

## MEMORANDUM

To: Members of the Committee on Financial Services

From: Financial Services Republican Staff

Date: February 1, 2024

Re: February 6, 2024, Full Committee Hearing: “The Annual Report of the Financial Stability Oversight Council.”

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On Tuesday, February 6, 2024, at 10:00 a.m. in Room 2128 of the Rayburn House Office Building, the Committee on Financial Services will hold a hearing titled “The Annual Report of the Financial Stability Oversight Council.” Testifying at the hearing will be:

- The Honorable Janet Yellen, Chairperson of the Financial Stability Oversight Council.

**Background:** Subtitle A of the *Dodd-Frank Wall Street Reform and Consumer Protection (Dodd-Frank) Act* established the Financial Stability Oversight Council. Section 112(c) requires the appearance and testimony by the Council Chairperson before the House Committee on Financial Services and the Senate Committee on Banking, Housing, and Urban Affairs at an annual hearing, after the FSOC submits an annual report. The Chairperson is required to discuss:

- (1) the efforts, activities, objectives, and plans of the Council; and
- (2) answer questions concerning such report.

On December 14, 2023, the Council unanimously approved and released its 2023 report. According to the U.S. Department of the Treasury’s press release associated with the 2023 report:

“The annual report reviews financial market developments, describes potential emerging threats to U.S. financial stability, identifies vulnerabilities in the financial system, and makes recommendations to mitigate those threats and vulnerabilities. Overall, the Council finds that the U.S. financial system remains resilient, and the U.S. banking system remains sound.”

Indicative of the broad reach of the Council, the Treasury Department’s press release also covers the following areas in numerous recommendations made in the 2023 annual report: Banking; Cybersecurity; Artificial Intelligence (AI); Nonbank Financial Intermediation; purported Climate-related Financial Risk; Digital Assets; and vulnerabilities related to nonfinancial corporate credit and commercial real estate.

**Legislation:**

H. J. Res. \_\_, Disapproving the rule submitted by the Securities and Exchange Commission relating to “Staff Accounting Bulletin No. 121.” This SAB adds interpretive guidance for entities to consider when they have obligations to safeguard digital assets held for their platform users. On October 31, 2023, GAO concluded that the Bulletin is a rule under CRA and thus subject to CRA’s submission requirement. This bill would nullify the SEC’s SAB 121.