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United States Senate
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
WASHINGTON, DC 20510–6075

December 10, 2025

The Honorable Scott Bessent
Chair
Financial Stability Oversight Council
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

Dear Chair Bessent:

I am writing to express my concern with the apparent failure of the Financial Stability Oversight Council (FSOC), under your leadership, to execute its critical mission: identifying and addressing risks to the stability of the U.S. financial system. Over the course of 2025, the FSOC has met less frequently than it ever has before; meanwhile, at the rare meetings when it *does* convene, Wall Street deregulation is a standing agenda item, and the Council is actively sabotaging its own authorities.[1] This erosion of financial stability oversight would be troubling at any moment, but it is especially dangerous as systemic risk in the financial system appears to be intensifying.[2]

A few of the most important lessons learned from the 2008 financial crisis were that risks can develop quickly across interconnected financial institutions and markets, fragmented oversight can increase the likelihood that regulators miss warning signs, and shadow banks can unequivocally pose systemic risk.[3] Building off of these lessons, Congress established the FSOC in 2010, bringing together the heads of the federal financial regulatory agencies and arming them with new authorities to identify, monitor, and address risks that could destabilize the financial system and harm the economy.[4] In recent years, the FSOC has consistently met to identify and discuss key issues facing the financial system and broader economy, such as private credit,

[1] U.S. Department of the Treasury, "Treasury Secretary Scott Bessent Remarks at the Financial Stability Oversight Council," September 10, 2025, https://home.treasury.gov/news/press-releases/sb0241; U.S. Department of the Treasury, "Council Meetings," https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/fsoc/council-meetings.

[2] Letter from Senators Elizabeth Warren and Jack Reed to the Fed, FDIC, and OCC, December 4, 2025, https://www.banking.senate.gov/newsroom/minority/warren-reed-call-on-banking-regulators-to-take-immediate-action-to-address-cracks-in-credit-markets; Letter from Senator Warren to Secretary Bessent,July 17, 2025, https://www.banking.senate.gov/newsroom/minority/warren-calls-for-stress-test-on-private-credit-presses-ratings-agencies-on-inflated-private-credit-ratings.

[3] Southern California Law Review, "Regulating Entities and Activities: Complementary Approaches to Nonbank Systematic Risk," Jeremy C. Kress, Patricia A. Mccoy & Daniel Schwarcz, 2019, https://southerncalifornialawreview.com/wp-content/uploads/2019/12/92_6_Kress.pdf; Financial Crisis Inquiry Commission, "The Financial Crisis Inquiry Report," January 2011, pp. xviii-xx, 386, https://fcic-static.law.stanford.edu/cdn_media/fcic-reports/fcic_final_report_full.pdf.

commercial real estate, short-term funding markets, hedge fund leverage, and climate-related financial risk.[5] From 2021-2024, the FSOC held an average of seven meetings a year.[6] Since its first full year of operation in 2011, the FSOC has never met fewer than five times in a year.

But instead of working to identify and address threats to financial stability, the FSOC under your leadership will meet only four times in 2025 – and when it has met, it has coordinated a sweeping deregulatory agenda that undermines its own mission. Specifically, at your first Council meeting in March, you gave the banking agencies marching orders to slash safeguards that ensure megabanks finance a modest portion of their investments using their own money, instead of relying on excessive levels of debt.[7] By the September Council meeting, the Federal Reserve Board, Federal Deposit Insurance Corporation (FDIC), and Office of the Comptroller of the Currency had issued a proposal to deliver on your request.[8] Ahead of the December meeting, they had completed it.[9] The agencies' final rule guts the enhanced supplementary leverage ratio (eSLR), a critical post-2008 crisis safeguard. The rule reduces loss-absorbing financial cushions at the nation's largest banks by more than $200 billion, shrinks their capacity to lend to businesses and households by up to $2.7 trillion, a nd increases the likelihood of big bank failures and taxpayer bailouts.[10]

Furthermore, at both the June and September meetings, you appear to have asked certain agency heads to go around the table and list their deregulatory achievements.[11] In a remarkable display, the heads of the banking agencies ticked through a range of recent or forthcoming actions that would undermine the safety and soundness of the banking system and threaten financial

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[4] U.S. Department of the Treasury, "Financial Stability Oversight Council," https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/fsoc; U.S Department of the Treasury, "Council Members," https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/financial-stability-oversight-council/about-fsoc/council-members.

[5] Financial Stability Oversight Council, "2024 Annual Report," December 6, 2024, https://home.treasury.gov/system/files/261/FSOC2024AnnualReport.pdf; Financial Stability Oversight Council, "2023 Annual Report," December 14, 2024, https://home.treasury.gov/system/files/261/FSOC2023AnnualReport.pdf.

[6] U.S. Department of the Treasury, "Council Meetings," https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/fsoc/council-meetings.

[7] Financial Stability Oversight Council, "Minutes of the Financial Stability Oversight Council," March 20, 2025, https://home.treasury.gov/system/files/261/FSOC_20250320_Minutes.pdf.

[8] Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and Federal Reserve Board, "Agencies Request Comment on Proposal to Modify Certain Regulatory Capital Standards," press release, June 27, 2025, https://www.fdic.gov/news/press-releases/2025/agencies-request-comment-proposal-modify-certain-regulatory-capital.

[9] Federal Reserve Board, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, "Agencies issue final rule to modify certain regulatory capital standards," press release, November 25, 2025, https://www.federalreserve.gov/newsevents/pressreleases/bcreg20251125b.htm.

[10] Financial Times, "Wall Street to trump Main Street with new bank rules," Sheila Bair, July 18, 2025, https://www.ft.com/content/553c0b1a-33d0-4b6c-a048-3a11064f5d3b; Federal Reserve Board, "Statement on Enhanced Supplementary Leverage Ratio Proposal by Governor Michael S. Barr," press release, June 25, 2025 https://www.federalreserve.gov/newsevents/pressreleases/barr-statement-20250625.htm.

[11] Financial Stability Oversight Council, "Minutes of the Financial Stability Oversight Council," June 4, 2025, https://home.treasury.gov/system/files/261/FSOC-20250604-Minutes.pdf; Financial Stability Oversight Council, READOUT: Financial Stability Oversight Council Meeting on September 10, 2025" September 10, 2025, https://home.treasury.gov/news/press-releases/sb0242.

stability.[12] For example, the Acting Chairman of the FDIC read aloud a bulleted list of 27 deregulatory actions the agency was taking.[13] Similarly, the Chairman of the Securities and Exchange Commission and Acting Chairman of the Commodity Futures Trading Commission provided an update on their efforts to deregulate the crypto asset sector and strip crypto asset investors of key protections.[14] This emphasis on deregulation runs the risk of transforming FSOC meetings into a race to the bottom, with agencies competing over who can undo the greatest number of financial safeguards.

You are also actively undoing previous actions that the Council took to respond to emerging threats. For example, you announced that the FSOC will "revisit the guidance and analytic framework that the Council adopted in 2023, to promote alignment with our new direction."[15] The 2023 guidance repealed the first Trump Administration's procedural red tape that effectively halted use of one of the FSOC's most important tools: its authority to subject systemically risky shadow banks to heightened oversight.[16] In addition, FSOC previously identified climate change as an emerging and increasing threat to financial stability. In 2022, the Council established an internal staff committee and external advisory committee to help evaluate climate-related financial risks.[17] Instead of building on this work, the Council recently voted to rescind the charters of both committees.[18] Ignoring the clear financial stability risks posed by climate change does not eliminate them, it simply allows the risks to fester unaddressed. In addition, you cut the FSOC's budget by 32% and worked to cut the staff of the Office of Financial Research, the FSOC's data-driven research arm, by almost 50%.[19]

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[12] Financial Stability Oversight Council, "Minutes of the Financial Stability Oversight Council," June 4, 2025, https://home.treasury.gov/system/files/261/FSOC-20250604-Minutes.pdf; U.S. Department of the Treasury, "Treasury Secretary Scott Bessent Remarks at the Financial Stability Oversight Council," September 10, 2025, https://home.treasury.gov/news/press-releases/sb0241; Financial Stability Oversight Council, READOUT: Financial Stability Oversight Council Meeting on September 10, 2025" September 10, 2025, https://home.treasury.gov/news/press-releases/sb0242.

[13] Federal Deposit Insurance Corporation, "Meeting of the Financial Stability Oversight Council," September 10, 2025, https://www.fdic.gov/news/speeches/2025/meeting-financial-stability-oversight-council.

[14] Financial Stability Oversight Council, "Minutes of the Financial Stability Oversight Council," June 4, 2025, https://home.treasury.gov/system/files/261/FSOC-20250604-Minutes.pdf.

[15] U.S. Department of the Treasury, "Treasury Secretary Scott Bessent Remarks at the Financial Stability Oversight Council," September 10, 2025, https://home.treasury.gov/news/press-releases/sb0241.

[16] U.S. Department of the Treasury, "Treasury Secretary Scott Bessent Remarks at the Financial Stability Oversight Council," September 10, 2025, https://home.treasury.gov/news/press-releases/sb0241; U.S. Department of the Treasury, "FSOC Approves Analytic Framework for Financial Stability Risks and Guidance on Nonbank Financial Company Determinations," press release, November 3, 2023, https://home.treasury.gov/news/press-releases/jy1876; U.S. Department of the Treasury, "Financial Stability Oversight Council Issues Final Guidance on Nonbank Designations," December 4, 2019, https://home.treasury.gov/news/press-releases/sm844.

[17] U.S. Department of the Treasury, "Financial Stability Oversight Council Establishes New Climate-related Financial Risk Advisory Committee," press release, October 3, 2022, https://home.treasury.gov/news/press-releases/jy0987; U.S. Department of the Treasury, "FACT SHEET: The Financial Stability Oversight Council's Response to Climate-Related Financial Risk," October 21, 2021, https://home.treasury.gov/system/files/136/FACT-SHEET-The-Financial-Stability-Oversight-Councils-Response-to-Climate-Related-Financial-Risk.pdf.

[18] U.S. Department of the Treasury, "READOUT: Financial Stability Oversight Council Meeting on September 10, 2025," https://home.treasury.gov/news/press-releases/sb0242.

[19] U.S. Department of the Treasury, "Financial Stability Oversight Council Fiscal Year 2026 Budget Information," https://home.treasury.gov/system/files/261/FSOC-Budget-Information-for-Fiscal-Year-2026.pdf; Office of Financial Research, "2025 Annual Report to Congress," p. 2, 46, https://www.financialresearch.gov/annual-reports/files/OFR-AR-2025.pdf.

Taking this hands-off approach to financial stability would leave our financial system and economy at greater risk in any economic environment. But going down this path just as cracks are emerging in the financial system and yellow lights are flashing across our economy is especially reckless. In July, I wrote to you with concerns about potential financial stability risks and vulnerabilities related to the private credit market, particularly the extent to which nonbank financial companies' involvement in the private credit market and growing entanglements with the core banking system pose systemic risk.[20] Since then, more alarm bells have gone off, as the Chair of UBS recently warned that "insurers shopping for better ratings on their private credit assets are creating a 'looming systemic risk' to global finance."[21] It was recently reported that in 2025 alone, private lenders took over the management duties of at least 45 firms – more than double the number from last year.[22] The recent corporate bankruptcies of Tricolor, First Brands, and Renovo Home Partners could cause more than a billion dollars of losses for private credit lenders and banks.[23] Given the poor underwriting and sloppy due diligence associated with all three blowups, there may be structural weaknesses in corporate credit markets that finance the riskiest business borrowers that are just beginning to rear their ugly head.

The risks posed by private credit are not new. In its 2024 annual report, the FSOC noted that "rising interconnections with banks and insurance companies, limited transparency around private credit valuations, and increased retail investor participation in the industry via semi-liquid investment vehicles may indicate expanding risks and are areas of focus for the Council."[24] Yet in the June 2025 readout of the FSOC'S meeting, the "Council members discussed ways in which private credit can promote investment and access to capital."[25] It is concerning to see the FSOC, under your leadership, promote a market that is showing increasing signs of distress. These credit risks are not the only potential threats to financial stability you are failing to address, as exorbitant leverage at large hedge funds, liquidity risks posed by short-term funding markets, credit risk in segments of the commercial real estate market, and others continue to intensify.

During your nomination process, when asked in questions for the record if you would faithfully execute the FSOC's mission to "(i) identify risks to U.S. financial stability; (ii) promote market discipline, by eliminating the expectations of public bailouts; and (iii) respond to emerging threats to the stability of the U.S. financial system," you confirmed that you would follow the laws as written, but have since failed to exercise FSOC's authority to fulfill these core

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[20] Letter from Senator Elizabeth Warren to Scott Bessent, July 17, 2025, https://www.banking.senate.gov/imo/media/doc/20250717%20Letter%20to%20FSOC%20re_%20Private%20Credit%20Risk.pdf.

[21] Financial Times, "UBS Chair warns of 'looming systemic risk' from private credit ratings," November 4, 2025, https://www.ft.com/content/73ee8c6d-3c04-425e-9d2c-ecbf2f376a4f.

[22] Bloomberg, "Private Companies Are Being Taken Over by Lenders at Brisk Pace," Emily Graffeo, November 12, 2025, https://www.bloomberg.com/news/articles/2025-11-12/private-companies-are-being-taken-over-by-lenders-at-brisk-pace.

[23] Letter from Senators Elizabeth Warren and Jack Reed to the Fed, FDIC, and OCC, December 4, 2025, https://www.banking.senate.gov/newsroom/minority/warren-reed-call-on-banking-regulators-to-take-immediate-action-to-address-cracks-in-credit-markets.

[24] U.S. Department of the Treasury, "2024 Annual Report," December 4, 2024, https://home.treasury.gov/system/files/261/FSOC2024AnnualReport.pdf.

[25] U.S. Department of the Treasury, "READOUT: Financial Stability Oversight Council Meeting on June 4, 2025," https://home.treasury.gov/system/files/261/FSOC_20250604_Readout.pdf.

responsibilities.[26] Given the FSOC's current coordination of deregulatory actions and lack of response to emerging threats to the stability of the U.S. financial system, you are failing to fulfill your commitment to Congress.

To help me better understand the ways in which you have discarded the FSOC's statutory mission, I request that you provide the following documents and answer the following questions by January 10, 2026:

1. By statute, you must provide annual testimony to Congress on the FSOC's annual report. The last time that the FSOC Chair came to testify before Congress was February 2024. Please confirm that, if invited by Chairman Scott, you intend to testify before the Senate Banking Committee by the end of January 2026.

2. At a closed-door FSOC meeting in March 2025, you stated that you "had asked the banking agencies to begin the process of removing reputational risk as a basis for supervisory criticism."[27] Please provide a copy of the written request or, if verbal, a description of the date, time, location, and content of the request.

3. At a closed-door FSOC meeting in March 2025, you stated that you "had asked the banking agencies to propose recommendations to ensure that the various leverage capital restrictions function as a backstop to risk-based capital requirements, not generally as the binding constraint."[28] Please provide a copy of the written request and proposed recommendations or, if verbal, a description of the date, time, location, and content of the request and recommendations.

4. Please provide slide decks or other written materials presented at the March 20, 2025, FSOC Principals Meeting for the following agenda items:
    a. Treasury Market Developments
    b. Cybersecurity Developments
    c. Insurance and Natural Disasters

5. Please provide slide decks or other written materials presented at the June 4, 2025, FSOC Principals Meeting for the following agenda items:
    a. Bank Supervision and Regulation
    b. Digital Assets
    c. Commercial Real Estate
    d. Corporate Credit

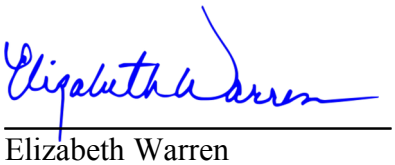
6. Please provide slide decks or other written materials presented at the September 10, 2025, FSOC Principals Meeting for the following agenda items:
    a. FSOC FY26 Priorities
    b. Review of 2023 guidance and analytic framework
    c. Interagency tabletop

[26] Scott Bessent Questions for the Record, January 16, 2025, on file with the Office of Senator Elizabeth Warren.
[27] Financial Stability Oversight Council, "Minutes of the Financial Stability Oversight Council," March 20, 2025, https://home.treasury.gov/system/files/261/FSOC_20250320_Minutes.pdf.
[28] *Id.*

7. In your first 11 months as Chair, has the FSOC used *any* of its statutory authorities to mitigate risks to financial stability, including nonbank financial company designations under Section 113 of the Dodd-Frank Act, recommendations to agencies or Congress under Section 120 of the Dodd-Frank Act, payment, clearing or settlement activity designations under Title VIII of the Dodd-Frank Act, or financial market utility designations under Title VIII of the Dodd Frank Act? Explain.

8. With respect to its informal coordination function, has the FSOC coordinated *any* non-deregulatory actions that have strengthened the stability of the U.S. financial system? If so, please identify the supervisory or regulatory action that was executed to enhance financial stability.

Sincerely,



Elizabeth Warren
Ranking Member
Committee on Banking,
Housing, and Urban Affairs