

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

April 26, 2013

The Honorable Jacob J. Lew
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Lew:

Congratulations on your appointment as the 76th Secretary of the Treasury. As Chairman of the Financial Stability Oversight Council, I look forward to working with you on the continued stability of our financial markets. To that end, I am particularly interested in your views on the orderly resolution plan or “living wills” process, a key piece of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which is still being implemented. This process will aid regulators in determining how to liquidate a systemically significant firm in the event of insolvency. Moreover, “living wills” are designed to inform whether action needs to be taken sooner rather than later to make sure a firm can be resolved under the Orderly Liquidation Authority.

Last summer, New York Federal Reserve Chairman William Dudley stated that “we are a long way from the desired situation in which large complex firms could be allowed to go bankrupt without major disruptions to the financial system and large costs to society. Significant changes in structure and organization will ultimately be required for this to happen.” Just last month in a hearing of the Senate Committee on Banking, Housing and Urban Development, Federal Deposit Insurance Corporation (FDIC) Chairman Martin Gruenberg stated that he expects the next round of living wills “to focus on key issues and obstacles to an orderly resolution in bankruptcy including global cooperation and the risk of ring-fencing or other precipitous actions.” Chairman Bernanke of the Federal Reserve said just a few weeks ago, “Too-Big-to-Fail was a major source of the crisis” and it is “not solved.”

Though I believe that there is a deep commitment to fulfilling the requirements set forth under Dodd-Frank, given these statements, I am concerned about the progress we’ve made so far. Almost three years after the passage of Dodd-Frank, and two years since banks began working on their “living wills,” the Fed and FDIC have announced banks will have an additional three months to submit credible plans to regulators.

For these reasons, I urge you to work with members of the council to ensure credible “living wills” are filed by October. I also urge you, as part of this process, to begin considering what other tools available to you in Dodd-Frank may be brought to bear if any “living wills” submitted by this deadline are not found to be credible.

Sincerely,



MAXINE WATERS
Ranking Member