

## U.S. DEPARTMENT OF THE TREASURY

## Press Center



## Statement from Treasury Secretary Jacob J. Lew On MetLife V. Financial Stability Oversight Council

4/7/2016

**WASHINGTON** - "Earlier today, the district court unsealed its recent opinion rescinding the FSOC's designation of MetLife. I strongly disagree with the court's ruling. This decision leaves one of the largest and most highly interconnected financial companies in the world subject to even less oversight than before the financial crisis.

"After a thorough review, FSOC determined that material financial distress at the company could threaten U.S. financial stability—the threshold for heightened supervision under Wall Street Reform. The heads of every U.S. financial regulatory agency concurred in this judgment. In overturning the conclusions of experienced financial regulators, the court imposed new requirements that Congress never enacted, and contradicted key policy lessons from the financial crisis. In particular, we should bear in mind three key points.

"First, the financial crisis demonstrated that even the strongest firms can collapse quickly and with little warning. It is FSOC's duty to address the risks associated with very low probability events, just as the failure of AIG or Lehman Brothers would have been considered highly unlikely before the financial crisis. If the Council only responds to risks after they are likely to threaten financial stability, we will pave the way for the next crisis.

"Second, the financial crisis showed that direct and predictable counterparty losses are often not the means by which the failure of a financial company could destabilize markets and threaten the U.S. economy. Instead, market disruptions or contagion can arise from the aggregate effects of direct and indirect exposures to a large, highly interconnected financial institution.

"Third, Congress chose not to require FSOC to conduct a formal cost-benefit analysis of designations for good reasons. Such a requirement would impair the Council's ability to address the risks of a future financial crisis that could severely damage the financial system and the U.S. economy. As we have learned, the far-reaching damage of a financial crisis is difficult to predict and can cause massive economic pain to families and firms across the United States.

"Wall Street Reform was enacted in response to serious problems identified during the financial crisis, and to protect taxpayers from having to bear the enormous burdens of another crisis. Regulators previously did not have the tools to understand and respond to the risks posed by the distress of companies such as MetLife. In using these tools, FSOC has taken a deliberative and data-driven approach, relying on a careful analysis of available information, including intensive engagement with each company and its regulators to evaluate how the firm's distress could affect the financial system.

"Some opponents of financial reform have hailed the court's decision as a win for our financial system. This is wrong and dangerously ignores the lessons of the financial crisis. FSOC's authority to designate nonbank financial companies is a critical tool to address potential threats to financial stability, and it has made our financial system safer and more resilient. We intend to continue defending vigorously the process and the integrity of FSOC's work, and I am confident that we will prevail."

###

