Earlier this week, the Financial Stability Oversight Council (FSOC) de-designated the insurance giant Prudential as a “systemically important financial institution” (SIFI). De-designating Prudential raises several questions about the role and regulatory approach of FSOC, AAF’s Director of Financial Services Policy Thomas Wade explains.

An excerpt:

With the de-designation of Prudential, a unanimous decision by FSOC, there are no remaining non-bank SIFIs. On the banking side, FSOC’s portfolio of SIFIs is also shrinking, as the recent congressional partial rollback of Dodd-Frank, the Economic Growth, Regulatory Relief, and Consumer Protection Act (S.2155), has raised the threshold for SIFI status from $50 billion to $250 billion. Both facts raise key questions as to the philosophy of FSOC. Has FSOC indicated that insurers are not systemic, or merely that no current insurance companies as structured could possibly cause a financial crisis? Is FSOC increasingly determining that its job is complete? The judgment passed in the MetLife decision indicated that FSOC had not proven that the failure of MetLife would necessarily imperil the U.S. economy. In practice, this decision has raised the administrative hurdle for FSOC such that it is unlikely it would be able in the future to designate any new SIFIs. What then is the future of FSOC?

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