

Statement by
Michael J. Hsu
Acting Comptroller of the Currency
at the
Financial Stability Oversight Council
“FSOC Annual Report”
December 16, 2022

Thank you, Madam Secretary, for your strong leadership of the Council this year during a period of uncertainty and volatility. I support the issuance of FSOC’s annual report and extend my thanks to the FSOC staff and staff of the other agencies for their hard work. I believe the recommendations in the report are important steps in enhancing risk management and prudential controls in our financial system, while also providing a framework for addressing emerging risks.

In particular, I want to highlight the efforts of the Council to strengthen oversight of nonbank financial institutions and promote a level regulatory outcome. For example, I commend the work of the Council’s Hedge Fund Working Group. Over time, we have seen how investment funds and similar structures can pose systemic risk to banks and other counterparties due to their scale, leverage, interconnectedness, and ability to engage in liquidity and maturity transformation. The working group is helping the agencies better assess and collect data on the transmission of systemic risks by hedge funds and identify remaining regulatory gaps to close. This and other efforts of the Council and its members are vital to identifying financial stability risks posed by nonbank financial companies, promoting market discipline, and responding to emerging financial stability threats.

I look forward to working with all stakeholders on addressing these recommendations to ensure the safety of the federal banking system and the U.S. financial system.