Council of Inspectors General on Financial Oversight

Audit of the Financial Stability Oversight Council's Designation of Nonbank Financial Companies

July 2026

CIGFO-2026-001

Message from the Acting Chair

July 30, 2026

The Honorable Scott Bessent
Chair, Financial Stability Oversight Council
Washington, D.C. 20220

Dear Mr. Chairman:

I am transmitting to you the Council of Inspectors General on Financial Oversight (CIGFO) memorandum titled, *Audit of the Financial Stability Oversight Council's Designation of Nonbank Financial Companies,* which describes the Financial Stability Oversight Council's (FSOC) 2023 *Guidance for Nonbank Financial Company Determinations* process as it existed during the audit period.

During our review, we examined the process and documentation in place during the audit period, including FSOC's development of the 2023 Guidance, its coordination with member agencies, and its Analytic Framework supporting responsibilities under Section 113 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

In March 2026, FSOC issued proposed revisions to its interpretive guidance and released them for public comment. These proposed revisions were outside the scope of our review and once finalized are expected to materially change aspects of FSOC's current designation process. As such, this memorandum discusses observations made during the audit period and does not include evaluative judgments regarding the sufficiency or statutory alignment of FSOC's 2023 Guidance.

We appreciate the contributions of the Working Group members listed in the Appendix and the support of the FSOC members, especially Treasury officials who assisted with this effort. In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act, CIGFO is also providing this memorandum to Congress.

CIGFO looks forward to working with you on this and other issues.

Sincerely,

/s/

Loren J. Sciurba
Acting Chair, CIGFO

Background

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)[1] established the Financial Stability Oversight Council (FSOC or Council) to identify risks to the U.S. financial stability, promote market discipline, and respond to emerging threats.[2] FSOC is chaired by the Secretary of the Department of the Treasury (Treasury) and includes federal financial regulators, an independent insurance expert appointed by the President, and state regulators. Within Treasury, the FSOC Secretariat, led by a Deputy Assistant Secretary, coordinates the Council's work among its members and member agencies.[3]

The Dodd-Frank Act also created the Council of Inspectors General on Financial Oversight (CIGFO), whose members include the Inspectors General with oversight authority for the majority of FSOC's member agencies. CIGFO is authorized to convene Working Groups to evaluate FSOC's effectiveness and internal operations.[4] In March 2024, CIGFO established a Working Group, led by the Treasury Office of Inspector General, to assess FSOC's process for designating nonbank financial companies.[5] Our audit focused on FSOC's 2023 Interpretive Guidance as it existed during the audit period. The proposed revisions to the guidance FSOC issued in March 2026 were not included in the scope of this audit.

Objectives, Scope, and Methodology

Our audit objectives were to assess (1) the sufficiency of the "Financial Stability Oversight Council Guidance for Nonbank Financial Company Determinations" (2023 Interpretive Guidance) to effectively respond to financial stability threats under Section 113 of the Dodd-Frank Act; (2) the extent that the FSOC members were engaged in the development of the 2023 Interpretive Guidance considering such factors as lessons learned and any identified barriers from earlier guidance; and (3) the impact on the nonbank designation process as a result of the 2023 Interpretive Guidance compared to the "Authority to Require Supervision and Regulation of Certain Nonbank Financial Companies" guidance (2012 and 2019 Guidance) and process.

1 The Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203,124 Stat 1376 (2010)

2 12 U.S.C. §§ 5321(a) and 5322(a)(1)

3 "Members" refer to voting and nonvoting members of FSOC. "Member agencies" are the agencies and organizations FSOC members represent.

4 Section 989E(a)(3) of the Dodd-Frank Act

5 The term "U.S. nonbank financial company" is a U.S. organized company that is primarily engaged in financial activities but is not a bank holding company, a Farm Credit System institution, certain Securities and Exchange Commission-registered market entities, or certain Commodity Futures Trading Commission-registered market entities.

To accomplish our objectives, among other things, we (1) reviewed relevant legislation; (2) interviewed FSOC Secretariat officials; (3) developed a structured questionnaire to solicit feedback from FSOC member agencies on the effectiveness of FSOC's coordination efforts; and (4) reviewed FSOC's coordination with the Board of Governors of the Federal Reserve System (Board). We conducted fieldwork from April 2025 through December 2025.

The scope of this audit included FSOC's process for designating nonbank financial companies for heightened supervision from December 2019 through July 2024. We did not review FSOC's March 2026 proposed updates to the 2023 Interpretive Guidance. Because the revisions proposed in 2026 are expected to materially change aspects of FSOC's current designation process, we are not concluding on the first aspect of our audit objective regarding the adequacy, sufficiency, or effectiveness of the process observed during the audit period.

Results

Based on the information reviewed during the audit period, we observed the following:

- The 2023 Interpretive Guidance outlines the process that reflects FSOC's authorities under the Dodd-Frank Act and describes the steps FSOC may take in addressing potential threats to U.S. financial stability.

- FSOC documented engagement with its member agencies in developing the 2023 Interpretive Guidance and Analytic Framework.

- Member agency responses to our structured questionnaire demonstrated that the process described in the 2023 Interpretive Guidance supported FSOC's ability to address its responsibilities under Section 113 during the audit period.

Because FSOC's proposed 2026 revisions are expected to materially change aspects of FSOC's current designation process, we are not concluding on the first aspect of our audit objective regarding the sufficiency or effectiveness of the 2023 Interpretive Guidance or the process observed during the audit period. We may follow-up on the finalized guidance and related matters, as appropriate.

Matter of Concern

We identified a matter of concern related to FSOC's Nonbank Financial Company Designations Committee (Committee) not meeting during our five-year scope period, despite its charter requiring quarterly meetings to support the Council in fulfilling their responsibilities to consider, make, and review designations. FSOC explained that the Committee did not convene because no company was identified or selected for designation during this period. FSOC’s process for identifying, monitoring, and responding to potential threats to financial stability is being carried out by the Deputies Committee and Systemic Risk Committee,[6] both which meet regularly as prescribed in their charters. Feedback from member agencies through the structured questionnaire also supported that FSOC can meet its Section 113 responsibilities even without Committee meetings. Therefore, while we identified no issue with FSOC's efforts to fulfill its Section 113 mandate, we suggest that FSOC revise the Committee charter to specify that meetings are required only when a company is undergoing an in-depth review.

[6] The purpose of the Systemic Risk Committee is to support the Council in identifying risks to, and in responding to emerging threats to, the stability of the United States financial system, consistent with the Council's responsibilities under the Dodd-Frank Act.

Appendix: CIGFO Working Group Members

Department of the Treasury Office of Inspector General, Lead		
Loren Sciurba, Deputy Inspector General, Department of the Treasury and Acting CIGFO Chair		
Pauletta Battle	Virginia Shirley	Dianna Jones
Katherine Flowers	Kevin Smithers	Avery Williams
Federal Housing Finance Agency Office of Inspector General		
James Hodge, Acting Principal Deputy, Performing the Duties of the Inspector General, Federal Housing Finance Agency		
Abdil Salah	James Lisle	April Ellison
Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau Office of Inspector General		
Michael E. Horowitz, Inspector General, Board of Governors of the Federal Reserve System and Consumer Financial Protection Bureau		
Michael VanHuysen	Laura Shakarji	Michael Zeitler
Lindsay Taylor	Kamry Bennett	
Department of Housing and Urban Development Office of Inspector General		
Brian D. Harrison, Acting Inspector General, Department of Housing and Urban Development		
Kilah White	Sarah Sequeira	Christeen Thomas
Federal Deposit Insurance Corporation Office of Inspector General		
Jennifer L. Fain, Inspector General, Federal Deposit Insurance Corporation		
Usman Abbasi	Sharon Tushin	Luke Itnyre
Thomas Ritz		
National Credit Union Administration Office of Inspector General		
Marta Erceg, Acting Inspector General, National Credit Union Administration		
Dana Duvall	Annie Golden	
U.S. Commodity Futures Trading Commission Office of Inspector General		
Christopher Skinner, Inspector General, U.S. Commodity Futures Trading Commission		
Timothy Peoples		
U.S. Securities and Exchange Commission Office of Inspector General		
Kevin Muhlendorf, Inspector General, U.S. Securities and Exchange Commission		
Rebecca Sharek	Colin Heffernan	