

U.S. DEPARTMENT OF THE TREASURY

FSOC Issues for Public Comment Proposed Analytic Framework for Financial Stability Risks and Proposed Guidance on Nonbank Financial Company Determinations

April 21, 2023

WASHINGTON – The Financial Stability Oversight Council (Council) today voted unanimously to issue for public comment a proposed analytic framework for financial stability risks. This new framework is intended to provide greater transparency to the public about how the Council identifies, assesses, and addresses potential risks to financial stability, regardless of whether the risk stems from activities or firms.

The Council also voted unanimously to issue for public comment new proposed interpretative guidance on the Council’s procedures for designating nonbank financial companies for Federal Reserve supervision and enhanced prudential standards. This proposed guidance would replace the Council’s existing guidance and describes the procedural steps the Council would take in considering whether to designate a nonbank financial company.

“Today’s proposals are important to ensuring the Council has a rigorous approach to identify, assess, and address risks to our financial system,” Secretary of the Treasury Janet L. Yellen said. “The Council remains committed to public transparency regarding its work, and today’s proposals would make us better equipped to handle risks to the financial system, whether they come from activities or firms.”

The actions proposed today by the Council would:

- Enhance the Council’s ability to address financial stability risks. The financial system continues to evolve, and past crises have shown the importance of being able to act decisively to address risks to financial stability before they destabilize the system. The new proposed guidance would help ensure that the Council can use all of its statutory authorities as appropriate to address risks to U.S. financial stability, regardless of the source of those risks.
- Provide transparency to the public on how the Council performs its duties. For the first time, the Council is proposing to issue a framework broadly explaining how it identifies,

evaluates, and responds to potential risks to U.S. financial stability, whether they come from activities, individual firms, or otherwise. This framework outlines common vulnerabilities and transmission channels through which shocks can arise and propagate through the financial system. It also explains how the Council considers the tools it will use to address these risks.

- Ensure a rigorous and transparent designation process. The proposed nonbank financial company designations guidance would continue to provide strong processes, including significant two-way engagement with companies under review. These processes would minimize administrative burdens on companies under review while providing ample opportunities to be heard and to understand the Council’s analyses. Further, the separate proposed analytic framework explains how nonbank financial company designations fit into the Council’s broader approach to financial stability risk monitoring and mitigation.

A summary fact sheet of the proposed analytic framework is available here .

A summary fact sheet of the proposed nonbank financial company designations guidance is available here .

The full text of the proposed analytic framework is available here .

The full text of the proposed nonbank financial company designations guidance is available here .

A copy of Secretary Yellen’s remarks on the proposed analytic framework and proposed nonbank financial company designations guidance during the Council’s open session can be found here.

The two proposals will be available for a 60-day public comment period following their publication in the Federal Register.