

**Statement of
Steven T. Mnuchin
Secretary
United States Department of the Treasury
before the
Financial Services Committee
United States House of Representatives
July 27, 2017**

Chairman Hensarling, Ranking Member Waters, and members of the Committee, I am pleased to be here today and I look forward to discussing important issues to the American people.

I would like to begin by addressing Treasury's National Advisory Committee (NAC) report. Treasury uses its leadership role in international financial institutions to help ensure that they are carrying out their core mandates effectively and efficiently. As the federal government is streamlining, Treasury is focused on keeping the international financial institutions as cost-effective as possible. We have pressed the IMF to increase its focus on the need to address global economic imbalances. This will help to improve prospects for U.S. jobs and exports, while holding the IMF's administrative budget largely flat in real terms. In addition, U.S.-supported reforms to how the multilateral development banks employ their balance sheets have made it possible for us to substantially increase the assistance that they can provide to the world's poorest countries while reducing U.S. budgetary contributions.

Where it makes sense, we will preserve these investments and remain a top donor and shareholder, while also balancing priorities across other parts of the government. In doing so, we will continue to promote access to economic opportunities to eliminate poverty and build shared prosperity. When the world is prosperous and stable, Americans reap the benefits.

I would now like to highlight our domestic reform agenda.

Let me begin by congratulating this Committee on its passage of the CHOICE Act. The Administration supported House passage of this legislation and we will work with Congress to reform the financial regulatory system.

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Years have passed since the financial crisis and this has given us time to see what has worked and what has not. The Administration is committed to a robust financial system with a free flow of credit that fuels the engine of American growth. This means allowing community financial institutions to lend and small businesses access to borrowing. It means giving Americans the opportunity to make independent financial decisions, such as buying a home and saving for retirement. This also means preventing taxpayer bailouts.

In February, the President issued an Executive Order that directed the Department of the Treasury to report on whether financial regulations were in line with important Core Financial Principles.

In June, Treasury released the first in a series of reports in response to this Executive Order. Our first report dealt with Banks and Credit Unions. The Treasury report provides a roadmap to better align the financial system to serve consumers and businesses to drive economic growth. While the report focused heavily on regulatory actions that can be taken by the Executive Branch, it also included a number of legislative recommendations to more appropriately align the laws governing depository institutions with the President's Core Financial Principles.

One of these is properly tailoring capital requirements for small, mid-sized, and regional banks that pose little or no risk to the financial system. Included in this is the endorsement of a regulatory "off-ramp" for highly capitalized institutions. Another recommendation is structural reform to provide a mechanism to identify a single, lead regulator to ensure there is not unneeded regulatory overlap or duplicated efforts. A third is a legislative remedy to the overly complex Volcker Rule. A fourth is statutory changes to make the Consumer Financial Protection Bureau more accountable. Working together, we can implement both regulatory reforms and legislative remedies, particularly for the benefit of community banks and mid-sized institutions.

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Housing finance reform is also a priority of the Treasury and the Administration. The current system – in which the GSEs remain in perpetual Federal Housing Finance Agency (FHFA) conservatorship – is not sustainable and leaves taxpayers at risk. Our housing finance policy should be clear and should be designed to provide financing for homeowners and owners of multi-family units. Additionally, such policy should increase private sector participation and protect taxpayers. The Administration continues to study this issue and engage with stakeholders inside and outside the government in advance of providing recommendations.

The other central component to our agenda for growth is the passage of comprehensive tax reform. We have gone too long without addressing our tax system. Our business rate is one of the highest and most complicated in the world. It makes our businesses less competitive and we are committed to changing that. Lowering the rate and bringing back the trillions of dollars that are sitting overseas will allow businesses to invest in this country, spurring economic growth.

On the personal side, the Administration is focused on a significant middle income tax cut. This will put more money back in the hands of hardworking Americans. We will do this all while simplifying the Code and getting rid of loopholes and special interest deductions.

Another important component of a strong and robust international financial system is stopping bad actors and those who finance them. I would like to acknowledge this Committee's efforts to combat terrorism and illicit finance with the creation of its newest subcommittee. As our enemies change, so too must our weapons to combat them. Stopping the flow of funds is one more tool in our arsenal to disrupt the capabilities of those who would do this country harm. Our office of Terrorism and Financial Intelligence is ready to work with this committee's Terrorism and Illicit Finance subcommittee, and I am personally looking forward to working with Chairman Pearce and Ranking Member Perlmutter on these critical issues.

We have a chance to create historic opportunities for the American people. We at Treasury will continue to work hard to make economic growth and prosperity a reality for all Americans.