off millions of consumers, and I yield back the balance of my time.

Mr. HENSARLING. Mr. Speaker, I claim the time in opposition.

The SPEAKER pro tempore. The gentleman from Texas is recognized for 5 minutes.

Mr. HENSARLING. Mr. Speaker, as the ranking member talks about the hundreds of millions of dollars of fines that these banks have paid, who have violated provisions of civil law, maybe that means the system is working. That is what ought to happen to wrongdoers. There ought to be fines.

No one can defend what happened at Wells Fargo. I hope that the current management team is cleaning up what has been a mess and what has harmed consumers for many, many years under the previous team.

But I do know this: that Wells Fargo has been fined almost a half a billion dollars already. Their former CEO had $75 million clawed back in compensation. They lost $29 billion of market value—their investors—and investigations are ongoing, as it well should be.

But I would point out that our prudential regulators continue to have full authority to enforce all of our consumer protection laws: the Alternative Mortgage Transaction Parity Act, the Consumer Leasing Act, the Electronic Fund Transfer Act, the Equal Credit Opportunity Act, and the Fair Credit Billing Act. When they find violations, people are fined, as they well should be.

But what we are talking about, once again, is trying to create economic opportunity for all those who need it, to make credit more available and less expensive for people who are trying to buy a home, repair a car, and put groceries on the table.

What the gentleman from New York is saying, again, when it comes to a federally imposed stress test, after hours and hours of testimony, we believe that maybe that test ought to be administered annually, instead of semiannually. That would be a better balance. That is what is happening from the gentleman from New York.

What the ranking member's motion to recommit would do is simply water that down when all of our consumer protection laws remain fully in effect. They are working.

Mr. Speaker, I urge rejection of the motion to recommit, I urge adoption of H.R. 4293, the Stress Test Improvement Act, from Mr. ZELDIN from New York.

Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER pro tempore. The question is on the motion to recommit.

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

Ms. MAXINE WATERS of California. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, further proceedings on this question will be postponed.

FINANCIAL STABILITY OVERSIGHT COUNCIL IMPROVEMENT ACT OF 2017

Mr. HENSARLING. Mr. Speaker, pursuant to House Resolution 780, I call up the bill (H.R. 4061) to amend the Financial Stability Act of 2010 to improve the transparency of the Financial Stability Oversight Council, to improve the SIFI designation process, and for other purposes, and ask for its immediate consideration in the House.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Pursuant to House Resolution 780, an amendment in the nature of a substitute consisting of the text of Rules Committee Print 115–64, modified by the amendment printed in part A of House Report 115–600, is adopted, and the bill, as amended, is considered read.

The text of the bill, as amended, is as follows:

H.R. 4061

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Financial Stability Oversight Council Improvement Act of 2017''.

SEC. 2. SIFI DESIGNATION PROCESS.

Section 113 of the Financial Stability Act of 2010 (12 U.S.C. 5323) is amended—

(1) in subsection (a)(2)—

(A) in subparagraph (J), by striking ''and'' at the end;

(B) by redesignating subparagraph (K) as subparagraph (L); and

(C) by inserting after subparagraph (J) the following:

''(K) the appropriateness of the imposition of prudential standards as opposed to other forms of regulation to mitigate the identified risks; and'';

(2) in subsection (b)(2)—

(A) in subparagraph (J), by striking ''and'' at the end;

(B) by redesignating subparagraph (K) as subparagraph (L);

(C) by inserting after subparagraph (J) the following:

''(K) the appropriateness of the imposition of prudential standards as opposed to other forms of regulation to mitigate the identified risks; and''; and

(3) by amending subsection (d) to read as follows:

''(d) REEVALUATION AND RESCISSION.—

''(1) ANNUAL REEVALUATION.—Not less frequently than annually, the Council shall reevaluate each determination made under subsections (a) and (b) with respect to a nonbank financial company supervised by the Board of Governors and shall—

''(A) provide written notice to the nonbank financial company being reevaluated and afford such company an opportunity to submit written materials, within such time as the Council determines to be appropriate (but which shall be not less than 30 days after the date of receipt by the company of such notice), to contest the determination, including materials concerning whether, in the company's view, material financial distress at the company, or the nature, scope, size, scale, concentration, interconnectedness, or mix of the activities of the company could pose a threat to the financial stability of the United States;

''(B) provide an opportunity for the nonbank financial company to meet with the Council to present the information described in subparagraph (A); and

''(C) if the Council does not rescind the determination, provide notice to the nonbank financial company, its primary financial regulatory agency and the primary financial regulatory agency of any of the company's significant subsidiaries of the reasons for the Council's decision, which notice shall address with specificity how the Council assessed the material factors presented by the company under subparagraphs (A) and (B).

''(2) PERIODIC REEVALUATION.—

''(A) REVIEW.—Every 5 years after the date of a final determination with respect to a nonbank financial company under subsection (a) or (b), as applicable, the nonbank financial company may submit a written request to the Council for a reevaluation of such determination. Upon receipt of such a request, the Council shall conduct a reevaluation of such determination and hold a vote on whether to rescind such determination.

''(B) PROCEDURES.—Upon receipt of a written request under paragraph (A), the Council shall fix a time (not earlier than 30 days after the date of receipt of the request) and place at which such company may appear, personally or through counsel, to—

''(i) submit written materials (which may include a plan to modify the company's business, structure, or operations, which shall specify the length of the implementation period); and

''(ii) provide oral testimony and oral argument before the members of the Council.

''(C) TREATMENT OF PLAN.—If the company submits a plan in accordance with subparagraph (B)(i), the Council shall consider whether the plan, if implemented, would cause the company to no longer meet the standards for a final determination under subsection (a) or (b), as applicable. The Council shall provide the nonbank financial company an opportunity to revise the plan after consultation with the Council.

''(D) EXPLANATION FOR CERTAIN COMPANIES.—With respect to a reevaluation under this paragraph where the determination being reevaluated was made before the date of enactment of this paragraph, the nonbank financial company may require the Council, as part of such reevaluation, to explain with specificity the basis for such determination.

''(3) RESCISSION OF DETERMINATION.—

''(A) IN GENERAL.—If the Council, by a vote of not fewer than ⅔ of the voting members then serving, including an affirmative vote by the Chairperson, determines under this subsection that a nonbank financial company no longer meets the standards for a final determination under subsection (a) or (b), as applicable, the Council shall rescind such determination.

''(B) APPROVAL OF COMPANY PLAN.—Approval by the Council of a plan submitted or revised in accordance with paragraph (2) shall require a vote of not fewer than ⅔ of the voting members then serving, including an affirmative vote by the Chairperson. If such plan is approved by the Council, the company shall implement the plan during the period identified in the plan, except that the Council, in its sole discretion and upon request from the company, may grant one or more extensions of the implementation period. After the end of the implementation period, including any extensions granted by the Council, the Council shall proceed to a vote as described under subparagraph (A).'';

(4) by amending subsection (e) to read as follows:

''(e) REQUIREMENTS FOR PROPOSED DETERMINATION, NOTICE AND OPPORTUNITY FOR HEARING, AND FINAL DETERMINATION.—

''(1) NOTICE OF IDENTIFICATION FOR INITIAL EVALUATION AND OPPORTUNITY FOR VOLUNTARY SUBMISSION.—Upon identifying a nonbank financial company for comprehensive analysis of

the potential for the nonbank company to pose a threat to the financial stability of the United States, the Council shall provide the nonbank financial company with—

''(A) written notice that explains with specificity the basis for so identifying the company, a copy of which shall be provided to the company's primary financial regulatory agency;

''(B) an opportunity to submit written materials for consideration by the Council as part of the Council's initial evaluation of the risk profile and characteristics of the company;

''(C) an opportunity to meet with the Council to discuss the Council's analysis; and

''(D) a list of the public sources of information being considered by the Council as part of such analysis.

''(2) REQUIREMENTS BEFORE MAKING A PROPOSED DETERMINATION.—Before making a proposed determination with respect to a nonbank financial company under paragraph (3), the Council shall—

''(A) by a vote of not fewer than 2/3 of the voting members then serving, including an affirmative vote by the Chairperson, approve a resolution that identifies with specificity any risks to the financial stability of the United States the Council has identified relating to the nonbank financial company;

''(B) with respect to nonbank financial company with a primary financial regulatory agency, provide a copy of the resolution described under subparagraph (A) to the primary financial regulatory agency and provide such agency with at least 180 days from the receipt of the resolution to—

''(i) consider the risks identified in the resolution; and

''(ii) provide a written response to the Council that includes its assessment of the risks identified and the degree to which they are or could be addressed by existing regulation and, as appropriate, issue proposed regulations or undertake other regulatory action to mitigate the identified risks;

''(C) provide the nonbank financial company with written notice that the Council—

''(i) is considering whether to make a proposed determination with respect to the nonbank financial company under subsection (a) or (b), as applicable, which notice explains with specificity the basis for the Council's consideration, including any aspects of the company's operations or activities that are a primary focus for the Council; or

''(ii) has determined not to subject the company to further review, which action shall not preclude the Council from issuing a notice to the company under subparagraph (1)(A) at a future time; and

''(D) in the case of a notice to the nonbank financial company under subparagraph (C)(i), provide the company with—

''(i) an opportunity to meet with the Council to discuss the Council's analysis;

''(ii) an opportunity to submit written materials, within such time as the Council deems appropriate (but not less than 30 days after the date of receipt by the company of the notice described under clause (i)), to the Council to inform the Council's consideration of the nonbank financial company for a proposed determination, including materials concerning the company's views as to whether it satisfies the standard for determination set forth in subsection (a) or (b), as applicable;

''(iii) an explanation of how any request by the Council for information from the nonbank financial company relates to potential risks to the financial stability of the United States and the Council's analysis of the company;

''(iv) written notice when the Council deems its evidentiary record regarding such nonbank financial company to be complete; and

''(v) an opportunity to meet with the members of the Council.

''(3) PROPOSED DETERMINATION.—

''(A) VOTING.—The Council may, by a vote of not fewer than 2/3 of the voting members then serving, including an affirmative vote by the Chairperson, propose to make a determination in accordance with the provisions of subsection (a) or (b), as applicable, with respect to a nonbank financial company.

''(B) DEADLINE FOR MAKING A PROPOSED DETERMINATION.—With respect to a nonbank financial company provided with a written notice under paragraph (2)(C)(i), if the Council does not provide the company with the written notice of a proposed determination described under paragraph (4) within the 180-day period following the date on which the Council notifies the company under paragraph (2)(C) that the evidentiary record is complete, the Council may not make such a proposed determination with respect to such company unless the Council repeats the procedures described under paragraph (2).

''(C) REVIEW OF ACTIONS OF PRIMARY FINANCIAL REGULATORY AGENCY.—With respect to a nonbank financial company with a primary financial regulatory agency, the Council may not vote under subparagraph (A) to make a proposed determination unless—

''(i) the Council first determines that any proposed regulations or other regulatory actions taken by the primary financial regulatory agency after receipt of the resolution described under paragraph (2)(A) are insufficient to mitigate the risks identified in the resolution;

''(ii) the primary financial regulatory agency has notified the Council that the agency has no proposed regulations or other regulatory actions to mitigate the risks identified in the resolution; or

''(iii) the period allowed by the Council under paragraph (2)(B) has elapsed and the primary financial regulatory agency has taken no action in response to the resolution.

''(4) NOTICE OF PROPOSED DETERMINATION.—The Council shall—

''(A) provide to a nonbank financial company written notice of a proposed determination of the Council, including an explanation of the basis of the proposed determination of the Council, that a nonbank financial company shall be supervised by the Board of Governors and shall be subject to prudential standards in accordance with this title, an explanation of the specific risks to the financial stability of the United States presented by the nonbank financial company, and a detailed explanation of why existing regulations or other regulatory action by the company's primary financial regulatory agency, if any, is insufficient to mitigate such risk; and

''(B) provide the primary financial regulatory agency of the nonbank financial company a copy of the nonpublic written explanation of the Council's proposed determination.

''(5) HEARING.—

''(A) IN GENERAL.—Not later than 30 days after the date of receipt of any notice of a proposed determination under paragraph (4), the nonbank financial company may request, in writing, an opportunity for a written or oral hearing before the Council to contest the proposed determination, including the opportunity to present a plan to modify the company's business, structure, or operations in order to mitigate the risks identified in the notice, and which plan shall also include any steps the company expects to take during the implementation period to mitigate such risks.

''(B) GRANT OF HEARING.—Upon receipt of a timely request, the Council shall fix a time (not earlier than 30 days after the date of receipt of the request) and place at which such company may appear, personally or through counsel, to—

''(i) submit written materials (which may include a plan to modify the company's business, structure, or operations); or

''(ii) provide oral testimony and oral argument to the members of the Council.

''(6) COUNCIL CONSIDERATION OF COMPANY PLAN.—

''(A) IN GENERAL.—If a nonbank financial company submits a plan in accordance with paragraph (5), the Council shall, prior to making a final determination—

''(i) consider whether the plan, if implemented, would mitigate the risks identified in the notice under paragraph (4); and

''(ii) provide the nonbank financial company an opportunity to revise the plan after consultation with the Council.

''(B) VOTING.—Approval by the Council of a plan submitted under paragraph (5) or revised under subparagraph (A)(ii) shall require a vote of not fewer than 2/3 of the voting members then serving, including an affirmative vote by the Chairperson.

''(C) IMPLEMENTATION OF APPROVED PLAN.—With respect to a nonbank financial company's plan approved by the Council under subparagraph (B), the company shall have one year to implement the plan, except that the Council, in its sole discretion and upon request from the nonbank financial company, may grant one or more extensions of the implementation period.

''(D) OVERSIGHT OF IMPLEMENTATION.—

''(i) PERIODIC REPORTS.—The Council, acting through the Office of Financial Research, may require the submission of periodic reports from a nonbank financial company for the purpose of evaluating the company's progress in implementing a plan approved by the Council under subparagraph (B).

''(ii) INSPECTIONS.—The Council may direct the primary financial regulatory agency of a nonbank financial company or its subsidiaries (or, if none, the Board of Governors) to inspect the company or its subsidiaries for the purpose of evaluating the implementation of the company's plan.

''(E) AUTHORITY TO RESCIND APPROVAL.—

''(i) IN GENERAL.—During the implementation period described under subparagraph (C), including any extensions granted by the Council, the Council shall retain the authority to rescind its approval of the plan if the Council finds, by a vote of not fewer than 2/3 of the voting members then serving, including an affirmative vote by the Chairperson, that the company's implementation of the plan is no longer sufficient to mitigate or prevent the risks identified in the resolution described under paragraph (2)(A).

''(ii) FINAL DETERMINATION VOTE.—The Council may proceed to a vote on final determination under subsection (a) or (b), as applicable, not earlier than 10 days after providing the nonbank financial company with written notice that the Council has rescinded the approval of the company's plan pursuant to clause (i).

''(F) ACTIONS AFTER IMPLEMENTATION.—

''(i) EVALUATION OF IMPLEMENTATION.—After the end of the implementation period described under subparagraph (C), including any extensions granted by the Council, the Council shall consider whether the plan, as implemented by the nonbank financial company, adequately mitigates or prevents the risks identified in the resolution described under paragraph (2)(A).

''(ii) VOTING.—If, after performing an evaluation under clause (i), not fewer than 2/3 of the voting members of the Council then serving, including an affirmative vote by the Chairperson, determine that the plan, as implemented, adequately mitigates or prevents the identified risks, the Council shall not make a final determination under subsection (a) or (b), as applicable, with respect to the nonbank financial company and shall notify the company of the Council's decision to take no further action.

''(7) FINAL COUNCIL DECISIONS.—

''(A) IN GENERAL.—Not later than 90 days after the date of a hearing under paragraph (5), the Council shall notify the nonbank financial company of—

''(i) a final determination under subsection (a) or (b), as applicable;

''(ii) the Council's approval of a plan submitted by the nonbank financial company under paragraph (5) or revised under paragraph (6); or

''(iii) the Council's decision to take no further action with respect to the nonbank financial company.

''(B) EXPLANATORY STATEMENT.—A final determination of the Council, under subsection (a) or (b), shall contain a statement of the basis for the decision of the Council, including the reasons why the Council rejected any plan by the nonbank financial company submitted under paragraph (5) or revised under paragraph (6).

''(C) NOTICE TO PRIMARY FINANCIAL REGULATORY AGENCY.—In the case of a final determination under subsection (a) or (b), the Council shall provide the primary financial regulatory agency of the nonbank financial company a copy of the nonpublic written explanation of the Council's final determination.'';

(5) in subsection (g), strike ''before the Council makes any final determination'' and insert ''from the outset of the Council's consideration of the company, including before the Council makes any proposed or final determination''; and

(6) by adding at the end the following:

''(j) PUBLIC DISCLOSURE REQUIREMENT.—The Council shall—

''(1) in each case where a nonbank financial company has been notified that it is subject to the Council's review and the company has publicly disclosed such fact, confirm that the nonbank financial company is subject to the Council's review, in response to a request from a third party;

''(2) upon making a final determination, publicly provide a written explanation of the basis for its decision with sufficient detail to provide the public with an understanding of the specific bases of the Council's determination, including any assumptions related thereof, subject to the requirements of section 112(d)(5);

''(3) include, in the annual report required by section 112, the number of nonbank financial companies from the previous year subject to preliminary analysis, further review, and subject to a proposed or final determination; and

''(4) within 90 days after the enactment of this subsection, publish information regarding its methodology for calculating any quantitative thresholds or other metrics used to identify nonbank financial companies for analysis by the Council.

''(k) PERIODIC ASSESSMENT OF THE IMPACT OF DESIGNATIONS.—

''(1) ASSESSMENT.—Every five years after the date of enactment of this section, the Council shall—

''(A) conduct a study of the Council's determinations that nonbank financial companies shall be supervised by the Board of Governors and shall be subject to prudential standards; and

''(B) comprehensively assess the impact of such determinations on the companies for which such determinations were made and the wider economy, including whether such determinations are having the intended result of improving the financial stability of the United States.

''(2) REPORT.—Not later than 90 days after completing a study required under paragraph (1), the Council shall issue a report to the Congress that—

''(A) describes all findings and conclusions made by the Council in carrying out such study; and

''(B) identifies whether any of the Council's determinations should be rescinded or whether related regulations or regulatory guidance should be modified, streamlined, expanded, or repealed.''.

SEC. 3. RULE OF CONSTRUCTION.

None of the amendments made by this Act may be construed as limiting the Financial Stability Oversight Council's emergency powers under section 113(f) of the Financial Stability Act of 2010 (12 U.S.C. 5323(f)).

SEC 4. REDUCTION OF SURPLUS FUNDS OF FEDERAL RESERVE BANKS.

(a) IN GENERAL.—Section 7(a)(3)(A) of the Federal Reserve Act (12 U.S.C. 289(a)(3)(A)) is amended by striking ''$7,500,000,000'' and inserting ''$7,451,428,571''.

(b) EFFECTIVE DATE.—Subsection (a) shall take effect on June 1, 2018.

The SPEAKER pro tempore. The gentleman from Texas (Mr. HENSARLING) and the gentlewoman from California (Ms. MAXINE WATERS) each will control 30 minutes.

The Chair recognizes the gentleman from Texas.

GENERAL LEAVE

Mr. HENSARLING. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks and submit extraneous material on the bill under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. HENSARLING. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise today in support of H.R. 4061, the Financial Stability Oversight Council Improvement Act of 2017.

I want to commend two friends, Mr. ROSS from Florida on the Republican side of the aisle and Mr. DELANEY on the Democrat side of the aisle, for their collective leadership on bringing forth this truly bipartisan bill, a strong, bipartisan bill, which has 58 different cosponsors, half from each side of the aisle.

Before talking a bit about the bill, there has been a lot of news today, Mr. Speaker. Part of the news, that I just could not overlook, is the fact that my dear friend and colleague from Florida announced that he would be retiring at the end of this Congress. I do want to say what a pleasure and honor it has been to work with the gentleman from Florida. I have appreciated his leadership, I have appreciated his knowledge, and I have appreciated his calm demeanor and his ability to further strong, bipartisan measures that will help create greater credit opportunities for hardworking Americans. I would say I will miss him, but I will be gone as well. Maybe he will invite me down to the Florida coast for some deep sea fishing. I look forward to receiving that invitation at the appropriate time.

Now back to business, Mr. Speaker.

The Financial Stability Oversight Council is charged with identifying emerging threats to our financial stability. However, during the previous administration, the FSOC, as it is called, went far beyond identifying this risk and, instead, just concocted incredibly irrational speculative scenarios about sectors of the financial markets that had nothing to do with the financial crisis. In turn, they have caused more harm to the financial system than added stability.

It bears highlighting at the outset that this bill does not strip the FSOC of its ability to designate a nonbank financial company as a SIFI, or systematically important financial institution. Frankly, Mr. Speaker, it would be a better bill if it did. It also wouldn't be a bipartisan bill. That is not what this bill is trying to do. Rather, this bill simply brings needed transparency and accountability to the designation process.

Mr. ROSS and Mr. DELANEY, in H.R. 4061, do this by reversing the presumption that government bureaucrats should dictate the business models and operational objectives of private businesses in requiring the FSOC to approach the potential designation of a nonbank by encouraging companies to address the risk prior to designating them as SIFIs in order to actually reduce systemic risk.

Let me sum it up, Mr. Speaker. All this is saying is that a nonbank financial institution that the Financial Stability Oversight Council feels may be creating undue risk in the system, give them an opportunity to remedy that before you designate them as a too-big-to-fail institution backed up with a taxpayer bailout fund. At least give them an opportunity to remedy the risk that you are concerned about.

What could be more common sense? What could be more reasonable? That is why it is such a strong, bipartisan bill coming out of the House Financial Services Committee.

□ 1530

Specifically, Mr. Speaker, applying bank-like regulation to nonbanks, such as asset managers, broker-dealers, insurance companies, and private investment funds just doesn't make sense. Nonbanks do not have access to the deposit insurance fund, they don't have access to the Federal Reserve's discount window or lending facilities. Nonbanks take far larger capital haircuts on the assets they hold. Nonbanks, when they fail, fail very differently from banks.

If an individual mutual fund were to fail, the shareholders of that fund would bear the losses, not the taxpayer. There is no reason to apply the same system to them.

So the bill would bring, again, clarity and accountability to the FSOC designation process. That should be self-evident.

To date, the FSOC has designated four nonbank financial companies as systemically important financial institutions. Today, only one remains designated and it is unclear for exactly how long.

The de-designation of these companies seems to point to a recognition that these companies do not present a potential risk that FSOC first claimed that they did. MetLife, one of them, actually challenged FSOC's SIFI determination in court, and FSOC's designation was found by an Article III judge to be fatally flawed, arbitrary and capricious, and a critical departure from FSOC's own standards.

Based on that case alone, it certainly seems appropriate for Congress to ensure there are proper guardrails put in place in this designation, because at

the end of the day, the designation doesn't just affect, again, Wall Street, it is felt directly by Main Street households who are trying to save for college, save for retirement. They would see their costs rise and their investment returns fall on a mutual fund if it was designated, simply because investors would be required to bail out other too-big-to-fail firms.

So this is a common sense piece of legislation, it is strongly bipartisan, and I urge all Members to support it.

Mr. Speaker, I reserve the balance of my time.

Ms. MAXINE WATERS of California. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in opposition to H.R. 4061, the so-called Financial Stability Oversight Council Improvement Act.

The bill would recklessly complicate the process used by the Financial Stability Oversight Council, also referred to as FSOC, to designate nonbank firms for heightened oversight and protect the economy.

The bill would also give companies more avenues to delay by at least 4 years or block these designations even when the designations are warranted.

According to former Treasury Secretary Lew, who previously chaired FSOC and strongly opposed this bill last Congress: ''An extensively long 4-year process to designate large, complex firms that pose significant risk to the financial system is not an improvement; instead, it would effectively render meaningless one of the most important tools we in future councils should have to address threats to financial stability.''

The nonpartisan Congressional Budget Office confirmed this view, finding that H.R. 4061 would increase the risk that undesignated systemic nonbank firms will fail.

Let me be very clear: This bill is a thinly veiled attempt to hinder and needlessly delay FSOC's existing ability to designate firms for heightened oversight.

Americans for Financial Reform has also underscored that this bill would: ''Provide giant, global financial firms numerous opportunities to use insider lobbying and the courts to delay or prevent actions that banking regulators are attempting to take to safeguard economic stability.''

One of the reasons Congress created FSOC was to make sure that large, interconnected firms like Bear Stearns, AIG, or Lehman Brothers would never again devastate the stability of our financial system and jeopardize our country's strong economy with their risky practices and relentless demand for profits over safe and sound operations.

So I simply cannot support this bill, which would add hurdles to prevent FSOC from fulfilling its vital role of identifying interconnected, huge companies that warrant enhanced safeguards.

I also reject the myths Republicans continue to spread about the Dodd-Frank Act in their effort to roll back so many of its critical reforms. The majority has claimed that Dodd-Frank has caused tremendous burden on the financial industry and resulted in lenders denying affordable access to credit to consumers and families, but the numbers tell the real story of the success of Dodd-Frank and the need to maintain its regulatory regime, including the FSOC. Why? Because bank profits and share prices have skyrocketed and are now far above pre-recession heights.

In addition, business lending has increased 80 percent and community banks are doing well.

What is more, pay for bank executives is through the roof. CEO pay on Wall Street is back up to levels we last saw in 2006. Even Wells Fargo's CEO, yes, the recidivist megabank that has violated numerous laws and harmed millions of consumers, was paid $17.5 million last year. In fact, the CEO was paid 291 times the median salary for Wells Fargo employees.

While Wall Street has fully recovered, Main Street has not. As Neel Kashkari, a Republican former Treasury official who now serves as the president of the Federal Reserve Bank of Minneapolis argued in a Washington Post op-ed on March 8, 2018: ''The Great Recession pushed millions of Americans out of the labor force, some of whom still haven't returned. Although the headline unemployment rate has fallen from a peak of 10 percent during the recession to 4.1 percent this past January, that statistic ignores people who have given up looking for work. A different measure of people in their prime working years suggests that more than 1 million Americans are still on the sidelines.''

Keep in mind, these are warnings from a Republican official. In fact, he goes on to say: ''Big banks still threaten our economy.''

So I will continue to oppose measures like H.R. 4061 that would return our regulatory regime back to a system that encouraged interconnected, huge firms to grow at all costs and that cheered as these firms devised new and so-called innovative products, many of which are only innovative in terms of how risky and unsound they were.

As so many have noted, if we undermine the ability of FSOC to stand guard, as this bill would do, then we risk opening the door once again to the wolves of Wall Street to wreak havoc with our economy again.

This bill, in effect, recreates the moral hazard in Wall Street's corporate culture that promotes profits before consumers. This bill would put the interests of corporate America before protections of consumers, the interests of the public, and the stability of the U.S. economy.

So, we must all remain vigilant against bills like this or we risk another financial crisis. I, therefore, urge my colleagues to learn from the mistakes of the past and oppose H.R. 4061.

Mr. Speaker, I am absolutely weary of coming to this floor with bills that deregulate megabanks. I am absolutely tired of coming to this floor having to remind my colleagues over and over again about the crisis that we had to be presented with and had to work through in 2008.

I don't know why it is our Members find so much time to protect the biggest banks in America, the richest banks in America, the CEOs who are making millions of dollars, while, in fact, the consumers come second or third in the work that they are doing.

This is simply about deregulation. This is about giving the banks more power. This is about disregarding the fact that we have had to fine them over and over again and they still find ways to defraud and to cheat the consumers of America.

As the chairman just mentioned about the fines of Wells Fargo, well, they are up for another fine of about a billion dollars because they cheated their clients, they cheated their customers, they created accounts in their names that they didn't know anything about, they forced insurance on them that they didn't need, many of them already had insurance, and it goes on and on and on.

I hope that we could convince our Members that we need to spend more time on some of the issues that are really confronting America.

I am on this committee as the ranking member. We don't have any bills or any sessions about homelessness. We are not talking about the people who are on the street all over America. We are not talking about the housing crisis where the average family even that is employed working every day can't afford to buy a home, now can't even afford to lease a place to live. It is off the scale.

I could go on and recount all of the things we should be addressing just in our committee, not to talk about the other things and issues in this Congress of the United States that we should be looking at, we should be paying attention to.

We have had all of the gun issues, we have all the issues that are going on now about Syria, and on and on and on, and yet we find the time to come to this floor day in and day out, time and time again, to talk about how we can make the biggest banks in America richer and more profitable.

Mr. Speaker, I reserve the balance of my time.

Mr. HENSARLING. Mr. Speaker, I yield myself 10 seconds just to say as the jihad against banks continues, if you read the bill, it doesn't have to do with banks, it has to do with nonbanks. And the apocalyptic vision that is described by the ranking member is supported by a majority of Democrats on the committee.

Mr. Speaker, I yield 5 minutes to the gentleman from Florida (Mr. ROSS),

who serves as the vice chairman of our Subcommittee on Housing and Insurance and is the Republican sponsor of this piece of legislation.

Mr. ROSS. Mr. Speaker, I thank the chairman for yielding, for his kind words, for his leadership, and more importantly, for his friendship.

Mr. Speaker, I wish to also thank the staff of the Financial Services Committee in the work they have taken on behalf of the people of this country.

Mr. Speaker, as some of you may know, the Financial Services Committee has been operating at a breakneck speed in the 115th Congress. In fact, we have had Financial Services bills on the floor 17 of the last 18 weeks that the House has been in session.

I am proud to highlight that the majority of these bills have been passed out of this Chamber by strong bipartisan majorities.

Throughout this process, we have demonstrated that the House can find bipartisan agreement on commonsense measures that will benefit our constituents.

Mr. Speaker, I rise today in support of a bill that continues this streak of bipartisanship in the service of Americans back home, H.R. 4061, the Financial Stability Oversight Council Improvement Act.

My good friend from Maryland, Congressman JOHN DELANEY, and I have been working this bill for nearly 5 years, with the shared goal of improving resiliency of our financial system, while protecting Americans from costly and unnecessary regulations that create barriers to achieving their financial goals.

By codifying procedures to increase the transparency of the nonbank systemically important financial institutions, or SIFIs, designation process, and providing a chance for nonbank firms to work with their primary regulators to reduce risks prior to designation, our legislation achieves this goal.

Mr. Speaker, we must be clear that simply designating more companies as systemically important financial institutions does not make our system safer. That is especially true for nonbank firms, like asset managers and insurers, that don't fit well into the bank-centered regulatory regime for SIFIs.

Handing down a SIFI designation to a nonbank financial firm is like using a sledgehammer to catch a butterfly. Not only are you unlikely to succeed, but you are also likely to destroy the very thing you set out to protect.

After all, it is the family saving for the downpayment on a home or retirement or the children's education that suffer when FSOC uses a heavy-handed regulation of last resort as the primary line of defense against threats to our economy.

The American Action Forum has found that additional capital requirements resulting from a SIFI designation of asset management firms could cost American retirees at least $100,000 in potential savings over the lifetime of their investment. That is significant.

That is why these reforms included in H.R. 4061 are critical to the more than 90 million investors who rely on the services of asset managers to achieve their most important financial goals.

□ 1545

To be sure, FSOC has begun to recognize the benefits of providing increased transparency and, in 2015, FSOC made welcome reforms to improve the nonbank SIFI designation process. Many of these are codified in this bill.

Importantly, our legislation will also give FSOC the authority it needs to work with primary regulators who have institutional knowledge, skill, and experience overseeing nonbank firms to address threats to our economy without jeopardizing our constituents' financial opportunities.

After 8 years, if we don't take steps to address the obvious shortcomings of FSOC, like the nonbank designation process, the regulator intended to protect the financial stability could very well become the liability.

Again, I am proud to have worked with my colleague and friend, JOHN DELANEY, on this great bill, and I appreciate the support of Chairman HENSARLING in moving it through committee and now onto the House floor.

This bill does have 58 original cosponsors—29 Democrats, 29 Republicans. It passed out of the Financial Services Committee 45–10. Our legislation demonstrates that there can be broad bipartisan support for increased transparency of the FSOC SIFI designation.

I believe we can do even more, and I welcome the opportunity to work with my colleagues on additional bipartisan reforms beyond those we are considering today to better address systemic risk by firming up the cooperative relationship between FSOC and the primary regulator to ensure substantive engagement that can result in swift resolution of FSOC's concerns prior to all SIFI designations.

Mr. Speaker, I urge my colleagues to support this bill.

Ms. MAXINE WATERS of California. Mr. Speaker, I yield myself such time as I may consume.

I would like to just walk through some of what happens with FSOC with these nonbank designations and the process, because I have always wanted to be sure that the process would give these nonbanks an opportunity to basically convince FSOC that they were safe and they were sound and they didn't present any risk, and all of that.

Of course, a lot of this was triggered by AIG. If you remember AIG and what happened with this nonbank who was involved in credit default swaps without the collateral to back them up, this certainly was informative, and it helped to develop this process.

Stage 1, the metrics: minimum quantitative metrics for a nonbank financial company to be eligible for designation.

Stage 2, preliminary review, 6 months: staff analyzes preliminary data and meets with the company, consults with existing regulators.

Stage 3, in-depth review, 14 months: staff analyzes extensive data, meets with company, consults with existing regulators, FSOC deputies meet with company.

Proposed designation and hearing on the final designation, 4 months. FSOC provides written basis of proposed designation, oral hearings, provides lengthy written basis of final designation.

Total time from outset of analysis to final designation, 2 years.

Judicial and annual reviews: any designated company may challenge FSOC's determination in court; every designated company is re-reviewed by FSOC every year to consider de-designation.

I want you to know what is being proposed in this bill is quite different and, instead of the 2 years that I have just walked through, it would take approximately 4.3 years. At such time, you could have one of these nonbanks in trouble, presenting great risk, and you would not be able to do very much about it.

Mr. Speaker, I reserve the balance of my time.

Mr. HENSARLING. Mr. Speaker, I yield 3 minutes to the gentleman from Michigan (Mr. HUIZENGA), who serves as the chairman of our Capital Markets, Securities, and Investments Subcommittee.

Mr. HUIZENGA. Mr. Speaker, I want to say I am going to miss both the chairman and the gentleman from Florida (Mr. ROSS) after they leave this term.

I am going to try to address the ranking member's timing issue, but the fact is that much of this bill simply codifies what FSOC's current process is and, thus, is not changing that timing.

Mr. Speaker, I rise today in support of H.R. 4061, the Financial Stability Oversight Council Improvement Act of 2017, which would enhance transparency and procedural fairness for the nonbank systemically important financial institutions designation process.

Dodd-Frank created FSOC and charged it with identifying risks to the financial stability of financial companies that would pose a threat to our overall financial stability. The problem with this is that FSOC has the authority to designate a nonbank financial institution, such as an asset manager or an insurance company, and subject the institution to heightened prudential supervision and regulation by the Federal Reserve.

All you hear from the other side is that this is about megabanks. It is the exact opposite. It is about these insurance companies and these asset managers and broker dealers.

In 2014, FSOC designated MetLife, a life insurance company, for ''heightened prudential supervision'' by the

Federal Reserve. However, in 2016, a Federal district court rescinded FSOC's SIFI designation of MetLife, finding that it was ''arbitrary and capricious'' and that the FSOC had ''made critical departures'' from its own standards from making designation determinations.

Now, I wasn't there when Dodd-Frank was created, but I have been dealing with the echo effect of it for the last 7 years, and I don't believe this is what Congress intended. I don't believe that the architects—in fact, I can't believe that the architects—of Dodd-Frank intended for bank regulators to rewrite the rules of insurance companies.

As The Wall Street Journal wrote: ''It's as if a committee of baseball umpires rewrote the rules of football despite protests from the NFL players, owners, and referees.''

Let me give a personal example. My political science degree should then qualify me to be a chemical lab scientist. Hey, they both have science in the title.

It doesn't make sense.

In fact, even Barney Frank, the law's namesake, told Congress that, in general, he did not believe that companies ''that just sell insurance'' should be designated as systemic.

Well, today we have the ability to right the ship. By passing this important bill, Congress has the opportunity to bring about commonsense, bipartisan reforms to this designation process. And this is what American, hard-working taxpayers expect out of us: an ability to find a solution.

Specifically, the Financial Stability Oversight Council Improvement Act of 2017 would amend the Dodd-Frank Act to require FSOC to determine whether to subject a U.S. or a foreign nonbank financial company to supervision by the Federal Reserve, must consider the appropriateness of imposing heightened prudential standards as opposed to other forms of regulation to mitigate identified risks to the financial stability. In other words, as my friend from Florida said, don't go butterfly hunting with a sledgehammer.

H.R. 4061 directs FSOC to reevaluate, both annually and periodically, final determinations of systemic risk regarding a nonbank financial company under supervision.

Finally, the bill directs the FSOC to study the impacts of its determinations to nonbank financial companies to Fed supervision and prudential standards and whether such determinations have the intended result of improving domestic financial stability every 5 years.

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. HENSARLING. I yield the gentleman from Michigan an additional 30 seconds.

Mr. HUIZENGA. I would like to commend the bipartisan work of my colleagues and friends, Representative ROSS and Representative DELANEY. They have done a great job on this. Their bipartisan approach enhances the ability of FSOC to mitigate risk, a very important element, but it also ensures that affected nonbank—again, nonbank—financial institutions are afforded the opportunity and the ability to question and engage—not veto, but to question and engage—the FSOC prior to a final SIFI designation being made.

This is good work that gives hard-working taxpayers a solution, and this is what they expect: commonsense, bipartisan solutions. I encourage all of my colleagues to vote ''yes'' on this important bill.

Ms. MAXINE WATERS of California. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I would like to share with Members a statement from the former Secretary of the Treasury who had the responsibility to head FSOC, and that is Jacob J. Lew. He said, and I will read from his communication to us:

> Unfortunately, none of the legislation the committee plans to consider this week—referring to this bill—would strengthen the Council's ability to address the very real risk the largest and most complex financial firms could pose.
>
> Instead, these proposals would be a big step backwards for regulatory tools to prevent the same kinds of threats. These bills would severely undermine and impair the Council. One of the proposals would require the Council to spend 4 years analyzing a firm before taking action to address any risk the firms may propose, doubling the time period for designation review.

I reserve the balance of my time.

Mr. HENSARLING. Mr. Speaker, I yield 2-1/2 minutes to the gentleman from Maryland (Mr. DELANEY), the lead Democratic cosponsor of the legislation and a hardworking member of the Financial Services Committee.

Mr. DELANEY. Mr. Speaker, I thank the chairman for giving me an opportunity to rise in support of H.R. 4061, a bipartisan bill that I worked very closely on with the gentleman from Florida (Mr. ROSS), and I thank him for giving me the opportunity to partner with him on this bill. This is a bill, as has already been stated, that came out of the Financial Services Committee with the support of the majority of the Democrats.

Mr. Speaker, about 10 years ago, we had a financial crisis; and during that financial crisis, 19 of the 20 largest financial institutions in this country failed or needed support from the Federal Government. More importantly, tens of millions of Americans lost their jobs, lost their homes, lost their retirement savings.

In the wake of that crisis, it was very appropriate for Congress to do something, and we did, with Dodd-Frank legislation, which is legislation that I strongly support. As part of the Dodd-Frank legislation, FSOC was established, the Financial Stability Oversight Council; and the job of FSOC was to reduce systemic risk in the financial services sector, which is a mission that I also support.

But they were given very limited tools to fulfill that mission. Effectively, their one tool was to designate companies as systemically risky to the system. So they had the power to designate; they didn't really have the power to de-risk the system, which should be their job.

What this piece of legislation—again, this piece of strongly bipartisan legislation—does is effectively empower FSOC with the ability to reduce risk in the financial services system by working in a collaborative manner with companies that it is considering designated and the primary regulators of those companies to develop plans to de-risk those companies.

Mr. Speaker, wouldn't we be better off with a financial services system that has less risk in it, fewer companies that are considered systemically risky in substance, as opposed to having a system that is inherently more risky or has greater risk and has more companies designated?

In other words, designation doesn't, in and of itself, reduce risk. What reduces risk is primary regulators working with FSOC and companies that it deems potentially worthy of designation to develop strategies and plans to de-risk those companies. That is precisely what this legislation does.

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. HENSARLING. I yield the gentleman from Maryland an additional 30 seconds.

Mr. DELANEY. That is precisely what this designation does, which is why so many Democrats supported this bill, because we believe, as do many of my Republican colleagues, that the mission of FSOC is worthy and that we should be empowering FSOC to do its job and de-risk the financial industry of the United States of America.

Ms. MAXINE WATERS of California. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I do think that it is important that we share as much information as we can about FSOC because not a lot is known by the average person about FSOC, and when we talk about it, we oftentimes fail to talk about who makes up FSOC.

We are talking about 10 voting members, headed by Treasury, the Treasury Secretary. You have on FSOC all of the experts. You have the Federal Reserve. You have the FDIC. You have the OCC. You have the NCUA. You have the CFPB, the FHFA, the SEC, the CFTC, and an independent insurance expert. So here you have convened on the FSOC all of these experts, and they are looking at nonbanks that could present great risk to our economy, like AIG.

I have to keep reminding people about AIG because AIG was this nonbank that we bailed out to the tune of about $182 billion, $183 billion.

□ 1600

Don't forget, they were involved with credit default swaps that were not

collateralized. They were basically putting insurance out there that, when the time came due for them to have to pay off, they couldn't because they didn't have the collateral to do that.

So with these experts, with the experiences that we have gone through, FSOC makes a lot of sense. And when it is said that all they can do is designate, that is extremely important because that gives the companies an opportunity to go back and take a look at themselves and see what they can do to reduce this risk to become more stable, and this has happened already.

As a matter of fact, I think to designate a nonbank, FSOC must have a vote of two-thirds of its members, including the Treasury Secretary. So this is not easily done.

Again, designation gives the companies an opportunity to go back and take a look. At least one of them has decided to downsize.

Let me just share this with you. First, FSOC is certainly not running a Hotel California. A designated firm like GE Capital was able to make the kind of risk-reducing structural reforms that led to their de-designation under the annual review process required by Dodd-Frank. So, no, designated firms are not stuck with their designation forever.

Don't forget, they get reviewed every year. Don't forget, they can make changes. Don't forget, they can take the advice. They can come in and they can continue to work on putting themselves in order so that they can get dedesignated. And I think that is extremely important and that should not get lost.

Mr. Speaker, I reserve the balance of my time.

Mr. HENSARLING. Mr. Speaker, I yield 3 minutes to the gentleman from Illinois (Mr. HULTGREN), who serves as the vice chairman of our Capital Markets, Securities, and Investment Subcommittee.

Mr. HULTGREN. Mr. Speaker, I thank Chairman HENSARLING for his work on this and some of the other things. When you look at the number of bipartisan bills that have passed out of the Financial Services Committee this session, it is really impressive, and I am grateful for his work.

I also want to thank DENNIS ROSS and JOHN DELANEY and all my colleagues who have worked so diligently on H.R. 4061, the Financial Stability Oversight Council Improvement Act of 2017, which I strongly support.

I think it is fair to say that a Financial Stability Oversight Council chaired by Secretary Mnuchin is not extremely likely to subject nonbanks to enhanced prudential supervision.

In fact, I understand they are considering removing some designations.

However, Congress still should take the appropriate steps to make the law that provides this authority to the Treasury much more practical.

Furthermore, I would like to point out that although I was happy to see many great provisions of the regulatory relief package put together by Chairman CRAPO over in the Senate, including a number of bills I have offered with my colleagues in the House, I was extremely disappointed with the fact that the legislation didn't include this legislation or something similar to it.

I don't understand how Congress can justify a regulatory reform package that does so little to ease Dodd-Frank's cost on investors, especially when the Financial Services Committee in the House has taken demonstrated steps, a strong record of bipartisan success, in making reforms to FSOC's nonbank SIFI designation authority.

The Financial Stability Oversight Council Improvement Act amends the Dodd-Frank Act to require the FSOC, when determining whether to subject a U.S. or foreign nonbank financial company to supervision by the Fed, to consider the appropriateness of imposing heightened prudential standards.

In other words, it provides these nonbanks the opportunities to adjust their business models before being subjected to supervision by the Federal Reserve, thereby acknowledging that these companies might wish to change their business model after such a designation in order to be free of these substantial regulatory costs.

It is important that we have well-defined processes in place so these nonbanks understand the rules of the road. The government provides these companies some reasonable due process when proposing to dramatically interrupt their business with a slew of new regulatory requirements.

Finally, let's remember that investors bear the costs of inappropriate regulation being applied to nonbanks, like mutual funds.

The asset management industry is modeled in a fundamentally different way, and our regulatory system should reflect that. Investors take on the risk and manage those risks in order to receive returns to pay for things like retirement or education for their children. Safety and soundness regulation, as the Fed applies it to the banks, is completely inappropriate.

At a minimum, we should be providing nonbanks like mutual funds a chance to work with the FSOC to address their concerns before slapping investors with new regulatory costs.

Finally, we should never forget, again, that this was a strong bipartisan bill that received 45 votes in committee, and we ought to all consider supporting it here on the floor. I am going to, and I encourage my colleagues to support it as well.

Ms. MAXINE WATERS of California. Mr. Speaker, I reserve the balance of my time.

Mr. HENSARLING. Mr. Speaker, I yield 3 minutes to the gentleman from Colorado (Mr. TIPTON), who serves as the vice chairman of our Subcommittee on Oversight and Investigations.

Mr. TIPTON. Mr. Speaker, I thank the chairman for yielding me time.

Mr. Speaker, I thank my colleague from Florida (Mr. ROSS) for introducing this important measure being considered today.

Mr. Speaker, the Dodd-Frank Act introduced into our Nation's capital a new culture of regulatory burden where a select few Washington bureaucrats dictate how our Nation's financial institutions should run themselves. While I support the necessary regulations from our Nation's fiduciary rule makers that upholds the goals of safety, soundness, and fair play, far too often our regulators have overstepped their boundaries and entered into dangerous territory of overregulation.

Section 113 of the Dodd-Frank Act gave the Financial Stability Oversight Council immense deliberate power to declare nonbank financial companies as systemically important to the financial stability of the United States.

Once that determination is made, these nonbank financial institutions become subject to extraordinarily stringent prudential supervision and regulation by the Federal Reserve. This is a power that should not be taken lightly.

FSOC's systemically important designation carries with it a significant regulatory burden, a new public perception, and a new regulator.

Mr. ROSS' legislation would require the FSOC, when deliberating on whether or not to designate a nonbank as systemically important, to consider the appropriateness of imposing new burdens on the institution, as opposed to pursuing other forms of regulation to mitigate identified risk to the financial stability of the United States.

Mr. Speaker, Mr. ROSS' legislation would help end the culture of overregulation in Washington and alleviate the intense burden that has been imposed on many institutions that have unsparingly received this designation.

This is not to say that FSOC's power to designate institutions as systemically important should not be used, but rather that FSOC should exercise its authority judiciously and in its intended manner.

Mr. ROSS' bill ensures that the FSOC's designations going forward will be prudent, shrewd, and most important, necessary.

The good news out of Washington is that the culture of overregulation is changing. A new era has been ushered in that thinks twice before regulating, thoughtfully revisits the necessity and effectiveness in past regulations, and considers the burden of future regulations.

Much of this has to do with the changes in leadership at the regulatory agencies and the good work being pursued there. But changes in who creates and enforces the regulations aren't enough.

In order for our small towns to be able to prosper, our small businesses to grow, and our families to succeed, we must continue to pursue legislative changes to regulations that sustain

this new era of regulatory cautiousness and predictability.

By pursuing legislative fixes to regulatory problems, we can provide the certainty required by our financial sector, both big and small, to once again provide a bright future for the American economy and for American families.

Mr. Speaker, Mr. ROSS' legislation being considered on the floor helps to cement that certainty, and I encourage my colleagues to support the measure here today.

Ms. MAXINE WATERS of California. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, a moment ago, I identified the 10 voting members that serve on FSOC. I did not add to that the nonvoting members. To show you the expertise that is involved with FSOC, they also have these nonvoting members: Estate Insurance Regulator, Estate Bank Regulator, State Securities Regulator, and the Federal Insurance Office.

Mr. Speaker, I reserve the balance of my time.

Mr. HENSARLING. Mr. Speaker, I yield 2½ minutes to the gentleman from California (Mr. SHERMAN), one of the Democrat cosponsors of the legislation.

Mr. SHERMAN. Mr. Speaker, I support the committee system. The Democratic Caucus has put roughly 25 of its members on the Financial Services Committee. We are the members of the Democratic Caucus assigned to study and debate legislation on Financial Services issues.

We did just that. And 60 percent of the Democrats assigned to the Financial Services Committee, 15 Democrats, voted in favor of this bill, while 10 opposed it.

So if members of our caucus wonder what would our caucus position be if all the members of our caucus had a chance to really analyze bills in this particular technical area, one would expect that 60 percent of our caucus would support this legislation.

The reason for that is that the purpose of regulation is to reduce risk rather than having risk be the reason to have regulation.

This bill focuses on getting companies to reduce their risk. There are those that say if we just designate more companies as SIFIs, we will get more regulation.

No, you won't.

What you get is more companies designated, but then you get pressure to have less regulation on all the designated companies.

What we need is to reserve the SIFI designation for those who are clearly exposing our economy to the risk of another meltdown, and we need to encourage companies to be less of a risk to our economy.

The ranking member, who is bearing a substantial oratorical challenge, being, I think, the only speaker opposing the bill, correctly points out that AIG was a risk to our economy.

That is right.

This bill would have put it to AIG that you are going to get designated and regulated if you don't get out of the credit default business.

Had they done that, the meltdown in 2008 would have been much less significant.

So let us encourage these companies to de-risk, and let us have heightened regulation on those who refuse to do so or who by their very size pose a risk to our entire economy.

Mr. Speaker, I urge my colleagues in the Democratic Caucus to have some faith in the 60 percent majority who have been assigned to the Financial Services Committee and voted in favor of this bill.

Ms. MAXINE WATERS of California. Mr. Speaker, I yield myself such time as I may consume.

One of the wonderful things about working and living in a democracy is that people have an opportunity to have opinions and to voice them and to act out on them. And certainly we don't always agree on everything. The Republicans don't always agree in their caucuses. Sometimes they walk lockstep for all kinds of reasons, but they do disagree sometimes when they feel it is safe to do so.

But Democrats do not always agree, and we disagree perhaps more in our caucus than Republicans do, and we feel free to do that because we understand the importance of the democracy and what it permits and allows you to do.

So in saying that, we take every effort in my committee to make sure that all of our members have the information that they need. My staff is available to provide any assistance that we can provide. So we are very pleased and proud that I, as the ranking member, operate the committee in a way that respects all of its members.

And even those members who come to the floor who are opposed, perhaps, to a bill or are supporting a bill that I and others may oppose, I respect that. That is how democracy works.

So today, we do have Democratic members who are supporting this bill. For whatever reasons, they believe that FSOC perhaps is too tough on some of the companies, that somehow they really don't achieve their mission of reducing risk. Whatever it is they believe, they certainly have a right to do that. And I respect that.

□ 1615

Having said that, I believe that the lesson that we learn, as a result of 2008 and the recession that we went through, and AIG, the nonbank, in particular, that we bailed out when we saw the weakness of AIG, and the fact that they had basically dealt with these credit default swaps, and that it had created such a problem in our economy, I am so pleased that we had the foresight and the wisdom to come up with a way by which to identify this risk of the nonbanks so that they do not create the kind of turbulence and problems that we had in 2008.

Having said that, I am very pleased about the wide breadth of expertise that is on the FSOC. And I certainly believe that having gone through the steps that they take, that those steps will allow everyone to understand and see how fair they are, what kind of time it takes; and it gives every opportunity to be de-designated from being identified as a SIFI.

So I am very pleased and proud that I am able to say to my colleagues—no matter how they vote—that I believe that the FSOC is an important reform in the Dodd-Frank reforms. I would ask them to oppose this bill, but if they do not support it, I respect that. I think we should all remember that each and every one of us—elected by the people who send us here—have a voice and we have a right to represent our constituents in the best way that we see possible.

Mr. Speaker, I reserve the balance of my time.

Mr. HENSARLING. Mr. Speaker, I yield myself 5 seconds just to say I take note that the ranking member respects her Democrat Members who disagree with her, but, apparently, not enough to yield them any of her time.

Mr. Speaker, I am pleased to yield 2½ minutes to the gentleman from North Carolina (Mr. BUDD), yet another hardworking member of the Financial Services Committee.

Mr. BUDD. Mr. Speaker, I thank my colleague from Florida (Mr. ROSS) for leading the fight on this issue, and also for the support across the aisle on this issue.

Mr. ROSS' bill corrects another oversight of the Dodd-Frank Act by reforming the nonbank SIFI designation process.

Mr. Speaker, this bill does not take away FSOC's ability to designate nonbank financial institutions with the SIFI tag. It simply gives these institutions a greater opportunity to be heard before their final designation from FSOC.

FSOC should not be able to simply dish out this designation to these institutions, subjecting them to Federal Reserve requirements, without explaining their reasoning. Unfortunately, we have seen FSOC do this in the past. This is especially important since nonbank financial institutions are clearly different entities than banks are. Capital requirements, for example, might not be suitable to address the risk profile of nonbank financial institutions, so why even subject them to these requirements.

This is not a smart regulation, Mr. Speaker. Simply put, the nonbank SIFI designation process is not fair in its current form. Again, this bill is a smart, targeted step that I am confident will benefit investors and benefit our economy. Transparency and fairness should be welcome and not rejected.

Mr. Speaker, I urge adoption of this bill.

Ms. MAXINE WATERS of California. Mr. Speaker, I yield myself such time as I may consume.

In these debates, oftentimes we find ourselves explaining to people how our committees work, and that is very good that we take the opportunity to do that because I think that, in this complicated system that we work in, people need to understand what we do and how we do it.

I am very appreciative to the chairman for recognizing and giving time to some of our Members today, and I think he will remember that I have done that for him also. I can recall on flood insurance, the National Flood Insurance bill, I was very gracious and I gave Members on the Republican side of the aisle an opportunity to have a say. And not only that, Ex-Im Bank was another instance where I gave time to the Members from the opposite side of the aisle, so I would not like people who are listening to think that somehow this is unusual.

We do use the influence and power of our positions to determine when that makes good sense for us, and I would like to say to the chairman of our committee: There will be other times when I will afford Republicans an opportunity to speak and have their say when you don't feel that that is the proper thing for you to do at that time. So let us all remember how this system works.

Mr. Speaker, I reserve the balance of my time.

Mr. HENSARLING. Mr. Speaker, I believe I have the right to close. I have no further speakers, so I reserve the balance of my time.

Ms. MAXINE WATERS of California. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, week after week, the majority is continuing to push through bills to roll back critical reforms that Democrats put in place to protect consumers, investors, and our economy. Let's recount some of the bills that the majority has recently pushed through the House:

In recent months, they have passed legislation to allow payday lenders to evade State interest rate caps, decrease operational risk capital requirements, and roll back enhanced prudential standards for the Nation's largest banks; weaken customer protections for mortgages; undermine efforts to combat discriminatory and predatory lending; reduce consumer privacy protections; weaken rules that the financial services industry finds inconvenient; undermine protections for mom-and-pop investors; and allow financial institutions to challenge rules, financial regulations, in court, if they believe them not to be uniquely tailored to their business needs.

Every week, the list of harmful legislation put forth by the majority for House passage grows. H.R. 4061, the so-called Financial Stability Oversight Council Improvement Act is the latest example of the majority's misguided and reckless agenda.

H.R. 4061 helps financial institutions to delay or block heightened oversight and weakens FSOC's ability to protect our economy. Mr. Speaker, this bill ignores the lessons of the past and invites the return to the risky financial system that led to the financial crisis.

Mr. Speaker, I urge my Members to oppose the bill, and I yield back the balance of my time.

Mr. HENSARLING. Mr. Speaker, may I inquire how much time I have remaining.

The SPEAKER pro tempore. The gentleman from Texas has 3¼ minutes remaining.

Mr. HENSARLING. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, why is this important, and what does this bill do? Let me try to make it very succinct. Dodd-Frank gave the Federal Government the power to designate firms to be too big to fail and backed them up with a taxpayer fund, a bailout fund. We think that is wrong.

But that is not what this bill does. The bill doesn't repeal the bailout fund. It simply says to nonbanks—not banks, nonbanks—mutual funds, insurance companies: You know what? Before we knock you upside the head with a sledgehammer, we are going to give you a chance to get your act together.

That is essentially what this bill does. And why is that important? It is important because we have people who are trying to capitalize small businesses. It is important because we have people who are trying to save for their retirement. Enhanced prudential standards, which is the legal term of art for coming down with a ton of bricks onto a company, that can cost people.

In fact, it has been estimated that these enhanced prudential capital requirements imposed with a SIFI designation, a too-big-to-fail designation on a mutual fund, could trim as much as 25 percent or $108,000 for a mutual fund investor's returns over a lifetime of investing. That comes out of the pockets of our seniors. That is why this is so important.

Contrary to what you hear on the other side of the aisle, the FSOC, the Financial Stability Oversight Council, will still have full ability to designate an institution as too big to fail. But it says: You know what? Before you do that, consider some other methods: consider seniors, consider small businesses, and consider the impact of what you are going to do.

Look at what happened to GE Capital. This was one of the great financing companies in America, and they were basically a coyote in a trap that had to chew its leg off. There is hardly anything left of them. They used to fund furniture retailers, bread bakeries, Jack in the Box franchises. They provided credit to startups all over America, $31 billion in 2010 to 1.2 million small and midsized businesses, and now, next to nothing. Next to nothing, because they were designated as a nonbank SIFI.

The ranking member brings up AIG, but guess what? AIG was regulated by a Federal regulator who had full ability to stop anything they were doing for safety and soundness. And guess what? The regulator, in which many on the other side of the aisle put total faith into, they missed it. They screwed up. They said under oath in our committee: Yeah, we had full authority to stop it, and we just missed it. We just missed it.

So it is time, Mr. Speaker, that we improve this Financial Stability Oversight Council. I urge all Members to support H.R. 4061.

Mr. Speaker, I yield back the balance of my time.

Mr. LUETKEMEYER. Mr. Speaker, I rise in strong support of H.R. 4061. Among other important provisions, a key component of this bill is the creation of a new subsection K within Sec. 113 of the Dodd Frank Act. This section calls on FSOC to consider "the imposition of prudential standards as opposed to other forms of regulation to mitigate the identified risks." I am confident that members of both parties in the House and the Senate share the common goal of avoiding future financial crises—our debates since the enactment of Dodd Frank have been around how best to achieve this overarching goal. That's why I believe that if we were considering language today calling on all financial regulators, both state and Federal, to meet on an ongoing basis, to compare notes and make recommendations on steps that each agency could take to achieve this goal, it would pass by unanimous consent.

Asset managers, insurers, and other financial intermediaries serve a critical role in helping our constituents manage the financial risks they will face throughout their lives and meet their financial needs and objectives. Managing assets, whether personal or as part of a retirement plan such as a 401(k), has increasingly become the responsibility of individuals who are well served by asset managers and the products they provide. And managing longevity and mortality risks are just two areas of expertise that insurers are uniquely situated to help. I think we would agree these essential products and services should be well regulated, but in an efficient manner that allows providers the room to innovate and serve their customers' needs

New subsection K of this bill is a charge for regulators to act, on an ongoing basis, to take the steps necessary to help companies operate in a safe and sound manner as the first line of defense against future economic stress. In other words, this bill encourages regulators to determine what activities are potentially risky, using, among other tools, the process set forth in section 120 of the Dodd Frank Act, and calls on the appropriate prudential regulator to ensure they appropriately address such activities on an ongoing basis. This approach makes eminent sense, can help prevent a future crisis, and I am pleased to support this provision and the entire legislation.

The SPEAKER pro tempore (Mr. MITCHELL). All time for debate has expired.

Pursuant to House Resolution 780, the previous question is ordered on the bill, as amended.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. HENSARLING. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, this 15-minute vote on passage of H.R. 4061 will be followed by 5-minute votes on:

The motion to recommit on H.R. 4293; and

Passage of H.R. 4293, if ordered.

The vote was taken by electronic device, and there were—yeas 297, nays 121, not voting 10, as follows:

[Roll No. 135]

YEAS—297

Abraham
Aderholt
Aguilar
Allen
Amash
Amodei
Arrington
Babin
Bacon
Banks (IN)
Barletta
Barr
Barton
Beatty
Bera
Bergman
Beyer
Biggs
Bilirakis
Bishop (MI)
Bishop (UT)
Black
Blackburn
Blum
Blunt Rochester
Bost
Boyle, Brendan F.
Brady (TX)
Brat
Bridenstine
Brooks (AL)
Brooks (IN)
Brown (MD)
Brownley (CA)
Buchanan
Buck
Bucshon
Budd
Burgess
Bustos
Byrne
Calvert
Carbajal
Cárdenas
Carter (GA)
Carter (TX)
Chabot
Cheney
Clark (MA)
Coffman
Cole
Collins (GA)
Collins (NY)
Comer
Comstock
Conaway
Cook
Cooper
Correa
Costa
Costello (PA)
Crawford
Crist
Cuellar
Culberson
Curbelo (FL)
Curtis
Davidson
Davis (CA)
Davis, Rodney
Delaney
DelBene
Denham
Dent
DeSantis
DesJarlais
Diaz-Balart
Donovan
Duffy
Duncan (SC)
Duncan (TN)
Dunn
Emmer
Estes (KS)
Esty (CT)
Faso
Ferguson
Fitzpatrick
Fleischmann
Flores
Fortenberry
Foster
Foxx
Frelinghuysen
Gaetz
Gallagher
Garrett
Gianforte
Gibbs
Gohmert
Gonzalez (TX)
Goodlatte
Gosar
Gottheimer
Gowdy
Granger
Graves (GA)
Graves (LA)
Graves (MO)
Griffith
Grothman
Guthrie
Hanabusa
Handel
Harper
Harris
Hartzler
Heck
Hensarling
Herrera Beutler
Hice, Jody B.
Higgins (LA)
Hill
Himes
Holding
Hollingsworth
Hudson
Huizenga
Hultgren
Hunter
Hurd
Issa
Jenkins (KS)
Jenkins (WV)
Johnson (LA)
Johnson (OH)
Johnson, Sam
Jordan
Joyce (OH)
Katko
Keating
Kelly (MS)
Kelly (PA)
Kennedy
Kihuen
Kilmer
Kind
King (IA)
King (NY)
Kinzinger
Knight
Kuster (NH)
Kustoff (TN)
Labrador
LaHood
LaMalfa
Lamborn
Lance
Larsen (WA)
Latta
Lawson (FL)
Lewis (MN)
Lipinski
LoBiondo
Loebsack
Long
Loudermilk
Love
Lucas
Luetkemeyer
Lujan Grisham, M.
MacArthur
Maloney, Sean
Marchant
Marino
Marshall
Massie
Mast
McCarthy
McCaul
McClintock
McEachin
McHenry
McKinley
McMorris Rodgers
McSally
Meadows
Meehan
Meeks
Meng
Messer
Mitchell
Moolenaar
Mooney (WV)
Moulton
Mullin
Murphy (FL)
Neal
Newhouse
Noem
Norcross
Norman
Nunes
O'Halleran
Olson
Palazzo
Palmer
Paulsen
Payne
Pearce
Perlmutter
Perry
Peters
Peterson
Pittenger
Poe (TX)
Poliquin
Posey
Quigley
Ratcliffe
Reed
Reichert
Renacci
Rice (NY)
Rice (SC)
Roby
Roe (TN)
Rogers (AL)
Rogers (KY)
Rohrabacher
Rokita
Rooney, Francis
Ros-Lehtinen
Roskam
Ross
Rothfus
Rouzer
Royce (CA)
Ruiz
Ruppersberger
Russell
Rutherford
Sanford
Schneider
Schrader
Schweikert
Scott, Austin
Scott, David
Sensenbrenner
Sessions
Sewell (AL)
Sherman
Shimkus
Shuster
Sinema
Smith (MO)
Smith (NE)
Smith (NJ)
Smith (TX)
Smucker
Stefanik
Stewart
Stivers
Suozzi
Taylor
Tenney
Thompson (CA)
Thompson (PA)
Thornberry
Tipton
Trott
Turner
Upton
Valadao
Vargas
Veasey
Vela
Wagner
Walberg
Walden
Walker
Walorski
Walters, Mimi
Weber (TX)
Webster (FL)
Wenstrup
Westerman
Williams
Wilson (SC)
Wittman
Womack
Woodall
Yoder
Yoho
Young (AK)
Young (IA)
Zeldin

NAYS—121

Adams
Barragán
Bass
Blumenauer
Bonamici
Brady (PA)
Butterfield
Capuano
Carson (IN)
Cartwright
Castor (FL)
Castro (TX)
Chu, Judy
Cicilline
Clarke (NY)
Clay
Cleaver
Clyburn
Cohen
Connolly
Courtney
Crowley
Cummings
Davis, Danny
DeFazio
DeGette
DeLauro
Demings
DeSaulnier
Deutch
Dingell
Doggett
Doyle, Michael F.
Ellison
Engel
Eshoo
Espaillat
Evans
Fudge
Gabbard
Gallego
Garamendi
Gomez
Green, Al
Green, Gene
Grijalva
Gutiérrez
Hastings
Higgins (NY)
Hoyer
Huffman
Jackson Lee
Jayapal
Jeffries
Johnson (GA)
Johnson, E. B.
Jones
Kaptur
Kelly (IL)
Khanna
Kildee
Krishnamoorthi
Langevin
Larson (CT)
Lawrence
Lee
Levin
Lewis (GA)
Lieu, Ted
Lofgren
Lowenthal
Lowey
Luján, Ben Ray
Lynch
Maloney, Carolyn B.
Matsui
McCollum
McGovern
McNerney
Nadler
Napolitano
Nolan
O'Rourke
Pallone
Panetta
Pascrell
Pelosi
Pingree
Pocan
Polis
Price (NC)
Raskin
Richmond
Rosen
Roybal-Allard
Rush
Ryan (OH)
Sánchez
Sarbanes
Schakowsky
Schiff
Scott (VA)
Serrano
Sires
Smith (WA)
Soto
Speier
Swalwell (CA)
Takano
Thompson (MS)
Titus
Tonko
Torres
Tsongas
Velázquez
Visclosky
Wasserman Schultz
Waters, Maxine
Watson Coleman
Welch
Yarmuth

NOT VOTING—10

Bishop (GA)
Cramer
Frankel (FL)
Moore
Rooney, Thomas J.
Scalise
Shea-Porter
Simpson
Walz
Wilson (FL)

□ 1653

Mses. BARRAGÁN, JACKSON LEE, and Mr. NADLER changed their vote from "yea" to "nay."

Ms. ESTY of Connecticut, Messrs. MEEKS, HECK, and Mrs. BEATTY changed their vote from "nay" to "yea."

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

Stated against:

Ms. WILSON of Florida. Mr. Speaker, had I been present, I would have voted "nay" on rollcall No. 135.

STRESS TEST IMPROVEMENT ACT OF 2017

The SPEAKER pro tempore. The unfinished business is the vote on the motion to recommit on the bill (H.R. 4293) to reform the Comprehensive Capital Analysis and Review process, the Dodd-Frank Act Stress Test process, and for other purposes, offered by the gentlewoman from California (Ms. MAXINE WATERS), on which the yeas and nays were ordered.

The Clerk will redesignate the motion.

The Clerk redesignated the motion.

The SPEAKER pro tempore. The question is on the motion to recommit.

This is a 5-minute vote.

The vote was taken by electronic device, and there were—yeas 188, nays 231, not voting 9, as follows:

[Roll No. 136]

YEAS—188

Adams
Aguilar
Barragán
Bass
Beatty
Bera
Beyer
Blumenauer
Blunt Rochester
Bonamici
Boyle, Brendan F.
Brady (PA)
Brown (MD)
Brownley (CA)
Bustos
Butterfield
Capuano
Carbajal
Cárdenas
Carson (IN)
Cartwright
Castor (FL)
Castro (TX)
Chu, Judy
Cicilline
Clark (MA)
Clarke (NY)
Clay
Cleaver
Clyburn
Cohen
Connolly
Cooper
Correa
Costa
Courtney
Crist
Crowley
Cuellar
Cummings
Davis (CA)
Davis, Danny
DeFazio
DeGette
Delaney
DeLauro
DelBene
Demings
DeSaulnier
Deutch
Dingell
Doggett
Doyle, Michael F.
Duncan (TN)
Ellison
Engel
Eshoo
Espaillat
Esty (CT)
Evans
Foster
Fudge
Gabbard
Gallego
Garamendi
Gomez
Gonzalez (TX)
Gottheimer
Green, Al
Green, Gene
Grijalva
Gutiérrez
Hanabusa
Hastings
Heck
Higgins (NY)
Himes
Hoyer
Huffman
Jackson Lee
Jayapal
Jeffries
Johnson (GA)
Johnson, E. B.
Jones
Kaptur
Keating
Kelly (IL)
Kennedy
Khanna
Kihuen
Kildee
Kilmer
Kind
Krishnamoorthi
Kuster (NH)
Langevin
Larsen (WA)
Larson (CT)
Lawrence
Lawson (FL)
Lee
Levin
Lewis (GA)
Lieu, Ted
Lipinski
Loebsack
Lofgren
Lowey
Lujan Grisham, M.
Luján, Ben Ray
Lynch
Maloney, Carolyn B.
Maloney, Sean
Matsui
McCollum
McEachin
McGovern
McNerney
Meeks
Meng
Moulton
Murphy (FL)
Nadler
Napolitano
Neal
Nolan
Norcross
O'Halleran
O'Rourke
Pallone
Panetta
Pascrell
Payne
Pelosi
Perlmutter
Peters
Peterson
Pingree
Pocan
Polis
Price (NC)
Quigley
Raskin
Rice (NY)
Richmond
Rosen
Roybal-Allard
Ruiz
Ruppersberger
Rush
Ryan (OH)
Sánchez
Sarbanes
Schakowsky
Schiff
Schneider
Schrader
Scott (VA)
Scott, David
Serrano
Sewell (AL)
Sherman
Sinema
Sires
Smith (WA)
Soto
Speier
Suozzi