



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

October 5, 2011

The Honorable Spencer Bachus
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Bachus:

Thank you for your recent letter regarding the work of the Financial Stability Oversight Council (“Council”), the Council’s role in facilitating coordination among member agencies, the importance of rationalizing the U.S. financial regulatory structure, and the critical role of community banks in the U.S. financial system. I share your view on these important issues that are particularly relevant as the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) is implemented.

Earlier this year, the President issued an Executive Order to direct executive agencies (other than independent regulatory agencies) to develop a plan to review and streamline rules where possible. In the Executive Order, the President stressed the importance of regulations that balance the protection of the public with promotion of economic growth, innovation, competitiveness, and job creation. I also sent a memo to Council members to encourage them to adopt the principles and guidelines set forth in the President’s Executive Order. In July, the President reinforced the importance of this issue with a second Executive Order that encourages independent regulatory agencies to follow the key provisions of the first Executive Order.

As regulators continue to implement the Dodd-Frank Act, they should act consistently with the President’s Executive Orders by coordinating and streamlining regulations across agencies. As Chairperson of the Council, I believe that the Council should play a coordinating role to achieve the greatest consistency across agencies as possible, and I will seek ideas from Council members on concrete ways in which their agencies can use the Council as a vehicle to improve coordination.

Implementation of the Dodd-Frank Act already has provided examples of efforts to streamline regulations and to increase coordination. For example, in May, the Consumer Financial Protection Bureau (“CFPB”) launched the “Know Before You Owe” project, an effort to combine and streamline the mortgage loan disclosures required by two separate federal statutes. This consolidation will reduce the regulatory burden on industry at the same time that it makes it easier for consumers to understand the costs and risks of loans and decide which offers best meet their needs. In addition, on March 31, six rulemaking agencies acted in coordination to release a joint rulemaking on credit risk retention.

The Dodd-Frank Act also recognizes the importance of community banks to our financial system, and includes provisions to protect these banks from excessive supervisory burdens. For example, the regulator responsible for monitoring the safety and soundness of most community banks will also bear responsibility for enforcing rules promulgated by the CFPB. This allocation of responsibility will allow most small banks to avoid examinations from multiple federal supervisors. When the CFPB and a prudential regulator both have jurisdiction over an institution – large or small – the Dodd-Frank Act requires that the agencies coordinate their supervisory activities to minimize regulatory burden. CFPB is actively working with the other agencies to establish a blueprint for such coordination. Furthermore, the CFPB is working to consider the impact of proposed regulations on the smallest banks and credit unions and, in certain cases, will establish panels to seek direct input from such institutions before proposing a regulation.

As agencies move forward with implementation of the Dodd-Frank Act, I will continue to encourage, as a top priority, inter-agency coordination and the development of rules that strike the right balance between financial stability and innovation. As Chairperson of the Council, I have encouraged the development of rules that work together and avoid unnecessary overlap. These efforts should help minimize duplicative compliance efforts and should help promote an innovative and competitive financial system that is an essential part of economic growth and job creation.

Sincerely,



Timothy F. Geithner