To the Members of the United States House of Representatives:

The undersigned associations strongly support H.R. 3682, the Financial Stability Oversight Council Improvement Act of 2025, sponsored by Rep. Bill Foster (D-IL) and Rep. Bill Huizenga (R-MI). The legislation has strong bipartisan support, as demonstrated by the 47-4 vote in favor of H.R. 3682 during the House Financial Services Committee markup on September 16, 2025.[1]

H.R. 3682 would ensure the predictability and transparency of the Financial Stability Oversight Council's (FSOC) guidance governing the designation of a nonbank financial company as a Systemically Important Financial Institution (SIFI). The bill will require that FSOC consider the full range of tools at its disposal, including direct consultations with a company and its primary regulator, who is most familiar with the activities of the firms they oversee, before proposing to designate a company for heightened prudential regulation and supervision by the Federal Reserve Board.

Congress charged FSOC, acting in coordination with other financial regulators, with identifying and addressing risks to U.S. financial stability. However, since the Dodd-Frank Act created FSOC in 2010, significantly different approaches have been taken to address systemic risk and the possible designation of nonbank financial

[1] House Committee on Financial Services, Recorded Vote No. FC-198, September 16, 2025, available at https://www.congress.gov/119/meeting/house/118626/documents/CRPT-119-BA00-Vote198-20250916.pdf.

companies. H.R. 3682 will bring needed stability to FSOC's approach to systemic risk where there is now uncertainty.

Our organizations supported previous guidance that prioritized an activities-based approach to systemic risk and instituted strong due process provisions, such as a requirement to conduct a cost-benefit analysis. An activities-based approach to systemic risk focuses on addressing specific financial activities on a system-wide basis rather than focusing on any one company. This approach is effective since a nonbank financial company's primary regulator is in the best position to identify gaps in regulation across an industry and take the lead in developing consistent and predictable rules that reduce risk for all entities. Unfortunately, the most recent guidance took a step backwards by deprioritizing the activities-based approach and eliminating important due process provisions without justification.

H.R. 3682 would provide statutory procedural guardrails and transparency to the SIFI designation process. The legislation would ensure that the designation of a nonbank financial company as a SIFI would be a tool of last resort. Designation subjects a nonbank financial company to an onerous regulatory burden by placing it under the supervision of the Federal Reserve Board. The SIFI prudential regulatory scheme creates a mismatch with the nonbank financial company's business model and disregards the role of a nonbank's primary regulator. A nonbank financial company's designation could make the U.S. financial system less competitive and more vulnerable to economic shock.

We respectfully urge you to support and co-sponsor H.R. 3682. Enacting H.R. 3682 will ensure needed stability and consistency of FSOC's authority regarding nonbank financial companies.

Sincerely,

Alternative Investment Management Association
American Council of Life Insurers
American Property Casualty Insurance Association
Blockchain Association
Crypto Council for Innovation
Financial Technology Association
Finseca
Insured Retirement Institute (IRI)
Investment Adviser Association
Investment Company Institute
LSTA, Inc.
MFA

Mortgage Bankers Association
Nareit
National Association of Mutual Insurance Companies
Reinsurance Association of America (RAA)
SIFMA AMG
The Digital Chamber
The Real Estate Roundtable
U.S. Chamber of Commerce

cc: Mike Johnson, Speaker of the House
Hakeem Jeffries, House Minority Leader
Tom Emmer, House Majority Whip
French Hill, Chairman, House Financial Services Committee
Maxine Waters, Ranking Member, House Financial Services Committee
Bill Foster, House Financial Services Committee
Bill Huizenga, House Financial Services Committee
Scott Bessent, Secretary of the Treasury