

Senator Sherrod Brown
Opening Statement
“[Financial Stability Oversight Council Nonbank Designations](#)”
Senate Committee on Banking, Housing and Urban Affairs
March 14, 2019

Thank you Senator Crapo for holding this hearing.

Let’s remember why FSOC matters. When Wall Street takes big risks, they’re doing it with Americans’ money.

The financial system affects who can get loans. It affects whether people have enough money to retire, or pay medical bills, or send kids to college. When banks and other big financial firms take risks and they don’t pay off, it’s never the executives and the CEOs who are left with nothing – it’s ordinary families who lose their jobs, lose their homes, lose their life savings.

And when too many financial institutions take too many risks at once, we all pay the price.

Right now the risks to the financial system have increased – which means the risks are greater for families buying homes and saving for retirement and paying off student loans. The biggest Wall Street banks have gotten even bigger and more interconnected. The shadow banking sector has grown and is taking on more risk. The business cycle is extended and growth is slowing. The global economy faces uncertainty from Brexit and growing debt levels in China.

And things look even worse when you look past Wall Street, and look at ordinary families: student loan debt has hit record levels. Seven million Americans are more than three months behind on their car payments – the highest level in 19 years. And for too many Americans who haven’t felt the benefits of economic recovery, decades of income and wealth inequality have made it even harder.

This Administration is all too happy to look the other way, as long as the risks affect families’ bank accounts, not bank profits.

That’s what led to the last crisis.

The FSOC was created after large, interconnected firms—firms like Lehman, Bear Stearns and AIG—wreaked havoc on the economy.

These firms didn’t have strong rules to ensure they had enough liquidity or loss-absorbing capital in case of an economic shock. And there was no single regulator monitoring the entire company for systemic risks.

It was so important to address this problem that the authors of Dodd-Frank created FSOC in Title I of the bill.

But now, FSOC appears to be closed for business.

It recently rescinded the last remaining SIFI designation of the Obama Administration. Prudential, the giant insurance company that grew larger and more complex after it was designated as systemically important, is apparently no longer in need of stronger safeguards and no longer a risk to financial stability.

Just last week, the FSOC issued proposed interpretive guidance to make it more difficult to designate nonbank financial firms. And it shifts the burden back on the primary regulators to identify and solve systemic risks before FSOC can take any action.

These are the same primary regulators that failed to identify the risks that led to the worst financial crisis since the Great Depression.

Even more concerning is that this approach gives unregulated shadow banks a free pass.

If you still don't believe that this Administration is a threat to financial stability, look at how FSOC's staff has been cut in half. The FSOC member agencies have fewer meetings and spend less time considering financial stability risks. The Treasury has cut a third of the staff of the Office of Financial Research, which is supposed to support the work of the FSOC.

The Financial Stability Oversight Council has all but given up its role as the agency tasked with identifying and constraining excessive risk in the financial system.

And Wall Street continues to push legislation that would further weaken FSOC, and make it impossible for future Administrations to designate nonbank financial firms.

We should be strengthening FSOC, giving it more authority to address risks, and making sure it has the staff and resources to protect Americans savings and homes from financial crisis. Instead the collective amnesia of this Administration, Wall Street, and the Senate will once again leave hardworking Americans and taxpayers holding the bag.

Thank you, Mr. Chairman.

###