

Congress of the United States
Washington, DC 20515

July 12, 2017

The Honorable Steven T. Mnuchin
Secretary
United States Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

Dear Secretary Mnuchin,

As the Department of Treasury continues to undertake its review of the financial regulatory system and as you consider priorities for the Financial Stability Oversight Council (FSOC) as its chair, we write to urge you to prioritize policy changes that will provide for a better coordinated and streamlined oversight and supervision process among the regulatory agencies that have overlapping jurisdiction over Bank Holding Companies, Savings and Loan Holding Companies, and their affiliates. Specifically, we urge you to prioritize policies that address the current lack of coordination of supervisory examinations and other supervisory activities that unnecessarily drain resources from both regulated institutions and the government. We have concerns that this lack of coordination has the potential to negatively impact, rather than bolster, the risk profile of a supervised firm.

As part of your ongoing effort to examine the regulatory structure of the U.S. financial system, more concrete steps are needed to require greater examination coordination and/or consolidation among the varied regulatory agencies. Under existing practices, firms are too often subjected to multiple examinations each year on a number of different topics, with what appears to be little to no coordination between the various regulators. Consideration should include a requirement for joint examinations, investigations or other supervisory activities where there are common areas or activities subject to supervisory regulation, as well as a requirement that during joint examinations a lead agency is established to avoid duplication of efforts, unnecessary burdens and consistent application of supervisory policy. Additionally, the Federal Financial Institutions Examination Council (FFIEC) should play a greater role in promoting uniformity and consistency in the examination of financial institutions.

Financial holding companies and their affiliates are annually subject to a number of different examinations, including capital adequacy, liquidity, cybersecurity, vendor management, the Volcker Rule, Bank Secrecy Act/Anti-Money Laundering requirements, and business continuity planning. Institutions subject to multiple exams on the same issue results in a never-ending cycle of examinations, which diverts critical resources and detracts from the real work of the institution to serve its customers, develop innovative ideas, and defend against cyberattacks.

We appreciate you highlighting some of these matters in your first report on the financial system issued earlier this month.¹ We intend to evaluate your call for assigning a lead regulator on issues where agencies have conflicting or overlapping jurisdiction, and we encourage action at the regulatory level to meaningfully address this as well. In particular, we welcome your recommendation that “all regulators expand upon current efforts to further coordinate and rationalize their examination and data collection procedures to promote accountability and clarity.”² There is no better way to address these important issues than by requiring real examination and supervisory coordination among the varied financial regulators.

Thank you very much for your attention to our concerns. We look forward to seeing these issues prioritized in the upcoming work of the Treasury Department and the FSOC.

Sincerely,



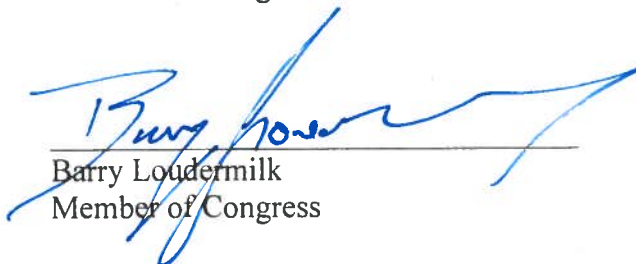
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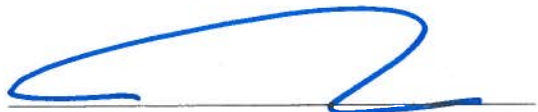
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¹ Secretary Steven T. Mnuchin, “A Financial System That Creates Economic Opportunities: Banks and Credit Unions.” (June, 2017). Available at <https://www.treasury.gov/press-center/press-releases/Documents/A%20Financial%20System.pdf>.

² *ibid*, Recommendation (iii) under “Examinations”, Appendix B, page 128.



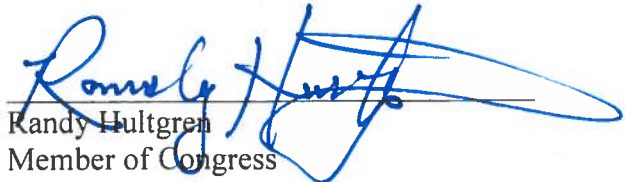
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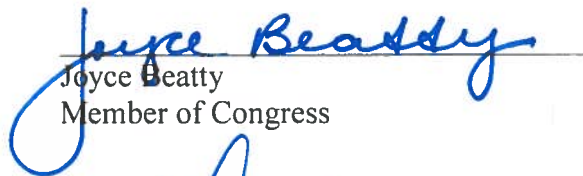
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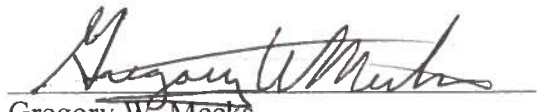
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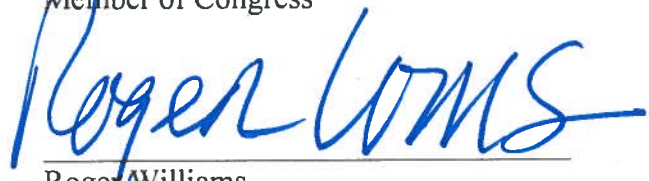
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