

MEMORANDUM

To: Members of the Committee on Financial Services

From: Financial Services Republican Staff

Date: March 18, 2024

Re: March 21, 2024, Full Committee Hearing: “Importing Global Governance: Examining the Dangers of Ceding Authority Over American Financial Regulation”

On Thursday, March 21, 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 “Importing Global Governance: Examining the Dangers of Ceding Authority Over American Financial Regulation.” Testing at the hearing will be:

- Michael Gibson, Director of Supervision and Regulation, Board of Governors of the Federal Reserve System
- Ryan Billingsley, Deputy Director of Capital Markets and Accounting Policy, Division of Risk Management Supervision, Federal Deposit Insurance Corporation
- Grovetta Gardineer, Senior Deputy Comptroller for Bank Supervision Policy, Office of the Comptroller of the Currency

Background: Federal regulatory officials are interacting with a large and growing network of global governance bodies in activities that include recommending standards for regulating and supervising the financial system. Yet Congress has little visibility into the deliberations, negotiations, discussions, and research performed with these bodies, particularly as it relates to the role played by U.S. regulatory officials, staff, and researchers. The lack of transparency raises concerns about the extent to which officials and staff from other countries are influencing and shaping recommendations that find their way into U.S. regulation and supervision.

For example, the Federal banking agencies’ recent capital proposal is explicitly intended to “generally be consistent with international capital standards issued by the Basel Committee[.]”¹

International cooperation and cohesive, fair, and equitable standards can provide useful rules of the road for financial markets. Nonetheless, standards developed in opaque negotiations by unelected officials and agency staff lack sufficient Congressional oversight. This hearing will explore the extent to which global governance bodies develop useful and fair agreements that bolster the U.S. financial system. Or whether special interest groups have used their influence to produce agreements that will have a negative effect on the U.S. financial system and broader economy. Finally, the hearing will enable the Committee to better understand the role the Federal banking agencies’ play in setting global standards, representing U.S. interests, and ultimately in implementing these global standards.

¹ Regulatory Capital Rule: Large Banking Organizations and Banking Organizations with Significant Trading Activity, 88 Fed. Reg. 64028, 64030 (Sept. 18, 2023).

Legislation

H.R. __, the *Congressional Banking Regulation Priorities and Accountability Act of 2024*, requires enhanced consultation by Federal financial regulatory agencies with Congress and the public regarding their engagement with International Organizations. The *Act* protects the sovereignty of the United States and strengthens Congress's oversight of the activities of the federal financial regulators in the United States by improving accountability and transparency with respect to the effect of membership, engagement, and participation in international organizations on the laws, rules, and regulations applicable to companies in the United States, and for other purposes.

H.J. Res. _____ provides for congressional disapproval under chapter 8 of title 5, United States Code, of the rule submitted by the Board of Governors of the Federal Reserve System relating to "Principles for Climate-Related Financial Risk Management for Large Financial Institutions".

H.J. Res. _____ provides for congressional disapproval under chapter 8 of title 5, United States Code, of the rule submitted by the Federal Deposit Insurance Corporation relating to "Principles for Climate-Related Financial Risk Management for Large Financial Institutions".

H.J. Res. _____ provides for congressional disapproval under chapter 8 of title 5, United States Code, of the rule submitted by the Office of the Comptroller of the Currency relating to "Principles for Climate-Related Financial Risk Management for Large Financial Institutions".