

THE FINANCIAL SERVICES ROUNDTABLE



Financing America's Economy

To: Representatives of the Financial Services Roundtable, GAC, Public Affairs Council, Research Council, All Staff

Fast Facts: FINANCIAL STABILITY OVERSIGHT COUNCIL

The Financial Stability Oversight Council (FSOC) is a new federal entity created by the Dodd-Frank Act. The FSOC is chaired by Secretary Geithner and charged with identifying threats to the financial stability of the United States, promoting market discipline, and responding to emerging risks to financial stability.

FACT: The Dodd-Frank Act directs the FSOC to designate financial companies whose failure could pose a threat to the financial stability of the United States as systemically important financial institutions (or “SIFIs”).

FACT: Once designated as a SIFI, the Federal Reserve can apply heightened prudential standards such as risk-based capital and leverage limits; liquidity requirements; overall risk management requirements; resolution plans; and new loan concentration limits.

FACT: Under the Dodd-Frank Act, 36 bank holding companies with over \$50 billion in assets are automatically designated as SIFIs.

FACT: On January 18, 2011 the FSOC released a [notice of proposed rulemaking](#) about which non-bank financial companies could be designated as SIFIs and subject to heightened prudential standards.

- The proposed designation framework is organized around six broad categories: (1) Size; (2) Lack of substitutes for the financial services and products the company provides; (3) Interconnectedness with other financial firms; (4) Leverage; (5) Liquidity risk and maturity mismatch; and (6) Existing regulatory scrutiny.

FACT: Designation requires a two-thirds vote of the FSOC members and a concurring vote of the Secretary of the Treasury. After designations are announced, which are expected this spring, companies are given 30 days to contest their standing on the basis of the decision being “arbitrary and capricious.”

If you have questions, please do not hesitate to contact Abby McCloskey, Director of Research at the Financial Services Roundtable, at Abby@fsround.org, Scott Talbott, Senior Vice President of Government Affairs, at Scott@fsround.org, or Brad Ipema, Senior Counsel for Legal & Regulatory Affairs, at Brad.ipema@fsround.org.

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To learn more about the FSOC and its activities:

Please view the [official FSOC website](#) and the [Roundtable's white paper about the Financial Stability Oversight Council](#).

Additionally, the FSOC recently released the following studies that may be of interest: [The FSOC's Study and Recommendations Regarding Implementation of the Volcker Rule](#), and [The FSOC's Report on the Concentration Limit on Large Financial Companies](#).

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