



Rep. Tom Emmer on Financial Stability Oversight Council Reform Act

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****REP. TOM EMMER:**

** Thank you, Mr. Chair, and a special thanks to the panel for being here today. I am sure that most of us on this committee can agree that financial regulators play an important role. I expect that most of us will also agree that financial regulations are best administered when there is the appropriate and necessary balance between Congress, the industry, and regulators. As one of you have testified, significant disruptions to our banking system almost always trigger legislation designed to address the problems that led to those events as they are perceived at the time. Later on, with the benefit of hindsight, it often becomes apparent that our bank regulatory system has become unnecessarily complex and constraining, whether due to the remedial legislation or to the normal evolution of banking services and markets. In fact, as elected representatives, we should not only be doing anything within our constitutional authority to address any issues that can trigger serious disruptions to our banking system, but we should also be doing everything in our power to prevent bailouts with taxpayer dollars. The Financial Stability Oversight Council, also known as the FSOC, and the Office of Financial Research, more commonly known as OFR, were created by the Dodd-Frank Wall Street Reform and Consumer Protection Act. The question for our hearing today is how we can improve the function and the ability of the FSOC and OFR to achieve their statutory mission by enacting reform that recognizes the importance of congressional oversight to enhance transparency and accountability of these government-created entities to allow for better stakeholder participation. If we agree that this committee should be working with both the financial services industry and regulators to prevent future crises and bailouts, and most importantly, to better protect consumers and taxpayers, we should also be able to agree that minor changes at the FSOC and OFR will not only enhance their ability to perform, but would create a more open environment where the benefits and the costs of FSOC's actions can be examined and debated in the open. H.R. 3340, the FSOC Reform Act, reaffirms the constitutional principle of checks and balances. Congress has and should have responsibility for oversight of government-created institutions to ensure that the regulation these institutions put in place actually help and not harm Americans. FSOC and OFR are no exception. I believe the FSOC Reform Act will provide an important and necessary check and balance, and with appropriate congressional oversight and enhanced transparency, the FSOC and OFR will be better able to perform for our financial industry and for our consumers. And with that, I would ask Dr. Kupiak, it is a very simple bill. Can you tell me, going to this argument about independence, which, by the way, we are dealing with an organization that we have just heard testimony, you have got the Secretary of the Treasury that sits on it, sits on the FSB, you literally have every one of these heads of these agencies, the 10 voting members, are appointed by the President. I expect they are card-carrying Democrats, so I don't know how you take the political aspect out of this institution. Dr. Kupiak, if the OFR is still going to be able to collect the assessments, how would this impact if we are not talking about budgetary constraints, we are just talking about an appropriation process, how would this impact, if at all, the so-called independence of this agency to do its job?

****DR. KUPIAK:**



** I think the independence argument is kind of a bogus argument. I think what the bill would do, would be to put the OFR budget under oversight and supervision where it belongs. The Congress would have a say. I do not think, since the OFR budget funds the FSOC, the notion is somehow this would squeeze the FSOC's budget. I very much doubt that. For one reason, the FSOC is staffed, in large part, by staff of places like the Federal Reserve Board and the New York Fed, who can succumb people there and pay them Federal Reserve Board salaries and Federal Reserve Board benefits. So the FSOC is not going to be starved for talent by this. It is merely the process that government agencies should be put under. Congress should appropriate their budgets. My understanding is that the assessments would still accumulate. It is just that Congress would decide how much of those they can spend and for what reasons through a process, a give and take process. So I don't really see a big problem with it. I think it is a big step forward.

****REP. TOM EMMER:**

** Thank you. My time has expired. I yield back.

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For questions or corrections: mn06watch@gmail.com