Views and Estimates of the Committee on Financial Services on Matters to be Set Forth in the Concurrent Resolution on the Budget for Fiscal Year 2023

Pursuant to applicable rules and laws, the Committee on Financial Services transmits to the Committee on the Budget the following views and estimates on matters within its jurisdiction or functions to be set forth in the concurrent resolution on the Budget for fiscal year 2023.

ENSURING AN EQUITABLE RECOVERY AND ECONOMIC OPPORTUNITY FOR ALL

In the 117th Congress, the Committee on Financial Services is working closely with the Biden Administration to advance policies to provide a strong, equitable recovery from the COVID-19 pandemic, protect consumers and investors, promote diversity and inclusion, advance racial equity, hold financial institutions and firms accountable, ensure fair and affordable housing for all, and enhance international cooperation to address today's global challenges, including climate change, public health crises, equitable financial access, and the far-reaching security, economic, and humanitarian impacts of Russia's war on Ukraine.

The COVID-19 pandemic has taken nearly one million lives in the U.S. and caused widespread damage to the U.S. economy. Thanks to investments made by the Biden administration and Congress through the American Rescue Plan (ARP), the U.S. has experienced the swiftest and strongest economic recovery in the world, with the addition of more than 8.4 million jobs since the end of 2020. Additionally, through investments made by the Infrastructure Investment and Jobs Act passed last year, including in broadband, transportation infrastructure, lead abatement, and electric vehicle charging stations, the Biden administration has fulfilled important aspects of its American Jobs Plan and continued to make progress toward a more resilient recovery from the pandemic. Although investments in child care, small business relief, distribution of vaccines, and many other ARP expenditures have kickstarted an impressive economic recovery, several virus variants and supply chain disruptions have led to persistent inflation, continued housing instability, and created imbalances and fragilities across the economy.

The Committee also believes that the Build Back Better Act's proposed investments in housing and supply chain resilience are critical to addressing some of the major sources of rising prices. Additionally, witnesses who have testified before the Committee, including Federal Reserve Chair Jerome Powell, have identified child care and long-term health care investments in the BBB as critical to filling the gaps that remain in labor market recovery, particularly for women and communities of color. The Committee will be vigilant in overseeing regulators' efforts to address macroeconomic and financial stability risks, including emerging threats like climate change, and will monitor ongoing financial stability risks, including how a changing monetary policy environment and elevated interest rate risk might hamper economic recovery or otherwise affect financial markets.

President Biden has put the nation on the path to recovery with the American Rescue Plan, which provided $76.2 billion in relief under the Committee's jurisdiction, and advanced the Build Back Better Act—passed by the House in November 2021—that would make vital investments in our country, including investing more than $150 billion in fair and affordable housing infrastructure. The Committee strongly supports the Biden Administration's agenda and policies and calls upon Congress to support funding for the following programs and policies.

The Committee believes the United States should continue its support for the people of Ukraine by mobilizing robust multilateral assistance through U.S. leadership at the international financial institutions and by denying Russian President Putin financial resources to wage his war. The global response to Ukraine should be rapid, closely coordinated, and transparent, with sufficient oversight to ensure aid is well spent. It should also include the suspension and forgiveness of Ukraine's debt service payments to external creditors, with grants prioritized over loans, both to help guard against the risk of a future debt crisis and to allow Ukraine to focus its resources on defending itself against the atrocities of the Russian invasion and providing humanitarian assistance to its people. The Committee commends countries that have kept their borders open to provide protection to those seeking safety and aid, and it calls for that to continue in a non-discriminatory manner for all people in need.

The Committee also applauds the Biden Administration for leading and maintaining a broad coalition of allies and partner nations to forcibly respond to Russia's invasion of Ukraine with historic sanctions, including in coordination with other G-7 nations: sanctioning transactions with Russia's central bank, which significantly impaired Russia's ability to employ its massive foreign reserves; imposing full asset freezes and blocking sanctions against six of Russia's largest banks; cutting seven Russian banks off from the SWIFT financial messaging system; sanctioning multiple Russia government and military officials and their families, including President Putin himself, and an increasing number of oligarchs; expanding restrictions on Russia sovereign debt, and banning Russian energy imports and new foreign investment in Russia. This Committee will continue to review legislative measures that provide further financial support for Ukraine and increase economic pressure to degrade the Russian economy to the point that it can no longer fund its war on Ukraine and show Russia that there are consequences for its actions.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The Department of Housing and Urban Development (HUD) plays a critical role in our nation's housing market and social safety net with a mission to "create strong, sustainable, inclusive communities and quality affordable homes for all." HUD programs help lift families out of poverty and homelessness, expand the dream of homeownership, bolster the economy, and ensure equal access to housing opportunities for all. As our nation continues to grapple with the COVID-19 pandemic and its effects on public health and the economy, HUD programs have become even more essential to ensure struggling families have fair access to safe, decent, and affordable housing. Indeed, the shortage of affordable housing is a key driver of the inflation the United States is currently experiencing. For too long, we have not addressed the shortfall in our housing supply, and this lack of supply is driving up costs. In 2021, the national median rent for an apartment jumped by almost 18%, and home prices rose by almost 17%. That is why the Committee will continue to press for more than $150 billion in housing investments that were included in President Biden's Build Back Better agenda to sustain and create affordable homes located in fair and resilient communities. Likewise, the FY23 Budget should reflect the growing need for fair and affordable housing resources and robustly fund HUD housing and community development programs, as well as fully staff HUD to address such needs. As such, the Committee supports at least $71.9 billion in total funding for the FY23 HUD budget.

Homeless Assistance Programs

The Committee believes that the FY23 Budget should reflect that ending homelessness is a national priority and should provide at least $3.6 billion for HUD's homeless assistance grant programs, as well as

$5 billion in funding to build new permanent supportive housing, and $7 billion for new Housing Choice Vouchers targeted to people experiencing or at risk of homelessness and survivors of domestic violence.

According to HUD's 2020 annual point in time count, which was conducted prior to the COVID-19 pandemic, there was a 2.2% increase in the number of people experiencing homelessness since 2019, marking the fourth year in a row that homelessness has increased in the United States. On any given night, over 580,000 people, who are disproportionately people of color, have no place to sleep other than emergency shelters, streets, and other places not fit for human habitation. In particular, the Committee is concerned with the alarming increases in individuals experiencing long-term and unsheltered homelessness. It is this population that has largely driven the overall increase in homelessness in our country. Currently, more homeless individuals are now experiencing unsheltered homelessness (51%) than sheltered homelessness (49%). However, HUD has found individuals experiencing homelessness face the largest gap between the resources available and the resources needed to move into housing compared to other demographic groups, such as families or veterans experiencing homelessness.

The Committee fully supports the goal of ending homelessness and has provided significant new resources through the American Rescue Plan, including $5 billion in homeless assistance through the HOME program and $5 billion in Housing Choice Vouchers targeted to people experiencing or at risk of homelessness, domestic violence survivors, and victims of human trafficking. The Coronavirus Aid, Relief and Economic Security (CARES) Act of 2020 also provided $4 billion in homeless assistance through HUD's Emergency Solutions Grants program. The Build Back Better Act also includes $150 billion in new affordable housing investments that would go a long way to helping communities end homelessness. Specifically, the bill would provide $7 billion for Housing Choice Vouchers for people experiencing or at risk of homelessness, as well as $15 billion to develop new housing affordable to people with the lowest incomes, including individuals experiencing homelessness.

Rental Assistance Programs

The Committee recognizes the importance of HUD rental assistance programs and, in addition to passing the Build Back Better Act, supports at least $5 billion for Public Housing capital repairs and modernization, at least $1.1 billion for Section 811 Supportive Housing for People with Disabilities (Section 811) and Section 202 Supportive Housing for the Elderly (Section 202) to increase the supply of fair, affordable, and accessible housing, as well as at least $32.13 billion to sustain and expand Housing Choice Vouchers in the FY23 Budget.

HUD's rental assistance programs are responsible for providing stable housing for over 10 million individuals in nearly 5 million homes across the country. Without this important federal assistance, millions of current and future households would be severely rent-burdened or homeless. According to the Center on Budget and Policy Priorities, federal rental assistance has kept 4.1 million people, including 1.4 million children, out of poverty. In particular, public housing is home to nearly one million families, with nearly sixty percent of families headed by a person who is elderly, disabled, or both, and more than 40 percent of families in public housing have school-aged children at home. Federal rental assistance has played a critical role in our country's social safety net during the COVID-19 pandemic and the subsequent downturn in the U.S. economy by helping assisted families maintain stable, affordable housing. To bolster this safety net, the Committee continues to support investing significant new resources through the Build Back Better Act, including $65 billion to repair and modernize public housing and $1 billion to support the development of new affordable and accessible housing units under the Section 202 Supportive

Housing for the Elderly program and Section 811 Supportive Housing for People with Disabilities program.

Federal Housing Administration

The Committee supports robust funding for the Federal Housing Administration (FHA), which plays a vital role in promoting long-term stability in the housing market and expanding access to homeownership for creditworthy borrowers, especially first-time homebuyers, low- and moderate-income households, and households of color. FHA receives annual appropriations, but its book of business not only offsets the agency's costs but also helps offset HUD programs writ large. Robust funding for FHA to carry out its mission is crucial during the COVID-19 pandemic because of the effects that the pandemic has had on homeowners. In 2020, in response to the COVID-19 pandemic, Congress passed the CARES Act, which provided FHA borrowers and other borrowers with federally backed mortgages access to forbearance relief and instituted a foreclosure moratorium. Throughout the pandemic, Ginnie Mae borrowers, including those with FHA-insured home loans, have struggled disproportionately to stay current on their mortgage payments. In 2020, in response to the COVID-19 pandemic, Congress passed the CARES Act, which provided FHA borrowers and other borrowers with federally backed mortgages access to forbearance relief and instituted a foreclosure moratorium. In response to ongoing unemployment and rising mortgage delinquencies, Congress provided $10 billion to the newly established Homeowner Assistance Fund through H.R. 1319, the "American Rescue Plan Act," to help struggling homeowners stay in their homes. FHA needs robust funding to continue to support borrowers with FHA mortgages who may still be struggling to afford their monthly mortgages during the pandemic.

The Committee supports the Biden Administration's renewal of the FHA's partnership with the Federal Financing Bank to provide the FHA-Housing Finance Agency (HFA) multifamily risk-share program after the Trump administration discontinued it without any explanation. FHA-HFA risk share loans encourage public-private partnerships to bolster the creation of affordable housing. The program also generates revenue that helps offset other parts of HUD's Budget. The Committee has previously advanced legislation to make this partnership permanent.

The Committee is concerned with FHA's current practice of charging annual mortgage insurance premiums for the life of FHA loans while private mortgage insurers cancel the requirement for mortgage insurance once the outstanding principal balance falls to 78 percent of the original home value. The Committee also believes the FHA should only require borrowers to pay premiums when their loan exceeds 78 percent of the home's value. Analysts have concluded that doing so will increase revenue overall because it will help FHA retain policyholders and attract new policyholders.

The FY23 Budget should also increase funding for Housing Counseling Assistance, which helps to expand homeownership by educating prospective homebuyers and helps prevent foreclosures by providing mitigation services. Especially during the current economic crisis, housing counseling helps keep families in homes, protects the FHA Mutual Mortgage Insurance Fund, and stabilizes communities. In order to incentivize more borrowers to obtain housing counseling, the House passed H.R. 2162, the "Housing Financial Literacy Act of 2019," in April 2021, which would lower insurance premiums for FHA borrowers who choose to receive housing counseling.

Housing Development Programs

In the FY23 Budget, the Committee supports at least $1.9 billion in funding for the HOME Investment Partnerships Program (HOME) and existing funding for the HTF through allocations from Fannie Mae and Freddie Mac. In 2021, the HTF received $740 million, an increase of $29 million over the previous year. The HOME Program and HTF play key roles in addressing the inadequate supply of affordable housing, particularly for the lowest-income families. As communities begin to recover from the COVID-19 pandemic, these programs will become even more essential to helping communities acquire and convert residential and commercial properties that come up for sale due to the economic downturn into affordable housing. For this reason, the Committee secured $25 billion for these programs in the Build Back Better Act and supports legislation to provide them with additional funding.

Community Development

In the FY23 Budget, the Committee supports at least $4.2 billion in funding to carry out the Community Development Block Grant (CDBG) program fully. Cities and counties use flexible Community CDBG to meet critical local community development, infrastructure, and affordable housing needs, as well as to expand economic opportunities principally for low- and moderate-income people. CDBG funds can be used for a wide array of community activities, including those that address conditions that pose a serious and immediate threat to the health and safety of residents, as well as to bolster local fair housing planning. To help communities respond to the immediate public health and economic effects of the COVID-19 pandemic, Congress provided $5 billion in CDBG funds through the CARES Act. As communities continue to work to mitigate the short- and long-term economic effects of the COVID-19 pandemic, CDBG funds will serve as an essential and flexible tool to spur economic development and job growth. Indeed, every $1 in CDBG funds invested leverages more than $4 in other funds and has created or retained over 420,000 economic development-related jobs between FY15 and FY18, benefiting over 47 million low- and moderate-income people through affordable housing and public services. The Committee continues to support the more than $3 billion for CDBG in the Build Back Better Act.

Healthy Housing

The Committee supports at least $485 million for HUD's Lead Hazard Control and Healthy Homes programs to ensure the U.S. housing stock is safe and decent—free from lead and other hazardous conditions that compromise the health and well-being of families and children.

Childhood exposure to lead, even at very low levels, can have lifelong consequences, including decreased IQ and cognitive function, developmental delays, and behavioral problems. Higher exposures to lead at a young age can cause seizures, coma, and even death. Unfortunately, lead exposure often occurs without any obvious symptoms and can go unrecognized until the symptoms become more acute. Additionally, studies have found that the incidence of lead poisoning, asthma, obesity, and deteriorating mental health among disadvantaged communities are positively correlated with aging housing stock, poor ventilation, water leaks, and other poor physical housing conditions. HUD's Lead Hazard Control and Healthy Homes programs help local communities address lead-based paint and other health hazards in low-income housing through activities to mitigate such hazards, as well as through the development and promotion of effective methods for controlling health hazards. In the Build Back Better Act, the Committee helped to secure $5 billion to address lead paint and other health hazards in low-income housing.

Fair Housing

In order to promote robust enforcement of the Fair Housing Act, the Committee supports at least $73.5 million in the FY23 Budget for HUD's Fair Housing Initiatives Program (FHIP), at least $35.2 million for the Fair Housing Assistance Program (FHAP), as well as at least $153 million to increase full-time personnel in the Office of Fair Housing and Equal Opportunity. HUD and local fair housing organizations play a central role in fighting discrimination in housing and promoting fair housing practices, primarily through the implementation and enforcement of the Fair Housing Act. Despite the passage of the Fair Housing Act in 1968, 68 million adults nationwide believed they had experienced housing discrimination in 2019, the Black-White homeownership gap is at a 120-year high, and many U.S. neighborhoods are becoming more racially and economically segregated. Recognizing the importance of fair housing and enforcement, the Committee secured $1.5 million in the CARES Act and an additional $20 million inthe American Rescue Plan Act to respond to increased fair housing complaints during the pandemic and to ensure an equitable distribution of pandemic relief funds. The Committee will continue to take steps to ensure that HUD and its programs are fully equipped to enforce the Fair Housing Act. The Committee continues to support the inclusion of $700 million for FHIP and $100 million for FHAP in the Build Back Better Act to expand and strengthen fair housing enforcement nationwide.

Native American Housing

The Committee supports the fundamental recognition of tribal self-determination under the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA). In addition to the funding provided through COVID relief legislation, such as the American Rescue Plan, the Committee supports at least $922 million in the FY23 Budget for the NAHASDA programs. The Committee has considered legislation to reauthorize and strengthen NAHASDA programs and will continue to press for the inclusion of the descendants of Native American Freedmen in accordance with existing Treaty agreements.

USDA'S RURAL HOUSING PROGRAMS

The United States Department of Agriculture's (USDA's) Rural Housing Service (RHS) plays a distinct and critical role in the federal government's housing assistance strategy and in the housing market overall. For this reason, the Committee supports at least $50 million for the Rural Development Voucher Program (RDVP), $1 billion for the Multifamily Preservation and Revitalization Demonstration, $200 million for the Section 515 Program, $75 million for the Section 514 Program, and $35 million for the Section 516 Program in the FY23 Budget. The Committee also supports expanding eligibility for RDVP beyond Section 515 residents to also include Section 514 residents in developments that are owned by nonprofit or public entities and to all residents of 514 and 515 properties when mortgages loans for those properties mature. Additionally, the Committee supports eliminating certain incentives for owners of Section 515 and 514 properties to prepay their loans, as well as allowing RHS to annually adjust voucher subsidies to account for changes to household incomes and utility costs.

RHS programs help address unique housing challenges that rural communities face, including the prevalence of substandard housing conditions, the challenges of farmworkers remaining stably housed despite the seasonal nature of their work, and the lack of access to affordable mortgage credit in some rural areas. Unfortunately, due to the lack of funding, hundreds of thousands of multifamily units are projected to exit USDA programs that keep the units affordable for low-income residents in the coming decades. To ensure robust funding for RHS to address these challenges in the rural housing stock, the Committee included $1.8 billion in the Build Back Better Act to preserve and expand the supply of USDA multifamily housing. The Committee also provided $100 million in the American Rescue Plan for additional rural rental assistance for families struggling to pay rent during the COVID-19 pandemic.

USDA's single-family housing programs also offer unique mortgage products to help low- and moderate-income rural households gain access to homeownership. The Committee will consider proposals to ensure that loss mitigation requirements under these programs are serving borrowers effectively. The Committee also supports increased funding for the Section 502 Direct Loan program, which serves low-income households. The Committee helped to secure $39 million in COVID-relief funding through the American Rescue Plan to assist struggling rural homeowners. The Committee also continues to support $100 million in the Build Back Better Act for the USDA Section 504 program to assist rural homeowners with repairing their homes.

FEDERAL HOUSING FINANCE AGENCY & GOVERNMENT-SPONSORED ENTERPRISES

The Federal Housing Finance Agency's (FHFA) budget is supported through funds generated by Fannie Mae and Freddie Mac ("the enterprises") and other entities it regulates. The Committee supports this funding structure, which does not affect the debt or deficit, to retain FHFA's independence as a regulatory agency. However, because the enterprises remain in conservatorship and are supported by the Treasury through Preferred Stock Purchase Agreements (PSPAs), the Committee continues to believe that comprehensive housing finance reform should be left to Congress and not attempted through administrative action.

The Committee believes that a robust mortgage market is required to sustain the middle class and broad economic growth. The secondary mortgage market plays a significant role in ensuring the health of the financial system, especially in times of economic downturn as the U.S. has experienced during the ongoing COVID-19 pandemic. The Committee will continue to oversee FHFA, Fannie Mae, Freddie Mac, and the broader mortgage market to ensure that federal policies are working to maintain affordable, long-term fixed-rate mortgage products such as the 30-year pre-payable fixed-rate mortgage; protect taxpayers by paying for an explicit government guarantee; provide stability and liquidity to the market; support a broad-based strategy for promoting access to affordable housing, including affordable rental housing; and enable financial institutions of all sizes to equally participate in the market.

NATIONAL FLOOD INSURANCE PROGRAM

The National Flood Insurance Program (NFIP), which provides flood insurance to over five million homeowners, renters, and businesses, is set to expire on September 30, 2022. Over the course of several years, a series of short-term reauthorizations has left the NFIP and its five million policyholders in a precarious position. The Committee believes that the NFIP must be reauthorized for the long term with a plan to keep coverage affordable and available, to adapt to a changing climate, and to keep our communities resilient in the face of increasing flood risks. That is why the Committee unanimously passed H.R. 3167, the "National Flood Insurance Program Reauthorization Act," in 2019. Reforms to NFIP made through multi-year reauthorization should be aimed at putting the program on sounder footing for the long term, particularly in response to growing climate risks. These reforms should include expanding access and affordability for policyholders, especially in light of the next Risk Rating methodology adopted by FEMA.

Further, although Congress recently forgave $16 billion of the NFIP's debt, the remaining $20.5 billion in debt has been ignored and continues to burden policyholders with approximately $400 million in interest payments every year. Meanwhile, nearly 65 percent of NFIP premiums and fees are spent on losses and debt reduction, including interest payments. The Committee believes that these costs contribute to affordability challenges for policyholders and will examine steps to address this issue. Accordingly, the Committee continues to support investments in the Build Back Better Act for FEMA to create an NFIP affordability program and forgiveness of NFIP's debt to ensure that FEMA can focus its spending on flood mitigation and other climate resilience purposes. In the FY23 Budget, the Committee supports full debt forgiveness for the NFIP as well as increased funding for mapping and mitigation to set the NFIP on a stronger trajectory to better support policyholders amidst worsening flooding due to climate change.

SECURITIES AND EXCHANGE COMMISSION

The Committee supports robust funding for the FY23 Budget of the Securities and Exchange Commission (SEC) so that it can fully fulfill its three-part mission to: (1) protect investors; (2) maintain fair, orderly, and efficient markets; and (3) facilitate capital formation. In fulfilling this mission, the SEC oversees $118 trillion a year in securities trading and more than 29,000 market participants that employ over one million people in the United States. These market participants include 15,000 investment advisers, 750 investment companies, 3,500 broker-dealers, 24 national securities exchanges, 95 alternative trading systems, 9 credit rating agencies, 7 clearing agencies, and self-regulatory organizations like the Public Company Accounting Oversight Board (PCAOB), the Financial Industry Regulatory Authority (FINRA), the Municipal Securities Rulemaking Board (MSRB), the Securities Investor Protection Corporation, and the Financial Accounting Standards Board. The SEC also reviews disclosures and financial statements of over 7,900 reporting companies, including approximately 5,200 exchange-listed public companies with an approximate aggregate market capitalization of $51 trillion. Additionally, the SEC oversees the $52 trillion debt markets.

Adequate funding and personnel are necessary to take on these broad, complex, and important responsibilities, particularly during a time when our country is still dealing with the global pandemic, which continues to impose significant challenges to the U.S. economy and financial system. Additionally, U.S. markets have experienced significant growth in recent years, but SEC staffing has not kept pace. In 2020, the U.S. fixed income issuance was $12.2 trillion, a 48.1% increase from the previous year; mortgage-backed securities issuance increased to $4 trillion, a 96.2% increase from the previous year; corporate bonds increased to $2.3 trillion, a 60.4% increase from the previous year, and equity issuance totaled $390 billion, a 71% increase from the previous year. Meanwhile, the SEC's staffing has essentially remained flat for the past 5 years, growing at an annual rate of 0.6%. Fully funding the Administration's request for the SEC would provide a 9.6% staffing increase of FY21 or 464 additional positions.

During the previous Administration, the SEC was forced to impose a strict hiring freeze that resulted in the loss of hundreds of critical positions. It is crucial that the SEC be given sufficient funding to not only fill the personnel backlog created by the previous administration, but to be given the funding it needs so that it may adequately tackle challenges facing our capital markets that have been neglected for far too long. This includes providing the SEC with the funding it needs to hire new personnel, including technologists and economists, with expertise in areas like climate change and cybersecurity, and to expand the SEC's Office of Investor Advocate so that all investors, including retail investors, have a voice at the SEC, as well as the Office of Minority and Women Inclusion (OMWI) so that it may play a greater role in the SEC's policymaking process to ensure that women and minorities are sufficiently represented both within the agency and the financial industry at large.

It is also imperative that the SEC be given the resources to address other regulatory and market structure weak points. Among several important priorities, an adequate FY23 budget is required to support SEC's efforts to: regulate crypto assets now valued at over $2 trillion; reform deficiencies in equities market structure highlighted by this Committee following the GameStop trading event; oversee the growth of special purpose acquisition companies (SPACs), which are supplementing the traditional initial public offering (IPO) and present novel investor, legal and accounting issues; and, establish a regulatory framework related to climate change disclosures and other Environmental, Social and Governance (ESG) matters, such as exposure to risks related to cybersecurity threats, human capital management, political spending, foreign tax reporting, and supply chain disruptions. Enhanced resources will give the SEC the ability to dedicate more efforts needed to ensure shareholders' ability to engage with the companies they invest in. This includes safeguarding the principle of "one-share, one-vote," shareholders' ability to submit and resubmit proposals, and protecting the independence of proxy voting advice.

The Committee recognizes the need—and is of the view that the SEC has the requisite authorities—to vigorously police the markets through regular compliance checks, including cycle and cause examinations for the above-noted concerns and others as the Commission determines necessary for the protection of investors, facilitation of capital formation, and promoting fair, orderly, competitive, and efficient capital markets. This includes, but is not limited to, requiring the reporting of information by companies that issue securities. As such, the Committee—recognizing that the SEC has broad authority under the Securities Act of 1933 and the Securities Exchange Act of 1934—encourages the SEC to ensure that companies disclose climate change risks and risk management, as well as other environmental, social, and governance (ESG) information, such as exposure to risks related to cybersecurity threats, human capital management, political spending, foreign tax reporting, and supply chain risk. In these regards, the Committee welcomes the Commission's March 21, 2022 proposal entitled, "The Enhancement and Standardization of Climate-Related Disclosures for Investors," and encourages its final adoption, and encourages the Commission to continue its policy setting and enforcement of ESG matters.

Adequate funding for the SEC is also necessary in order for it to strengthen its oversight over self-regulatory organizations (SROs), including FINRA and MSRB. The SEC must ensure SROs effectively regulate, examine, supervise, and enforce compliance with securities laws and the rules of their member firms. The SEC must also ensure that conflicts of interests are mitigated within SROs, that regulated entities do not unduly influence the policy setting and workings of SROs, and that compensation arrangements of senior personnel within SROs reflect the public mission of the organization.

It is also important that the SEC invest in its own technology and regulatory infrastructure, including completion of the Electronic Data Gathering, Analysis, and Retrieval Modernization project and ensuring the Consolidated Audit Trail is fully operational. For these reasons, the Committee supports the full allocation to the Reserve Fund created in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) and is specifically designed to support multi-year investments in IT projects.

Finally, the Committee notes that the funding allocated to the Commission does not affect the debt or deficit as all funds are offset by transaction and other fees on market participants.

FINANCIAL CRIMES ENFORCEMENT NETWORK

As America's Financial Intelligence Unit (FIU), Treasury's Financial Crimes Enforcement Network (FinCEN) safeguards the financial system by implementing and enforcing the Bank Secrecy Act (BSA), the nation's primary law governing money laundering and the financing of terrorism (AML/CTF). This agency is essential to the U.S. effort to detect and deter illicit finance by terrorists, kleptocrats, traffickers, and other criminals, such as the Russian oligarchs who have enabled Vladimir Putin in his invasion of Ukraine. The Committee supports the President's FY23 budget request of $210.3 million for FinCEN. This funding would allow FinCEN's staff to properly execute its mission of "strategic use of financial authorities and the collection, analysis, and dissemination of financial intelligence," which includes regulatory actions, analytic products, data-focused activities, and engagement with public- and private-sector stakeholders. Additionally, this funding level is needed for FinCEN to continue the implementation of beneficial ownership reporting requirements, foreign and domestic liaison programs, a whistleblower program, and the regulatory, enforcement, compliance, and innovation components of the Corporate Transparency Act (CTA) of 2020 and the Anti-Money Laundering Act (AMLA) of 2020.

The Committee will continue to highlight the devastating effects of de-risking and lack of financial access on economies, citizens, and businesses of Caribbean nations and other historically marginalized nations and peoples and seek to advance solutions to tackle this endemic problem.

COMMUNITY FINANCIAL INSTITUTIONS

The Committee supports fully funding programs to support diverse and mission-driven community financial institutions. Specifically, the Committee supports full funding for the Community Development Financial Institutions (CDFI) Fund. The Committee would further recommend setting aside 40 percent of funds that are provided as grants to CDFIs to support minority lending institutions (MLIs). The Committee also supports providing $4 million for the National Credit Union Administration's (NCUA) Community Development Revolving Loan Fund (CDRLF), with a 40 percent set aside for minority depository institutions (MDIs). The Committee also supports providing at least $12 million in funding dedicated to the CDFI Program Integration for Individuals with Disabilities, of which $2 million should be dedicated to technical assistance.

When the COVID-19 pandemic further disadvantaged low-income communities and communities of color, CDFIs and MDIs maintained their focus on helping small and minority-owned businesses in their communities. In December 2020, Congress included $12 billion in the FY 21 Consolidated Appropriations Act to provide capital investments and grants to support these diverse and mission-driven financial institutions providing relief to small and minority-owned businesses, including a 40 percent set aside for MLIs. In June 2021, the Vice President and Treasury Secretary announced that the CDFI Fund had awarded $1.25 billion in capital through the Rapid Response Program to 863 CDFIs, and in December 2021, the Treasury Department announced it would deploy $8.7 billion in investments through the Emergency Capital Investment Program (ECIP) through CDFIs and MDIs to increase lending to small and minority-owned businesses, and low- and moderate-income consumers in underserved communities, including rural areas. Section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) stipulated the goal of preserving and promoting minority depository institutions, which these programs will help fulfill. Moreover, these funds are critical to ensuring federal support reaches all communities and the institutions that serve them to ensure an equitable economic recovery from the pandemic.

CAPITAL MAGNET FUND

The Committee supports existing funding for the CDFI Capital Magnet Fund (CMF) through allocations from Fannie Mae and Freddie Mac in the FY23 Budget. In 2021, the CMF received $398 million, an increase of $15 million from the previous year. The CMF is administered by the CDFI Fund and awards grants to finance affordable housing and community revitalization efforts that benefit low-income people and communities nationwide. The Committee considered legislation to significantly increase funding to the CMF and also proposed providing $750 million for a similar program in the Build Back Better Act.

SMALL AND MINORITY-OWNED BUSINESSES

Small businesses are the lifeblood of the U.S. economy, creating nearly two-thirds of all private-sector jobs over the past 15 years. While some programs, like the Paycheck Protection Program (PPP), have helped, the calls for assistance from small and minority-owned business owners persist. As such, the Committee supports the implementation of the recently reauthorized State Small Business Credit Initiative (SSBCI) administered by the Department of the Treasury. SSBCI will support state, territory, and tribal government efforts to provide up to $100 billion in low-cost loans to and equity investments in small businesses harmed during and after the pandemic to support a robust recovery. Following the 2008 financial crisis, Congress created the SSBCI, which leveraged $1.5 billion in federal funds to support $10.7 billion in small business loans and investments that helped create or retain over 240,000 jobs. The median small business receiving support had 3 full-time employees and received a loan or investment of $33,000. Building on this success and as enhanced by the American Rescue Plan Act with $10 billion, the renewed SSBCI will provide expanded support to small businesses, incentivize states to reach minority-owned and other underserved businesses, and provide technical assistance to small businesses that need legal, financial, accounting, and other forms of advice to apply for various support programs. The Committee will continue to review ways to support small businesses as the economy recovers.

MINORITY BUSINESS DEVELOPMENT AGENCY

The Minority Business Development Agency is the only federal agency tasked with supporting the establishment and growth of minority business enterprises. The agency was created by executive order in 1969. The Agency was finally codified in the Infrastructure Investment and Jobs Act in November 2021. The MBDA provides access to capital and connects minority entrepreneurs to private lenders, including banks, mutual funds, and investors. With this codification, the agency has the opportunity to expand its reach through the appointment of an Undersecretary, the development of regional offices and rural business centers, and partnering with minority-serving intuitions.

In FY20, the MBDA helped minority-owned businesses gain access to nearly $1 billion in capital, helped minority-owned businesses secure $6.9 billion in contracts, and helped minority business enterprises facilitate more than $3 billion in export transactions. Over the last ten years, minority business enterprises (MBEs) comprised approximately 50 percent of the two million new businesses started in the United States and created 4.7 million jobs. According to the U.S. Census, there are over 9.2 million minority-owned companies in the United States, employing 8.7 million workers and generating more than $1.8 trillion in annual revenue. MBEs face unique and disparate barriers to market entry and growth, including but not limited to restricted access to capital and persistent discrimination when compared to White-owned firms.

The commitment of the Committee to the full funding of this agency has been stalwart. In the House version of the Build Back Better Act that was passed in November of 2021, the Committee secured a direct appropriation of $3.1 billion to MBDA over 10 years to expand the agency and deliver aid and support to the MBEs that need it, including at least $310 million in FY22. The Committee strongly recommends that the MBDA receive its full budgetary request to complete its mandate and serve minority-owned businesses in America, many of which were adversely impacted by the pandemic.

CONSUMER FINANCIAL PROTECTION BUREAU

The Committee remains strongly supportive of the structure, independent funding stream, and the consumer-driven mission of the Consumer Financial Protection Bureau (CFPB), which was created under the Dodd-Frank Act to help ensure a fair and transparent marketplace for both consumers and the lending industry. The CFPB has addressed predatory and illegal conduct in the lending and finance industry since it opened in 2011. The agency's consumer complaint database has received more than 2.9 million consumer complaints with a 98 percent timely response rate by financial firms to those complaints. More than 176 million people, including those in the military harmed by predatory actors, have been eligible for relief. Since opening its doors, the CFPB has provided over $13.6 billion in monetary compensation, principal reductions, canceled debts, and other consumer relief resulting from CFPB enforcement and supervisory work.

The Committee is committed to preserving the independence of the CFPB and rejects attempts to weaken the agency, including proposals to replace the CFPB's independent funding with the Congressional appropriations process. It is important for the one federal agency solely dedicated to protecting consumers in the financial marketplace to remain independent and have access to consistent funding to support its vital work.

Despite the CFPB's successes on behalf of consumers, the Committee remains concerned about the legacy of the Trump Administration. From November 2017 until early 2021, CFPB's enforcement activity sharply decreased, fair lending efforts were largely diminished, previous rules to protect consumers such as those relating to payday and mortgage lending were shelved in favor of weaker and severely ineffective measures, student lending concerns were suppressed, and staff with a documented history of racist and LGBTQ hate were hired and awarded key positions in the agency, demonstrably harming employee morale. Furthermore, consumers were left further behind during the economic and health crises caused by the global COVID-19 pandemic when credit report disputes and mortgage servicing standards were relaxed with little recourse for consumers. The Committee supports efforts by the new leadership of the CFPB to strengthen consumer financial protections and reverse proposed or finalized rules during the Trump era that would aid financial predators' victimization of families in the United States, including with respect to lending, credit reporting, and debt collection practices. The Committee also supports efforts by the CFPB to aggressively enforce all consumer financial protections, especially as the pandemic continues.

Even with new leadership at the agency, there remain areas where consumer financial protection laws need to be strengthened by Congress. For example, the consumer credit reporting system is broken, and consumers have little recourse when there are errors in their files. In addition, Congress must pass legislation to reform debt collection practices, including medical debt collection, to better protect consumers, including servicemembers who have been threatened by debt collectors with demotions of rank. Furthermore, consumer protections must be strengthened for student borrowers, who are carrying approximately $1.7 trillion in debt, more than all other forms of debt, including auto loans and credit cards, except for mortgage loans. Such reforms need to, for example, extend consumer protections for private student loan products by clarifying and explicitly codifying that the definition of private student loans covered by the Truth In Lending Act includes Income Share Agreements as well as other forms of credit extended to students pursuing a post-secondary education that may not be covered by current law.

The Committee is also supportive of the Administration's efforts to consider forgiving part or all of the student loans owed to the government, considering research that doing so would promote economic growth.

FINANCIAL STABILITY OVERSIGHT COUNCIL AND OFFICE OF FINANCIAL RESEARCH

In the years leading up to the 2008 financial crisis, the American regulatory and supervisory framework did not keep up with the risks to our country's financial stability posed by the increasing size, complexity, interconnectedness, and globalization of large financial institutions. The Financial Stability Oversight Council (FSOC) and the Office of Financial Research (OFR) were established under Title I of the Dodd-Frank Act to close these regulatory gaps and serve as an early warning system for emerging threats to financial stability.

The Committee supports independent and robust funding to support the work of the FSOC and OFR. Under the Trump Administration, the budget and staffing levels were significantly reduced for both, limiting the effectiveness of these two critical organizations. Examinations into potential risks posed in the shadow banking sector were halted, and FSOC removed the designation for all nonbank financial companies and took an activities-based approach that turned a blind eye to emerging threats to the financial system, such as the substantial risks posed by climate change.

The Committee supports the preservation of both the FSOC and OFR's independence from the annual Congressional appropriations process to ensure that they maintain adequate and consistent funding for their critical work, mitigating a wide range of systemic risks and promoting stable economic growth. The Committee notes that their budgets are offset by a fee imposed on systemically important financial institutions and do not affect the U.S. debt or deficit.

ENHANCED PRUDENTIAL STANDARDS TO PREVENT FUTURE BAILOUTS

The 2008 financial crisis demonstrated that several large, interconnected financial institutions could pose an existential threat to the American financial system. These institutions' size, complexity, interconnectedness, and global scale forced the Federal government to expend enormous resources to prevent their failures and avoid an international economic collapse. The Dodd-Frank Act instructed regulators to limit the risks these firms pose to the economy. The Committee supports robust, enhanced prudential standards, including capital, liquidity, leverage, stress testing, and living will requirements that will constrain systemic risks posed by the largest and most complex financial institutions and prevent the kind of government bailouts experienced following the Great Recession. Additionally, the Committee supports the transparent and strong implementation of the Volcker Rule to ensure Wall Street banks no longer gamble with their customers' deposits. The Committee strongly opposes any effort to eliminate the Orderly Liquidation Authority established under Title II of Dodd-Frank under the erroneous notion that eliminating this emergency authority will decrease, instead of increase, the potential for future government bailouts and save the government money. Moreover, any use of Title II authority would be fully recovered by assessing fees on the nation's largest financial institutions.

While Dodd-Frank and related reforms bolstered the resiliency of the financial system, the Committee is concerned by the litany of deregulatory actions taken in recent years by regulators under the Trump Administration. The Committee is concerned that these deregulatory actions weaken critical safeguards and increase the exposure to risk for taxpayers. Therefore, the Committee encourages financial regulators to reexamine the current state of the regulatory framework, particularly with respect to megabanks, and take actions to ensure appropriate safeguards against a future, costly financial crisis. Moreover, the Committee encourages financial regulators to utilize their full supervisory and enforcement authorities to hold massive financial institutions and their senior executives accountable when they break the law and harm consumers.

OFFICES OF MINORITY AND WOMEN INCLUSION

Even as the nation's demographics become increasingly diverse, the financial services industry, in particular, has remained mostly white and male. According to findings from two Committee reports examining America's largest banks and largest investment firms, little progress has been made in the past 5 years as it relates to race and gender workforce diversity. For example, in examining investment firms, women comprised 25% of the workforce at the executive level in 2016 and only increased to 27.5% of executives in 2020. Similarly, people of color comprised 14.1% of the executive workforce at investment firms in 2016, with a slight increase to 17.6% in 2020.

To create greater accountability for diversity and inclusion in the financial services sector, Section 342 of the Dodd-Frank Act established Offices of Minority and Women Inclusion (OMWIs) in most of the federal financial agencies—the Department of the Treasury, Federal Deposit Insurance Corporation, each of the Federal Reserve banks, the Federal Reserve Board of Governors, National Credit Union Administration, Office of the Comptroller of the Currency (OCC), Securities and Exchange Commission, and Consumer Financial Protection Bureau. OMWIs is responsible for all matters relating to diversity in management, employment, and business activities. Section 1116 of the Housing and Economic Recovery Act of 2008 created an OMWI with similar authorities at the Federal Housing Finance Agency. Additionally, Section 342(b)(3) of the Dodd-Frank Act grants OMWI Directors the duty to assess the diversity policies and practices of entities regulated by the agency.

The Committee supports full funding for each OMWI to carry out its programs, including data collection and analysis that would ensure: transparency from the top-down; a diverse talent pipeline for current and future employment opportunities within the agencies; sufficient training to increase cultural awareness and inclusiveness in the agencies; effective supplier diversity initiatives to secure the fair inclusion of minority-owned and women-owned businesses, and transparency of diversity data by its regulated entities. The Committee has considered legislation that would require regulated entities to disclose their diversity policies and practices to the OMWI at their respective regulators and require OMWIs and their regulated entities to conduct compensation equity analyses.

INTERNATIONAL MONETARY FUND

The Committee believes that the case today for increased global economic cooperation has never been greater or more urgent. With many developing countries still recovering from the economic upheaval caused by the pandemic, the increased risk of pandemic- and inflation-induced sovereign debt defaults for nearly a dozen countries in the coming months, the ongoing challenges of climate change, and the food insecurity and soaring energy costs caused by Russia's war on Ukraine, the consequences for poorer and vulnerable countries will be particularly severe in the absence of a coordinated multilateral response.

The Committee fully supports the Administration's budget request of $4.4 billion for Treasury's international programs, which is over a billion more than the Administration's last budget request, which itself was a 73% increase over the amount enacted in the final year of the Trump Administration. Since the beginning of the pandemic, the International Monetary Fund (IMF) has provided $170 billion in new financing to 90 member countries, including over $12 billion in emergency financing to low-income countries in the form of fast-disbursing zero-interest loans with almost no conditionality. The Committee commends the IMF for also mobilizing over $700 million to cover IMF debt service payments for almost vulnerable countries.

It has now been nine months since the International Monetary Fund (IMF) issued a $650 billion general allocation of Special Drawing Rights (SDRs) to its 190 members—$275 billion of which went to emerging market and developing countries, including $21 billion to low-income countries—and we are now beginning to get a clearer picture of which countries used their new SDR holdings and how. Although there was broad global support for a large one-time general SDR allocation to help address the economic and financial strains of the pandemic, the previous administration opposed such an allocation, thereby preventing one from moving forward. When Treasury Secretary Janet Yellen announced in February 2021 a reversal of the US position and endorsed a $650 billion allocation, it was viewed as a powerful signal of renewed U.S. support for global economic cooperation.

Those who opposed an allocation were primarily concerned that it would also provide unconditional liquidity to countries that act against U.S. interests, such as China, Russian, Iran, Syria, Venezuela, and Belarus. To date, none of these countries has converted any of their new SDR holdings, and Afghanistan, Venezuela, and Burma do not have access to their SDR because they don't have internationally recognized governments.

A report released in April 2022 by the Center for Economic and Policy Research compiled and examined all the available data from government statements, IMF country staff reports, and the news media to determine how countries that did convert some of their recent SDR holdings actually used them. According to the study, at least 69 countries used SDRs totaling $81 billion in their government budgets or for fiscal purposes. (Specifically, the report found that at least 47 countries used SDRs for budget support, 13 for deficit reduction, 22 for debt service or financing, and 9 for reserves, with many countries engaging in multiple uses.) Fifty-five countries used SDRs for IMF debt relief, totaling about $7.6 billion. In sub-Saharan Africa, 41 out of 45 countries used their new SDR allocations in some way, many to directly address the economic and health impacts of the pandemic, such as by purchasing vaccines, investing in economic recovery efforts, and supporting social programs.

The August 2021 allocation provided Ukraine with $2.8 billion worth of SDRs, which Ukraine used to repay IMF obligations and acquire usable currency. As the global impact of the sanctions against Russia begin to take hold, especially in vulnerable countries that rely on food imports from Russia and Ukraine, and as energy, food, and commodity prices continue to increase, as expected, the Committee urges the Administration to consider another allocation of Special Drawing Rights to help countries that are still dealing with one crisis and will soon be dealing with another one.

As a critical component of the Administration's economic recovery strategy, the Committee welcomes the Administration's request to authorize the Secretary of Treasury to lend U.S. Special Drawing Rights to the IMF's Poverty Reduction and Growth Trust and the newly established Resilience and Sustainability Trust, which will increase the IMF's ability to help vulnerable countries boost resilience to pandemics and transition to sustainable energy sources. The Committee cautions the Fund against a premature push for fiscal consolidation in countries still struggling to address the health and economic impact of the pandemic, as well as the increasingly high cost of food and energy, the prospects of famine, and increasingly high levels of debt distress.

MULTILATERAL DEVELOPMENT BANKS

U.S. leadership at the multilateral development banks (MDBs) is not only central to their legitimacy but also helps advance U.S. foreign policy and national security goals, as well as American values, including respect for human rights. The MDBs are playing a critical role in helping developing and emerging market countries affected by the compounded crises of climate change, the COVID-19 pandemic, and the impact of the war in Ukraine on food and energy supplies and prices.

The Committee fully supports the Administration's request for $1.9 billion for contributions to the multilateral development banks; $43 million for food security programs; and $38 million for technical assistance programs.

The Committee will consider the Administration's request to authorize U.S. participation in the 20th replenishment of the International Development Association (IDA-20), the arm of the World Bank that makes concessional loans and grants to the world's poorest and most vulnerable countries, in the amount of $3.5 billion. The Committee will also consider the Administration's request to authorize the United States' participation in the 13th replenishment of the Asian Development Fund (AsDF-12), a grants-only fund that supports the poorest and most vulnerable countries in Asia and the Pacific, in the amount of $174.44 million. Continued U.S. support for the Asian Development Bank helps project U.S. influence in an area of strategic importance. The Committee will also review Treasury's request to grant an exemption for IDA from SEC registration and certain reporting requirements so it can raise funds more cheaply in the U.S. capital markets.

The Committee supports the Administration's request for $67 million for debt relief. The Committee remains concerned about increasingly high levels of debt in developing countries. According to the IMF, 60% of low-income countries are in, or are at high risk of, debt distress. In November of 2020, the G20 group of nations launched the Common Framework on Debt Treatment to provide comprehensive debt relief, and in some cases, debt forgiveness, from both G20 nations and private lenders to a group of 73 eligible low-income countries. The Common Framework requires full disclosure by the debtor country of the material claims of all its creditors, and debtors are required to seek comparability of treatment from private creditors (terms "at least as favorable") as they receive from official bilateral creditors. The most significant feature of the Common Framework is that it involves the participation of non-Paris Club creditors—including China—in a new multilateral process for official debt relief. While the Common Framework represents a milestone achievement in bringing China into a multilateral effort to cooperate on debt restructurings, implementation has been disappointing. Over the past two years, only three countries have sought debt relief under the Common Framework, and each has experienced significant delays.

The Committee calls for effective implementation and expansion of the Common Framework, including broadening its scope to include all vulnerable countries with unsustainable debt; implementing a debt-service payment standstill for all applicants to provide cash flow relief and incentivize prompt debt restructuring resolutions; and establishing specific debt treatment benchmarks to help accelerate decision making. Importantly, the Common Framework should also guarantee that debt relief will correlate with a publicly disclosed debt sustainability analysis, as well as a macroeconomic framework that sets a country on a path to economic growth, climate adaptation, and achievement of the internationally recognized Sustainable Development Goals. The Committee also encourages Treasury to seek the participation of multilateral lenders, like the World Bank and IMF, in the Common Framework. Without their participation, the Common Framework might be less useful to some low-income countries where much of the debt is owed to multilateral lenders.

COMMITTEE ON FOREIGN INVESTMENT IN THE UNITED STATES

The Committee on Foreign Investment in the United States (CFIUS) is an interagency committee chaired by the Secretary of the Treasury that reviews certain transactions involving foreign direct investment in the United States to determine the effect of such transactions on the national security of the United States and to address identified national security risks. The Committee supports increased funding for CFIUS in light of its increased workload and the critical national security function it serves.

OFFICE OF FOREIGN ASSETS CONTROL

The Office of Foreign Assets Control (OFAC) has primary responsibility for administering and enforcing economic and trade sanctions. Since the beginning of FY21, Treasury established eight new or enhanced sanctions programs with 944 designations carried out—an approximately 38% increase from the previous fiscal year—which reflects, in part, the critical role of economic sanctions against Russia in response to the crisis in Ukraine. The Committee supports Treasury's request for increased funding for the fiscal year 2023 to allow OFAC to manage investigations into increasingly complex targeting actions, enforcement efforts, and its licensing program, as well as to address new threats. Treasury's 2021 Sanctions Review discussed emerging challenges to the efficacy of U.S. sanctions as a national security tool, including technological innovations such as digital assets and alternative payments systems that may provide opportunities to transfer funds outside the traditional dollar-based financial system. The Committee expects OFAC will direct new funding towards modernizing its systems, workforce, and infrastructure in order to more effectively identify and address digital currency-related threats. Current U.S. sanctions programs employ different rules and approaches with respect to humanitarian exceptions, and these variations affect the willingness of Banks to process these kinds of transactions, which makes it difficult for providers of humanitarian aid to use these channels. The Committee expects Treasury to address the challenges identified in its recent Sanctions Review in mitigating the impact of sanctions on the flow of legitimate humanitarian aid to those in need.

OFFICE OF TECHNICAL ASSISTANCE

The Department of Treasury's Office of Technical Assistance (OTA) performs critical work by providing technical assistance to strengthen the capacity of finance ministries, central banks, and other government institutions in developing and transitional countries to manage public finances and effectively oversee the financial sector. OTA supports U.S. foreign policy and national security objectives by facilitating in these countries policy and administrative reforms in the areas of budget planning, effective revenue collection, judicious debt management, sound banking systems, and robust financial sector supervision. Also, given that the challenges the U.S. faces in the fight against terrorism and other illicit financing are often transnational, no nation can protect itself from these threats without cooperation from others. In this area, the work of OTA is important to creating effective partnerships abroad by helping countries build the human and institutional capacity to develop strong controls that will combat corruption, illicit financial flows, financial crimes, and terrorist financing. The Committee strongly supports fully funding this office in FY23.

INSPECTORS GENERAL

The Committee supports full funding for inspector general offices to conduct oversight. In recent years, the inspectors general within the Committee's jurisdiction uncovered and reported numerous instances of waste, fraud, abuse and mismanagement, including vulnerabilities in agency cloud systems; deficiencies in agency supervision of cybersecurity risk management; ineffective information security programs; misuse of agency funds; flawed agency hiring practices; delays and material deficiencies in processes used to respond to investigators' requests for electronically-stored information; and flaws in infrastructure support service contract management. The offices of inspector general must be adequately funded to ensure their continued success.

CLIMATE CHANGE

In 2021, the total cost of extreme weather events was surpassed only by the previous year, as devastating and deadly heatwaves hit the Pacific Northwest, major wildfires swept through Colorado, and Hurricane Ida caused tens of billions of dollars worth of damage to homes and businesses from the Gulf Coast to the Mid Atlantic. World leaders came together in Glasgow, Scotland to affirm the commitment of governments to limit climate change to 1.5 C and to underscore "the urgency of enhancing understanding and action to make finance flows consistent with a pathway towards low greenhouse gas emission and climate-resilient development."

Climate change poses major threats to the safety and soundness of our financial system, as acknowledged by President Biden through his May 20, 2021, executive order on climate-related financial risk, and the subsequent report by the Financial Stability Oversight Council (FSOC) identifying climate change as "an emerging and increasing threat to America's financial system that requires action." The Committee supports the Biden administration's approach to making FSOC and the regulators that comprise FSOC part of an "urgent, whole-of-government effort on climate change" that will "help the financial system support an orderly, economy-wide transition toward the goal of net-zero emissions."

The Committee strongly supports efforts by financial regulators to better incorporate climate risk into their supervision frameworks. Guidance by the Office of the Comptroller of the Currency and Federal Deposit Insurance Corporation that expects financial institutions to manage their exposure to climate risk is a needed step in protecting our financial system from climate risks. The Committee also commends the Federal Reserve for joining the Network for Greening the Financial System and forming a Supervision Climate Committee and Financial Stability Climate Committee. Lastly, the Committee strongly supports a proposed rule by the Securities and Exchange Commission to require publicly traded companies to disclose their climate risk, which responds to strong demand that the Committee has heard from investors and reflects a similar approach to legislation passed by the Committee

The Committee also supports permanently authorizing the Community Development Block Grant Disaster Recovery program (CDBG-DR) to ensure disaster relief is distributed efficiently and equitably, and help communities become more resilient in the face of climate change.

The Committee is strongly supportive of efforts by financial regulators to better incorporate climate risk into their supervision frameworks. As acknowledged by President Biden in an executive order issued last year and later affirmed and outlined in detail through a report from the Financial Stability Oversight Council, climate change poses an emerging threat to the safety and stability of the financial system. Guidance by the Office of the Comptroller of the Currency and Federal Deposit Insurance Corporation that expects financial institutions to manage their exposure to climate risk is a needed step in protecting our financial system from climate risks. The Committee also commends the Federal Reserve for joining the Network for Greening the Financial System and forming a Supervision Climate Committee and Financial Stability Climate Committee. Lastly, the Committee strongly supports a proposed rule by the Securities and Exchange Commission to require publicly traded companies to disclose their climate risk, which responds to strong demand that the Committee has heard from investors and reflects a similar approach to legislation passed by the Committee. Recognizing the growing burden that climate change is imposing on the National Flood Insurance Program (NFIP), the Committee also supports integrating climate risk into the long-term reauthorization of NFIP and shoring up NFIP through enhanced flood mitigation, more modern flood risk mapping, and stronger and more resilient floodplain management.

The Committee fully supports the Administration's $2.3 billion request for international climate finance and environment trust funds. Internationally, the World Bank Group is the biggest provider of climate finance to the developing world. The Committee expects the World Bank Group to provide the leadership necessary to address the climate crisis in its lending, advice, and policies. The Committee also expects the World Bank Group to make its climate finance accounting and allocation more transparent within its policy lending, project investments, and lending through financial intermediaries.. The World Bank Group should ensure that all investments align with the Paris Agreement and set clear targets that help countries meet their nationally determined commitments.

FINANCIAL TECHNOLOGY, ARTIFICIAL INTELLIGENCE, AND RESPONSIBLE INNOVATION

The Committee supports the advancement of responsible innovation in financial services. Advancements in artificial intelligence, machine learning, cloud computing, faster payments, digital assets (including cryptocurrencies such as stablecoins as well as government-issued central bank digital currencies), distributed ledger and blockchain technology, and digital identity are rapidly altering the financial marketplace. However, as these changes occur, Congress must maintain a strong legal framework that equips regulators with the resources, training, and tools necessary to ensure that 'advancements' in technology do not harm consumers and investors, threaten data privacy, undermine financial stability, create systemic risks, weaken cybersecurity, allow for or encourage money laundering or terror finance, or promote discriminatory practices. Congress must ensure that consumer data and identity are protected from fraud and cyberattacks, and that sensitive financial information is shared only after affirmative, voluntary consumer consent. Further, as faster payments and virtual currencies emerge, it is important that the U.S. build a robust regulatory technology infrastructure, and continue as a global leader in the financial services industry with safe, responsible, and innovative products and services for consumers and investors, with the U.S. dollar remaining preeminent.

The Committee supports protecting the independent funding mechanisms of a number of government agencies – such as the Financial Stability Oversight Council, Federal Reserve, and the Consumer Financial Protection Bureau – so they can carry out their work examining and providing appropriate regulation and oversight of these activities. The Committee also supports the Biden Administration's budget requests for other relevant agencies, like the Treasury Department, to ensure they also have adequate resources to promote responsible innovation in the financial system, including by carrying out President Biden's executive order with respect to digital assets.

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Chairwoman, Committee on
Financial Services

Carolyn B. Maloney
Member of Congress

Nydia M. Velázquez
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