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The Honorable Scott Bessent, Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Dear Secretary Bessent:

I write in connection with tomorrow's meeting of the Financial Stability Oversight Council (FSOC) to urge you to conduct a prompt review of risk that is building up in the credit markets and to assess whether these risks may become systemic.

In the wake of the 2008 financial crisis, Congress established the FSOC and its sister agency, the Office of Financial Research (OFR), to see into dark corners of financial markets and address risks before they get out of hand. But I am very concerned that under your leadership, the FSOC is neglecting this core responsibility to conduct forward-looking assessments of systemic risk. And staffing cuts of around 50% at the OFR have severely diminished its capacity to be an independent early warning system of financial crises.

The gutting of the FSOC and the OFR have coincided with cracks emerging in the credit markets, particularly the less transparent private markets. Jitters about private credit quality have led Wall Street banks to restrict their lending and revalue their exposures. Many retail investors have requested to get their money out of business development companies and interval funds. Meanwhile, the Administration is preparing to place these funds into retirement plans and the FSOC is preparing to neuter the primary tool that Congress created to regulate nonbanks.

To assess whether emerging cracks in the credit markets may burst open, I request that the OFR immediately map all market participants and their financial obligations to each other and that the FSOC conduct a forward-looking analysis based on this information. This is precisely the job that Congress gave to the FSOC and the OFR, to measure and evaluate risk cutting across different institutions and markets to protect the entire financial system. Without this data and analysis, the Administration will be flying blind into a potential crisis and less able to mitigate the effects on the economy and taxpayers.

Thank you for your attention to this important matter.

Sincerely,



Jack Reed
United States Senator