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April 11, 2016

The Honorable Jacob J. Lew
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, DC 20220

Dear Secretary Lew:

The recent District Court ruling to rescind MetLife's designation by the Financial Stability Oversight Council (the Council) as a systemically important financial institution (SIFI) was a pivotal yet entirely predictable development given the Council's fundamental lack of transparency and due process in the nonbank SIFI designation process.

This blow to the Council's stature and credibility could have been avoided had you or other members of the Council listened to the numerous objections raised by members of Congress and the public regarding the lack of clarity surrounding the Council's procedures. For example, in September 2014 several of my colleagues and I on the House Financial Services Committee wrote to you expressing our concerns about the Council moving forward with another designation of an insurance company without properly engaging the public in the process.¹ We suggested that the Council hold a public conference on the insurance industry, or direct Council staff to undertake a more focused review of insurers and the potential threat they pose to the financial system.

Unfortunately, the Council chose the path of "designate first, ask questions later" and marched forward with its designation of MetLife despite the objections of the only voting Council member with expertise in the insurance industry.² The members of the Council who voted in favor of designating MetLife chose expediency over thoughtful deliberation, and have only themselves to blame for this regulatory embarrassment.

Aside from highlighting the need for a long-overdue introspective review of the Council's policies and procedures, the judicial invalidation of MetLife's SIFI designation poses some very serious questions moving forward about how similar process abuses have potentially occurred

¹ See letter from Rep. Garrett and 6 other members of the House Financial Services Committee
<http://online.wsj.com/public/resources/documents/LettertoLew09022014.pdf>

² See dissenting statement of independent Council member with insurance expertise Roy Woodall, Jr.
<https://www.treasury.gov/initiatives/fsoc/designations/Documents/Dissenting%20and%20Minority%20Views.pdf>

within multilateral international regulatory bodies, such as the Financial Stability Board (FSB), and what steps need to be taken to remedy these problems. Given that the FSB – like the Council – operates largely out of the public eye and is dominated by prudential regulators, I am concerned that broad swaths of the U.S. economy do not have a sufficient voice in regulatory deliberations conducted by these bodies.

Accordingly, please provide answers to the following questions and requests for information by no later than April 18, 2016.

1. Since the creation of the FSB, an unincorporated Swiss “association”, there have been a number of U.S. insurance companies – including MetLife – designated as Globally Systemically Important Insurers (G-SIIs) and as Internationally Active Insurance Groups (IAIGs). As you know, the FSB designated these U.S. insurers before the Council designated them as SIFIs, raising serious concerns as to whether the Council is blindly following the lead of European regulators at the expense of U.S. interests. Given the poor legal track record of the domestic SIFI designation process and the lack of transparency surrounding designations by the FSB, Congress and the public must have additional information regarding the processes employed by both the FSB and the Council.

Please provide the following information:

- a. A list of the current criteria and legal rationale for each company designated as a G-SII and an explanation of what additional prudential standards are necessary
 - b. A list of criteria for IAIGs and explanation on why additional prudential standards are necessary
 - c. And a list of all domestic and foreign IAIGs
2. Companies designated as either G-SIIs or IAIGs will likely be subject to higher prudential standards including higher capital requirements and resolution plans. With a domestic insurer SIFI designation now rescinded, do you plan to continue pursuing these international prudential measures and, if so, how do you plan to remedy the process issues identified in the District Court decision? How will you ensure that any new standards developed by an international body are implemented domestically in accordance with the Administrative Procedures Act (APA)?
 3. The District Court decision means that the percentage of the insurance industry that the Federal Reserve Board now regulates has fallen significantly. Given this, how would enhanced prudential standards, in particular the High Loss Absorbency (HLA) and International Capital Standards (ICS) regulations be applied? If this is to be done through the various state insurance commissioners, please explain how you will ensure that the state insurance commissioners have a more formal role at FSB deliberations.
 4. In November 2015, you along with your colleagues at the FSB made the affirmative decision to de-designate the Italian insurance group Generali as a G-SII. Please provide

the specific justification for the de-designation of Generali and explain the specific steps that the company took which led to the decision to de-designate.

(Note: simple explanations that the FSB and other international bodies "operate by consensus" will be considered an inadequate response to any of the above requests.)

Additionally, as you know both the FSB and the Council have announced that later this year they will provide an update on their ongoing review of asset manager products and activities, which may include policy recommendations. While the Council's examination of the asset management industry has been – at least by appearance – more robust than its examination of the insurance industry, much of the deliberation is still taking place behind closed doors and out of the public eye.

As such, please provide answers to the following questions and requests by April 18, 2016.

1. While the minutes released for Council meetings provide a cursory description of the subject matter discussed at each gathering, Congress and the public are not privy to the data or research related to the asset management industry that has been provided to Council members at the last several meetings. Please provide any written materials, research, or data related to the ongoing review of asset manager products and activities that were provided to Council members in connection with the January 28th, March 2nd, and March 21st Council meetings.
2. The FSB has announced that it will soon release draft recommendations to address "structural vulnerabilities" in the financial system stemming from asset management activities. Given that past actions by the Council point to it being unduly influenced by the FSB, please provide any written materials, research, or data related to asset managers that the FSB has shared with the Council.

If the Council wishes to maintain whatever credibility it may have remaining, it can start by being more open and transparent to Congress and the American public. Thank you in advance for your responsiveness to these requests, and I look forward to your reply.

Sincerely,



Scott Garrett
Chairman
Capital Markets and GSE Subcommittee

CC: The Honorable Richard Cordray
The Honorable Thomas Curry
The Honorable Martin Gruenberg

The Honorable Timothy Massad
The Honorable Debbie Matz
The Honorable Melvin Watt
The Honorable Mary Jo White
The Honorable Roy Woodall
The Honorable Janet Yellen