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The Honorable Jeb Hensarling, Chairman
House Financial Services Committee
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Maxine Waters, Ranking Member
House Financial Services Committee
4340 Thomas P. O'Neill Federal Office Building
Washington, DC 20515

Dear Chairman Hensarling, Ranking Member Waters, and Members of the Committee:

I'm writing to you today on behalf of The Institute of Internal Auditors (IIA), the recognized world leader in certification, education, research, standards, and guidance for the internal audit profession, in strong support of H.R. 3557, the *FSOC Transparency and Accountability Act*.

At its core, H.R. 3557 is about good governance and ensuring that the Financial Stability Oversight Council (FSOC) fulfills its mandate in an open, collaborative, and responsible way toward identifying risks and responding to emerging threats to U.S. financial stability.

Under current law, the FSOC is tasked with regulating U.S. financial markets by, among other things, designating entities as systemically important financial institutions (SIFIs), which conveys additional responsibilities and compliance requirements. While The IIA is not taking a position on the substantive nature of the FSOC or its actions to date, we firmly believe that all government agencies – especially one of this magnitude and with such expansive authority – must be transparent and accountable to the American people. This bill would take important steps to ensure just that.

First, with regard to transparency, it has become commonplace for the FSOC to hold closed-door meetings, with notice given only just prior to the meeting and with sparse details of the agenda. Moreover, while the FSOC does release minutes of its meetings, these records generally contain little substantive information about what was discussed. The IIA certainly recognizes that some meetings may need to be closed because of sensitive subjects to be discussed. However, unless such a permitted reason can be cited, we believe that, as a general rule, FSOC meetings

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should be open to the public. It is crucial that the FSOC be subjected to the same requirements under the Government in the Sunshine Act and the Federal Advisory Committee Act as other federal agencies.

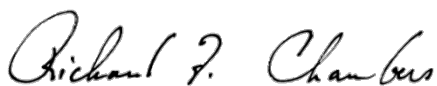
The IIA also supports H.R. 3557 in that it addresses a significant lack of accountability existing at the FSOC. The bill would ensure that the Securities and Exchange Commission, Commodity Futures Trading Commission and other regulatory bodies represented on the FSOC are not undercut in their authority to regulate U.S. financial markets. Currently, only principals of the FSOC's member agencies are permitted to vote at council meetings, potentially *without* consulting other leaders of their respective agencies. Allowing a single person to substitute his or her judgment for that of the larger group that would normally make decisions for that agency does not reflect the principles of good governance that the FSOC should be striving to follow. As such, we agree that: (1) *all* members of the agencies represented on the FSOC should be permitted to participate in *all* FSOC meetings; and (2) there should be a requirement that any vote taken by the principal of an agency represented on the Council must first be taken by the body he or she represents, and that same vote must then be cast at the FSOC meeting. Requiring broader participation in the FSOC's deliberative and voting process by all members of the agencies represented on the FSOC will, in effect, provide important checks and balances on the actions it takes.

In addition to a lack of accountability to its member agencies, the FSOC is currently not held accountable to Congress. As structured, the FSOC is not subject to the annual appropriations process. As a result, Congress has very little sway over the FSOC's actions and continues to struggle in its oversight of the Council. This bill seeks to change that, at least in part, by ensuring that elected members of Congress who sit on the congressional committees with oversight of the FSOC are able to attend *all* Council meetings. In the spirit of openness and full disclosure, we fully support this change, as it will assist lawmakers in their oversight of the FSOC and, thus, the financial markets.

With more than 180,000 members worldwide, including more than 70,000 in the United States, The IIA is dedicated to supporting quality, professional, and ethical practices across all industries and public enterprises. We urge you to vote in favor of H.R. 3557 as an important step toward ensuring much-needed transparency and accountability at the FSOC, and promoting principles of good governance and risk management throughout the federal government and U.S. financial markets.

I welcome any questions you may have and look forward to working with you on this matter.

Best regards,



Richard F. Chambers, CIA, QIAL, CGAP, CCSA, CRMA
President and Chief Executive Officer

Cc: The Honorable Scott Garrett