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Ross Introduces a Bill to Help Protect Investor Savings

WASHINGTON, Jul 23 | Monica Rodriguez (202-225-0585) | comments

WASHINGTON, D.C. – U.S. Rep. Dennis Ross (R-FL-15), member of the House Committee on Financial Services, along with Reps. John Delaney (D-MD-6), Spencer Bachus (R-AL-6), Kyrsten Sinema (D-AZ-9), Patrick Murphy (D-FL-18) and Blaine Luetkemeyer (R-MO-3) today introduced H.R. 5180 the *Financial Stability Oversight Council Improvement Act*, bipartisan legislation that will reform the Financial Stability Oversight Council (FSOC) and the Office of Financial Research (OFR); two of the regulatory agencies established under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

"Dodd-Frank turned four this week," said Ross. **Unfortunately, it has become increasingly evident that aspects of the law are not working as promised. FSOC and OFR are agencies that were established to identify potential risks to our nation's financial stability but they have been broadly criticized for their lack of transparency, flawed research, and inadequate designation process. Decisions by the FSOC dramatically affect the operations of companies that are designated as systemically important financial institutions, also known as SIFIs. In many cases, the SIFI designation can lead to a large cost increase for consumers.**

"For example, classifying an asset management company as a SIFI would likely raise the cost of investing and saving for American families, who use these services to save for their children's education, retirement, and emergencies. It should not be their responsibility to pay for hasty decisions made by FSOC.

"In addition to other ramifications, when FSOC deems an institution as a SIFI, it puts investors on the hook for a failing bank bailout. My colleagues and I created this legislation to make sure that FSOC's determinations are not laying the cost of extra red tape on the backs of American families."

The Financial Stability Oversight Council and the Office of Financial Research have an important mission, which is to identify systemic risk that could bring down the entire financial sector and substantially damage the economy for all Americans," said Delaney. **"Valid concerns have been raised about FSOC's handling of non-bank financial institutions and this bipartisan legislation is a good faith effort to improve the agencies. The Financial Stability Oversight Council Improvement Act is pragmatic legislation that clarifies agency processes, increases transparency and public accountability, improves communications between the industry and FSOC and creates additional paths to mitigate systemic risk.**

"My experience is that there is often greater resistance to a designation or ruling when parties feel they have not been consulted or the process is not transparent enough," said Bachus. **"It is very reasonable to ask that a company being considered for designation as 'systemically important' be provided with the specific reasons why and also with a description of the steps that could be taken so that a designation is not merited. Making the methodology more transparent would lead to increased certainty and confidence in the process."**

"The Financial Stability Oversight Council Improvement Act is a bipartisan, common sense bill that would improve the FSOC designation process, providing transparency and clarity for non-bank financial institutions without undermining the FSOC's ability to protect the economy from systemic risk," said Sinema.

"After the financial crisis, the American people demanded an end to excessively risky behavior that hobbled the economy and almost took down the financial system and the middle class with it," said Murphy. **Unfortunately, efforts to restrain risk threaten to ensnare companies that may engage in excessively risky behavior but are not inherently risky like the world's largest banks are," said Rep. Murphy. "I applaud my colleagues Reps. Ross and Delaney for their work on this bipartisan bill that would further strengthen the financial system by encouraging businesses engaged in excessive risk to voluntarily reduce their risk. This result would be a win-win – resulting in both less risk and less unnecessary regulatory oversight."**

The *Financial Stability Oversight Council Improvement Act* bill text can be found by clicking here

On April 9, 2014 Reps. Ross, Delaney, Bachus, Maloney, Garrett, McCarthy, McHenry, Scott, Campbell, Moore, Capito, Perlmutter, Luetkemeyer, Carney, Duffy, Sewell, Westmoreland, and Himes sent a letter to Jacob Lew, chairman of the Financial Stability Oversight Council regarding SIFI designations. The letter states that to designation of a SIFI must (1) specifically identify the systematic risks that the FSOC deems dangerous to the U.S. financial system, and (2) explain in detail how the FSOC thinks designation would mitigate these risks. The letter can be read by clicking here.

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