



## AMERICANS *for* TAX REFORM

April 29, 2019

The Honorable Mike Rounds  
United States Senate  
502 Hart Senate Office Building  
Washington DC 20510

Dear Senator Rounds:

I write in support of your legislation, the Financial Stability Oversight Council Improvement Act of 2019. Your legislation would require the Council to consider alternative approaches before labeling a non-bank financial institution as a systemically important financial institution. I applaud Senators Jones, Sinema and Tillis for cosponsoring S. 603 as their participation demonstrates how bipartisanship can achieve smart and transparent solutions for institutions subject to FSOC oversight. I encourage additional Senators to join their efforts.

The Financial Stability Oversight Council was established by Dodd-Frank with the purpose of harmonizing communication and oversight between multiple federal agencies, state-based regulatory bodies and an independent insurance expert and is chaired by the Treasury Secretary. The Council has the ability to designate certain bank holding companies, non-bank institutions and financial market utilities as systemically important financial institutions. The two most prominent factors for SIFI designation include an institution's leverage and interconnectedness with other SIFI institutions.

If a bank holding company carries the label of SIFI, they are subject to enhanced regulatory requirements administered by the Federal Reserve, which oversees deposit-accepting institutions. For non-bank institutions and financial market utilities, carrying the SIFI designation creates additional regulatory barriers administered by the Federal Reserve but excludes bank specific regulations like the Comprehensive Capital Analysis Review. In other words, an investment institution helping savers plan for retirement that does not engage in banking activity is subject to Federal Reserve oversight even if the Federal Reserve had no jurisdiction originally.

Your legislation would provide much needed certainty for non-bank institutions by allowing them to work with regulators to strengthen their institutional best practices, leaving SIFI designation as a last resort. S. 603 provides an important avenue for much needed clarity in the larger process of creating transparency for non-bank financial institutions subject to FSOC oversight. I appreciate your leadership on this issue and commend you for creating a bipartisan path towards a solution that helps improve the SIFI designation process.

Sincerely,

Grover G. Norquist  
President, Americans for Tax Reform

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