

FSOC Shift to an Activities-Based Approach Signals an Emphasis on the Risks to Financial Stability from Digital Transformation

January 15, 2020 | Client Update

The Financial Stability Oversight Council's (**FSOC**) recently revised guidelines (the **2019 Guidelines**) on how it will identify and address financial stability risks are a major shift from the guidelines it issued in the immediate aftermath of the Financial Crisis. The 2019 Guidelines draw upon lessons learned from FSOC's ultimately fruitless attempts to designate nonbank financial companies as systematically important. Instead, the 2019 Guidelines focus on identifying and regulating systemically important activities rather than entities, conducting cost-benefit analyses, enhancing transparency and engagement in the nonbank SIFI designation process, and providing an off-ramp from designation for nonbank SIFIs. By prioritizing an activities-based approach, the 2019 Guidelines more definitively position FSOC to focus on addressing new or existing activities that it views as posing undue risks to the financial system.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

John Banes

+1 212 450 4116
john.banes@davispolk.com

Luigi L. De Ghenghi

+1 212 450 4296
luigi.deghenghi@davispolk.com

Eric McLaughlin

+1 212 450 4897
eric.mclaughlin@davispolk.com

Annette L. Nazareth

+1 202 962 7075
annette.nazareth@davispolk.com

Gabriel D. Rosenberg

+1 212 450 4537
gabriel.rosenberg@davispolk.com

Margaret E. Tahyar

+1 212 450 4379
margaret.tahyar@davispolk.com

This communication, which we believe may be of interest to our clients and friends of the firm, is for general information only. It is not a full analysis of the matters presented and should not be relied upon as legal advice. This may be considered attorney advertising in some jurisdictions. Please refer to the firm's privacy notice for further details.

Related materials

[2020-01-15 fsoc shift to activities-based approach signals emphasis on risks from digital transformation.pdf](#)