

# Financial Stability Oversight Council Proposes Changes To Nonbank Designations Guidance

March 6, 2019

The Financial Stability Oversight Council (Council) today voted unanimously to issue for public comment proposed interpretive guidance regarding nonbank financial company designations. The proposed guidance would implement an activities-based approach to identifying and addressing potential risks to financial stability. It would also enhance the analytical rigor and transparency of the Council's process for designating nonbank financial companies.

"Today's proposal would make significant improvements to how the Council identifies, assesses, and responds to potential risks to U.S. financial stability," said Treasury Secretary Steven T. Mnuchin. "The result of significant collaboration among Council members, these changes will help ensure that the Council accomplishes its mission efficiently and effectively."

Under the proposed guidance, the Council would:

- *Prioritize its efforts to identify, assess, and address potential risks to U.S. financial stability through an activities-based approach.* Under the proposal, the Council would monitor diverse financial markets and market developments in consultation with relevant financial regulatory agencies. In the event a potential risk to U.S. financial stability is identified, the Council would leverage the expertise of existing regulators in pursuing the implementation of actions to address the risk.
- *Perform a cost-benefit analysis before designating any nonbank financial company.* The Council would consider the benefits and costs of a designation for the U.S. financial system and the relevant company. The Council would designate a nonbank financial company only if the expected benefits justify the expected costs of the designation.
- *Assess the likelihood of a nonbank financial company's material financial distress when evaluating the firm for a potential designation.* Before designating a nonbank financial company, the Council would consider not only the impact of an identifiable risk, but also the likelihood that the risk will be realized. Doing so will ensure that the Council remains

focused on those risks that are most likely to pose a threat to U.S. financial stability.

- *Create a more efficient and effective nonbank financial company designation process.* The proposed guidance would create a more efficient and effective designation process by condensing the current three-stage process into two stages, increasing engagement and transparency to firms and their regulators, and creating off-ramps that allow firms to understand and address potential risks to financial stability.

The [proposed interpretive guidance](#)  will be open for a 60-day public comment period after it is published in the Federal Register.

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