Protection Bureau and the Financial Stability Oversight Council, the Dodd-Frank Act created an Office of Financial Research (OFR) to provide the

Council with critical data and analytical support. The Dodd-Frank Act also created the Federal Insurance Office (FIO) to identify gaps in regulation that could contribute to a systemic crisis in the insurance industry or the financial system more broadly.

Treasury has worked hard to stand up these important new institutions, and is pleased with the progress they have made.

The Consumer Financial Protection Bureau

The CFPB's mission is to help ensure consumers have the information they need to make financial decisions appropriate for them, carry out Federal consumer financial laws, and restrict unfair, deceptive, or abusive acts and practices. The Dodd-Frank Act created the CFPB to consolidate consumer protection responsibilities for consumer financial products and services that had been fragmented across several federal regulators into a single institution dedicated solely to that purpose.

In July, President Obama nominated Richard Cordray to be the CFPB's first director. He is exceptionally qualified to lead the CFPB. Throughout his career, Mr. Cordray has demonstrated a strong commitment to consumer advocacy and public service, and possesses a deep understanding of both finance and consumer protection law.

Despite Mr. Cordray's outstanding qualifications, some in the Senate have said they will not confirm any individual to head the CFPB without fundamental changes to its structure, which Congress laid out in the Dodd-Frank Act.

Secretary Geithner has urged Senators to reconsider their view. During his last appearance before this Committee, the Secretary asked that Senators who have not done so meet with Mr. Cordray and learn more about the work of the CFPB. As Senators get to know Mr. Cordray, we believe they will find that he is an ideal candidate to lead the CFPB, and that his measured, sensible approach to the CFPB's work will allay concerns some Senators have expressed regarding the CFPB's operation in the future. Furthermore, the CFPB is subject to strong oversight through statutorily required hearings, reports, and audits, constraints that do not apply to any other federal banking regulator, and is the only banking regulator with a statutory cap on its primary source of independent funding.

Without a Director, the CFPB's ability to address unfair, deceptive, and abusive practices by payday lenders, private student loan providers, debt collectors, and other nonbank lenders, including certain mortgage originators and servicers, is constrained. It also limits the CFPB's ability to level the playing field so that banks and nonbanks play by the same rules, and to prevent the sort of imbalances in consumer finance markets – in particular, mortgage loans – that helped cause the financial crisis.

If the CFPB is unable to exercise its full authority, not only will consumers lack common-sense protections, but our economy will remain vulnerable to some of the same critical gaps in regulation that helped cause the financial crisis.

Under its current authority, in July the CFPB assumed responsibility for supervising depository institutions with over $10 billion in assets and their affiliates. In October, the CFPB released its supervision and examination manual, which is the field guide that examiners will use in supervising both depository institutions and other consumer financial services providers. The CFPB and prudential regulators also agreed on common standards for measuring an institution's asset size for purposes of determining supervisory authority.

In its supervision and examination manual, the CFPB highlighted its Mortgage Servicing Examination Procedures and recognized the pervasive problems reported in the mortgage servicing industry. As reported by prudential regulators, servicers lost important documentation, experienced problems with foreclosure processing, and failed to communicate with consumers – and, in some cases, borrowers who qualify for loan modifications did not received them in time to avoid foreclosure. Initially, the CFPB's examinations of mortgage servicers will focus on the servicing of loans in default.

In November, the CFPB also outlined plans to provide advance notice of potential enforcement actions to individuals and firms under investigation for violating Federal consumer financial laws. The Early Warning Notice process allows the subject of an investigation to respond to any potential legal violations before the CFPB decides whether to begin legal action.

The CFPB also created the Know Before You Owe project to simplify the disclosures that consumers receive. Know Before You Owe has already launched initiatives simplifying mortgage disclosure requirements and student aid offers, and will include additional initiatives in other areas of consumer finance in the future.

The Know Before You Owe mortgage disclosure initiative combines two lengthy, complicated federally required mortgage disclosures into a single, simpler form that clearly presents costs and risks to borrowers. The CFPB is currently evaluating two potential forms, which they have posted on their website to gather public input, as well as conducting one-on-one interviews with consumers, lenders, and brokers.

The Know Before You Owe's student aid project aims to help young people more easily understand and compare the costs and benefits of student loans. The CFPB partnered with the Department of Education to create a model format that schools can use to communicate financial aid offers. Currently, these offers are often difficult to understand and compare, and may not clearly differentiate loans from other types of student aid. The CFPB has also launched an online guide to help borrowers understand their options when repaying student loans, and recently requested that they share their experiences using private student loans to improve our understanding of this particular credit market.

Credit card applications also include confusing language and fine print, which makes it difficult for consumers to fully understand the terms of these agreements. Last week, the CFPB released a report that highlighted the Bureau's success assisting consumers with credit card complaints. Very soon, the CFPB plans to launch a new initiative under the Know Before You Owe Project to help consumers better understand these agreements and make more informed decisions.

The CFPB is also committed to helping ensure that members of the armed services and their families are fully informed and empowered when choosing consumer financial products and services. Servicemembers and their families face special circumstances – deployments, relocations, overseas assignments – that present unique challenges. To better understand the nature of these challenges, the CFPB's Office of Servicemember Affairs is collecting information from servicemembers, their advocates and counselors, and industry participants, as well as hosting town hall meetings with military families and roundtable discussions with financial readiness program managers and counselors, legal assistance lawyers, chaplains, and other professionals serving the military community.

Similarly, the CFPB's Office of Older Americans will help seniors navigate their own unique financial challenges by helping to educate and clarify financial choices about long-term savings, retirement planning, and long-term care. The CFPB will also coordinate with senior groups, law enforcement, financial institutions, and other Federal and state agencies to identify and prevent scams targeting seniors.

Another accomplishment is the launch of the CFPB's Consumer Response Center, which began taking credit card complaints in July. On December 1, the CFPB started to take mortgage related complaints. In the coming months, the CFPB will take consumer complaints about other types of consumer financial products and services. The CFPB's August information sharing agreement with the Federal Trade Commission (FTC) allows it to access consumer complaints within the FTC's Consumer Sentinel system on a range of additional consumer financial products and services.

The Financial Stability Oversight Council

The Dodd-Frank Act created the Financial Stability Oversight Council to identify risks to the financial stability of the United States, promote market discipline, and respond to emerging threats to the stability of the U.S. financial system.

Prior to the Dodd-Frank Act's enactment, there was no effective forum for the senior leadership of Treasury, the Federal financial regulatory agencies and other experts to share information and engage as a group on a regular basis. In recent months, the Council's principals have come together to share information in response to possible risks to our financial system posed by credit ratings of U.S. debt, the failure of MF Global, and the ongoing sovereign debt crisis in Europe. Since I last testified in July, the Council has held six principals meetings, and in between these meetings the Council has had numerous conference calls to discuss market developments. Deputies meet at least every two weeks and staff of member agencies is in regular communication.

In July, the Council published its first annual report, which provided a comprehensive view of financial market developments and potential threats to our financial system. The report also includes recommendations to enhance the integrity, efficiency, competitiveness, and stability of the U.S. financial markets, promote market discipline, and maintain investor confidence.

Although independent agencies, not the Council itself, have the authority to address the annual report's recommendations regarding structural vulnerabilities, the Council continues to share information and review progress on each recommendation.

The Council has also made progress on two of its direct responsibilities under the Dodd-Frank Act: designating financial market utilities (FMUs) and nonbank financial companies for enhanced prudential standards and supervision.

In July, the Council finalized rules regarding the procedure for designating FMUs – firms that facilitate clearing and settlement in bond, currency, derivatives, and other financial markets – for enhanced risk management standards and supervision. The final rule benefited from public comments the Council solicited after it released an Advanced Notice of Proposed Rulemaking (ANPR) in November 2010 and a Notice of Proposed Rulemaking (NPR) in March 2011. The Council currently is analyzing firms for potential designation.

The Council is also making progress towards issuing a final rule that establishes quantitative and qualitative criteria and procedures for designations of nonbank financial companies. Prior to the financial crisis, these types of institutions operated largely beyond the boundaries of financial regulators' scope. This allowed them to take on excessive risks that threatened the stability of the financial system more broadly.

The Council received significant public input after publishing an ANPR in October 2010 and an NPR in January 2010. In October 2011, the Council published additional guidance, including specific metrics for potential designation and an analytical framework, for further public comment.

The Office of Financial Research

The Dodd-Frank Act established the Office of Financial Research to improve the quality of financial data available to policymakers and the public, and to facilitate more robust and sophisticated analysis of the financial system.

Richard Berner, as Counselor to the Treasury Secretary, has been leading our efforts to stand up the OFR while the Administration continues to evaluate candidates to serve as its Director.

The OFR has made progress hiring experts with deep experience in data management, technology, and risk management to support its work. Leading academics and quantitative finance experts are also lending their experience and knowledge to help establish the OFR's research operation, including its structure, agenda, and fellowship programs.

Treasury is committed to providing this implementation team with needed support and guidance, and I, along with other senior Treasury officials, meet with the team weekly to make sure the OFR's stand up is well-executed, priorities are identified, and progress is measured.

As the OFR continues to build its data infrastructure, it has also begun working on specific research projects to support the Council's monitoring of risks to the financial system. Just last week, the OFR and the Council hosted a conference that brought together thought leaders from the financial regulatory community, academia, public interest groups, and the financial services industry to discuss new technologies and analytical approaches for assessing, monitoring, and mitigating threats to financial stability. The OFR's research on financial stability and its projects to improve the quality of financial data were discussed at that conference.

Over the past year, the OFR's leadership has helped gain strong private sector support and international regulatory backing for the Legal Entity Identifier (LEI) initiative. This public-private initiative, which the OFR launched in November 2010, will create a global standard for the identification of parties to financial transactions. Such a standard will improve data quality and thus the abilities of regulators and firms to manage counterparty risk, assure the integrity of business practices, and lower processing costs for financial transactions.

Over the past few months, the LEI initiative has won a number of key endorsements, including from the G-20 and the Financial Stability Board (FSB), which both released public statements affirming their support for industry and financial regulators' efforts to establish an LEI.

To further progress on establishing an LEI globally, the OFR worked closely with the FSB and other international authorities to hold a workshop this past September to discuss how to coordinate on steps going forward. Representatives from international market participants and regulators voiced support for greater cooperation on the LEI initiative. Earlier this year, a global coalition of market participants and their members published recommendations for how to best adopt the LEI, and the International Organization for Standardization (ISO) developed a draft technical specification for the identifier.

The OFR has also begun working to facilitate interagency coordination on data collection efforts. The process leading to the adoption of Form PF shows the benefits that come from collaboration between the OFR and other members of the Financial Stability Oversight Council. The SEC and CFTC worked collaboratively with the Council and the OFR to harmonize Form PF and a related CFTC form to increase transparency for certain participants in the commodities market. Because of this alignment, the Council will be in a better position to aggregate the information gathered from private fund advisers and these commodity market participants for use in assessing systemic risk.

The OFR is working with regulators to catalogue the data they already collect to ensure the OFR relies on existing data whenever possible and to identify opportunities for efficiencies in contracting, collecting, processing, and distributing data. With this catalogue, the OFR will work with regulators to identify redundant data collection and reduce the reporting burden on financial institutions, while also strengthening and improving protections throughout the financial system.

Federal Insurance Office

The Dodd-Frank Act created the Federal Insurance Office to monitor all aspects of the insurance industry, identify issues or gaps in regulation that could contribute to a systemic crisis in the insurance industry or financial system, assess the accessibility and affordability of insurance products, coordinate and develop federal policy on prudential aspects of international insurance matters, and contribute expertise to the Financial Stability Oversight Council.

In March, Treasury named Michael McRaith, former head of the Illinois Department of Insurance, as the FIO's Director and, in September, FIO announced 15 individuals drawn from industry, academia and consumer advocacy organizations to serve on the Federal Advisory Committee on Insurance, which advises FIO.

FIO is playing an increasingly important role both domestically and internationally as regulatory reform moves forward. In addition to advising the Council, FIO is currently drafting a report on modernizing U.S. insurance regulation, on which it is currently seeking public comments. On December 9, FIO is hosting a conference to solicit additional public input. Among other subjects, panelists will focus on international regulatory developments, consumer protection, and solvency oversight.

In October, FIO became a full member of the International Association of Insurance Supervisors, which is currently working to designate globally significant insurers and develop a common framework for the supervision of internationally active insurance groups. FIO's membership in this group helps to ensure the U.S. position on insurance matters are represented with a single voice as regulators work on international insurance issues.

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As the economy continues to recover from the worst financial crisis in generations, the Dodd-Frank Act will help protect Americans from the excess risk, fragmented oversight, and poor consumer protections that played such leading roles in bringing about the crisis. Our goal is a financial system that is not prone to panic and collapse; that helps Americans save for retirement and borrow to finance an education or a home without experiencing deception or abuse; and that helps businesses finance growth and investment and strengthen our economy.

We appreciate the leadership and support of this Committee throughout the reform process, and we look forward to working with Congress as we move forward towards this common goal.

Thank you.