

Statement of Secretary Steven T. Mnuchin Before the U.S. House Financial Services Committee



February 6, 2018

Chairman Hensarling, Ranking Member Waters, and members of the Committee, thank you for inviting me today. One of my top priorities as Treasury Secretary is sustained economic growth for the American people, and so I am happy to report that the growth rate of the economy over the past year was higher than the average over the prior twenty years and included two straight quarters of 3 percent or higher GDP growth. The President promised robust growth, and he is delivering on that promise.

I am here today to speak about the Financial Stability Oversight Council's 2017 annual report. This is an important vehicle for providing Congress and the public with the Council's assessments and recommendations relating to regulatory developments and potential risks to the financial system.

This report emphasizes the importance of economic growth to maintaining a resilient financial system. Since the financial crisis, we have had time to assess the effectiveness of regulatory reforms and consider their unintended consequences. The report recommends that Council member agencies address regulatory overlap and duplication, modernize outdated regulations, and tailor regulations based on the size and complexity of financial institutions.

The report also discusses a number of risks that the Council is monitoring. One that I would like to emphasize in particular is cybersecurity. The financial system's heavy and increasing reliance on technology increases the risk that significant cybersecurity incidents could disrupt the financial sector and potentially impact U.S. financial stability. Substantial gains have been made, but I want to emphasize the need for sustained attention to these risks. The report makes a number of recommendations, including creation of a private sector council of senior executives in the financial sector to collaborate with regulators in order to mitigate cybersecurity threats.

Turning to our growth policies, the Tax Cuts and Jobs Act passed last year was our top priority, and this overhaul of the tax code is already having a positive impact. Because of tax reform, over

three million Americans have received special bonuses or other benefits, and over 300 companies have announced investments in their workforces. Companies are announcing higher wages and increased benefits, as well as greater spending on employee training, infrastructure, and research and development. These investments will lead to long-term prosperity, and as companies continue to bring back cash from overseas, our economy will continue to grow.

Let me now turn to some specific priorities for this new year.

I want to commend both houses of Congress for their work on financial regulatory reform. I appreciate the work of this Committee – and the House of Representatives – to advance the cause of reform by passing H.R. 10, the Financial CHOICE Act, and dozens of strongly bipartisan bills. This legislation reflects many of Treasury’s recommendations from our Executive Order reports released last year. I encourage the Senate and the House to work together to move legislation as quickly as possible.

Last week, I wrote to Congress providing notification of my determination that a “debt issuance suspension period” (DISP) would last until February 28th. I respectfully urge Congress to act as soon as possible to protect the full faith and credit of the United States by increasing the statutory debt limit.

The House and Senate have been working toward modernization of the Committee on Foreign Investment in the United States (CFIUS). I support the Foreign Investment Risk Review Modernization Act (FIRRMA) and applaud Senators Cornyn, Feinstein, and Burr and Representatives Pittenger and Heck for their leadership on this issue. A modernized CFIUS will enable us to protect our national security from current, emerging, and future threats, while preserving our longstanding open investment policy that is key to fostering innovation and economic growth. I look forward to working with Congress and the relevant committees to advance FIRRMA.

One of Treasury’s core missions is to safeguard the nation by using the powerful economic tools in our arsenal. We will continue to take frequent and ongoing actions to combat threats from malicious actors. These include terrorist groups, proliferators of weapons of mass destruction, human rights abusers, cyber criminals, and rogue regimes like North Korea, Iran, and Venezuela. We continue to review intelligence to identify targets with maximum impact, deny them access to the U.S. and international financial systems, disrupt their revenue streams, and ultimately pressure them to change their behavior. As you are aware, last week the Treasury Department submitted a series of reports in compliance with sanctions legislation. These reports represent

another chapter in our efforts to use our economic authorities to counter the threats that we face.

On housing finance, the current situation of indefinite conservatorship for Fannie Mae and Freddie Mac is neither a sustainable nor a lasting solution. The Administration looks forward to working with Congress to reform America's housing finance system in a manner that helps consumers obtain the housing best suited to their own personal and financial situations while, at the same time, protecting taxpayers.

I am proud of what we have accomplished so far, and there is more to do. Our country's potential is enormous, which is why Americans expect their government to enact policies that allow them to succeed and prosper. Treasury's collaboration with Congress is vital to that mission, and we are working every day to make it a reality.

Thank you and I look forward to answering your questions.

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