

Minutes of the Financial Stability Oversight Council

Held April 3, 2012

PRESENT:

Timothy F. Geithner, Secretary of the Treasury and Chairperson of the Financial Stability Oversight Council

Ben Bernanke, Chairman, Board of Governors of the Federal Reserve System (Federal Reserve)

Martin J. Gruenberg, Acting Chairperson, Federal Deposit Insurance Corporation (FDIC)

Mary Schapiro, Chairman, Securities and Exchange Commission (SEC)

Gary Gensler, Chairman, Commodity Futures Trading Commission (CFTC)

Richard Cordray, Director, Consumer Financial Protection Bureau (CFPB)

Edward DeMarco, Acting Director, Federal Housing Finance Agency (FHFA)

Debbie Matz, Chairman, National Credit Union Administration (NCUA)

John Walsh, Acting Comptroller of the Currency, Office of the Comptroller of the Currency (OCC)

Roy Woodall, Independent Member with Insurance Expertise

Michael McRaith, Director, Federal Insurance Office, Department of the Treasury (non-voting member)

John P. Ducrest, Commissioner, Louisiana Office of Financial Institutions (non-voting member)

John Huff, Director, Missouri Department of Insurance, Financial Institutions, and Professional Registration (non-voting member)

David Massey, Deputy Securities Administrator, North Carolina Department of the Secretary of State, Securities Division (non-voting member)

GUESTS:

Department of the Treasury

Neal S. Wolin, Deputy Secretary of the Treasury

Mary J. Miller, Under Secretary for Domestic Finance

Amias Gerety, Deputy Assistant Secretary for FSOC

Christopher J. Meade, Principal Deputy General Counsel

Board of Governors of the Federal Reserve System

Daniel K. Tarullo, Governor, Federal Reserve

Federal Deposit Insurance Corporation

Jason Cave, Deputy Director for Monitoring, Office of Complex Financial Institutions

Securities and Exchange Commission

Didem Nisanci, Chief of Staff

Commodity Futures Trading Commission

Dan Berkovitz, General Counsel

Consumer Financial Protection Bureau

Raj Date, Deputy Director

Federal Housing Finance Agency

Mario Ugoletti, Special Advisor to the Director

National Credit Union Administration

John Worth, Chief Economist

Office of the Comptroller of the Currency

John Lyons, Senior Deputy Comptroller and Chief National Bank Examiner

Office of the Independent Member with Insurance Expertise

Chris Ledoux, Senior Advisor

Federal Reserve Bank of New York

William Dudley, President and Chief Executive Officer (*participating by telephone*)

Federal Insurance Office

John Nolan, Senior Policy Advisor

Louisiana Office of Financial Institutions

John W. Ryan, President/CEO, Conference of State Banking Supervisors

Missouri Department of Insurance, Financial Institutions, and Professional Registration

Elise Liebers, Senior Director, Financial and Regulatory Affairs, National Association of Insurance Commissioners

North Carolina Department of the Secretary of the State, Securities Division

Joseph Brady, Deputy General Counsel, North American Securities Administrators Association

PRESENTERS:

Macro-environment Overview: Macroeconomic Trends and Energy Markets

- *Gary Gensler, Chair, CFTC*
- *Janice Eberly, Assistant Secretary for Economic Policy, Treasury*
- *Daleep Singh, Acting Director, Markets Room, Treasury*
- *Chris Soares, Economist, Treasury*

Critical Infrastructure

- *Leigh Williams, Director, Office of Critical Infrastructure Protection & Compliance, Treasury*

Comprehensive Capital Analysis and Review (CCAR) Update

- *Tim Clark, Senior Advisor, Federal Reserve*

Update on 2012 Annual Report

- *Amias Gerety, Deputy Assistant Secretary for FSOC, Treasury*

Financial Markets Utilities Designation Update and Update on Nonbank Financial Company Designations Final Rule and Guidance

- *Lance Auer, Deputy Assistant Secretary, Financial Institutions, Treasury*

Freedom of Information Act (FOIA) Final Rule

- *Brian Sonfield, Deputy Assistant General Counsel, General Law, Ethics, and Regulation, Treasury*

Executive Session

The Chairperson called the executive session of the meeting of the Financial Stability Oversight Council (Council) to order at approximately 1:02 P.M. (EDT).

The Chairperson began by welcoming John Ducrest to the Council. He then outlined the meeting agenda for the executive session, which had been previously distributed to the members together with the meeting agenda for the open session and copies of the resolutions and other materials. The agenda for the executive session of the meeting included the following subjects: (1) an update on macroeconomic trends and energy markets; (2) critical infrastructure issues; (3) an update on CCAR results; (4) an update on the Council's 2012 annual report; (5) an update on the designation process for Financial Market Utilities; and (6) the nonbank financial company designations final rule and guidance.

1. Macro-environment Overview: Macroeconomic Trends and Energy Markets

The Chairperson turned to the first agenda item and asked Gary Gensler, Chairman of the CFTC, Janice Eberly, Assistant Secretary for Economic Policy at Treasury, and Daleep Singh, Acting Director of the Markets Room at Treasury to give a presentation on macroeconomic trends and the energy markets. After the presentation, members of the Council asked questions and had a discussion.

2. Critical Infrastructure

The Chairperson then raised the agenda item regarding critical infrastructure issues. He called on Leigh Williams, Director of the Office of Critical Infrastructure Protection & Compliance at Treasury, to give the presentation. The presentation covered operational and other risks to critical financial infrastructure. The members of the Council asked questions about the presentation.

3. CCAR Update

The Chairperson turned to the next item on the agenda, which was a presentation regarding the process and results of the Federal Reserve's 2012 CCAR. He asked Tim Clark, a Senior Advisor at the Federal Reserve, to give the presentation. The Federal Reserve recently conducted the CCAR and released the results of its review of the 19 participating bank holding companies on March 13, 2012. After the presentation, the Council members asked questions and had a discussion.

4. Update on 2012 Annual Report

The Chairperson then turned to the next agenda item and called on Amias Gerety, Deputy Assistant Secretary for FSOC at Treasury, to give an update on the Council's 2012 annual report. The presentation included a discussion of the process for completing the report. After the presentation, the Council members asked questions and had a discussion.

5. Financial Market Utilities Designation Process

The Chairperson then raised the agenda item regarding the process for designating financial market utilities. He asked Lance Auer, Deputy Assistant Secretary for Financial Institutions Policy at Treasury, to give the presentation. The members of the Council asked questions about the presentation.

6. Final Rule and Guidance on Nonbank Financial Company Designations

The Chairperson called on Lance Auer, Deputy Assistant Secretary for Financial Institutions Policy at Treasury, to give the presentation regarding the nonbank financial companies designations final rule and guidance. The presentation included a history of the rulemaking, the three-stage process set forth in the rule, and a description of the changes from the notice of proposed rulemaking to the final rule. After the presentation, the Council members asked questions.

The Chairperson adjourned the executive session of the meeting at approximately 2:40 P.M. (EDT).

Open Session

The Chairperson called the open session of the meeting of the Council to order at approximately 2:48 P.M. (EDT). He welcomed John Ducrest to the Council, and thanked John Walsh for his service as Acting Comptroller of the Currency.

The agenda for the open session of meeting included the following subjects: (1) consideration of, and a vote on, a resolution approving publication in the Federal Register of the final rule and guidance on nonbank financial company designations; (2) consideration of, and a vote on, a resolution approving publication in the Federal Register of the Council's final rule implementing requirements under FOIA; (3) consideration of, and a vote on, a resolution appointing a Chairperson of the Deputies Committee; and (4) consideration of, and a vote on, a resolution approving the minutes from the Council's meeting on February 1, 2011.

The Chairperson provided a brief overview of the importance of the agenda item regarding approval of the nonbank financial company designation rule. He explained that the rule was a key tool to extend the perimeter of transparency, oversight, and prudential supervision over parts of the financial system that are an important source of credit to the economy and also a potentially important source of risk during crises. The Chairperson then presented four resolutions for consideration by the Council.

1. Resolution Approving Publication of the Final Rule and Guidance on Nonbank Financial Company Designations

The Chairperson recognized Lance Auer, Deputy Assistant Secretary for Financial Institutions at Treasury, to provide an overview of the final rule and guidance on nonbank financial company designations. Mr. Auer explained that the rule was the culmination of over eighteen months of work, after an advance notice of proposed rulemaking was issued in October 2010, a first notice of proposed rulemaking (NPRM) was issued in January 2011, and a second NPRM and proposed interpretive guidance was issued in October 2011. Mr. Auer further stated that the final rule made important changes in response to a number of comments that were received. After the presentation, the Chairperson presented to the Council the following resolution approving publication of the final rule and guidance in the Federal Register.

“WHEREAS, section 113 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “DFA”) gives the Council the authority to require that a nonbank financial company be supervised by the Board of Governors of the Federal Reserve System (“Federal Reserve”) and be subject to enhanced prudential standards if the Council determines that material financial distress at such a firm, or the nature, scope, size, scale, concentration, interconnectedness, or mix of the activities of the firm, could pose a threat to the financial stability of the United States; and

WHEREAS, the Council issued an advance notice of proposed rulemaking on October 6, 2010, through which it sought public comment to gather information in developing the criteria and analytical framework by which it will consider designating nonbank financial companies for Federal Reserve supervision under the DFA; and

WHEREAS, the Council issued a notice of proposed rulemaking on January 26, 2011, through which the Council sought public comment regarding the criteria and process for the Council's designation of nonbank financial companies for Federal Reserve supervision and enhanced prudential standards under the DFA; and

WHEREAS, in response to the public comments received on the notice of proposed rulemaking issued on January 26, 2011, the Council issued a second notice of proposed rulemaking and proposed interpretive guidance on October 18, 2011 to provide (a) additional details regarding the framework that the Council intends to use in the process of determining whether a nonbank financial company should be subject to Federal Reserve supervision and enhanced prudential standards, and (b) further opportunity for public comment on the Council's proposed approach for making these determinations; and

WHEREAS, in response to the public comments received on the notice of proposed rulemaking and proposed interpretive guidance issued on October 18, 2011, the staff of the Council members have prepared a final rule and interpretive guidance; and

WHEREAS, staff from the Council members recommend that the Council approve and publish the final rule and interpretive guidance as set forth in the attached Federal Register document.

NOW, THEREFORE, BE IT RESOLVED, that the Council hereby approves the adoption of the final rule and interpretive guidance and authorizes the Chairperson, or his designee, to cause the attached final rule and interpretive guidance to be published in the Federal Register, in a form and manner acceptable to the Chairperson, or his designee, and to otherwise make it available to the public as the Chairperson deems appropriate.

BE IT FURTHER RESOLVED, that the Council hereby delegates authority to the Chairperson, or his designee, to make technical, nonsubstantive, or conforming changes to the text of the attached final rule and interpretive guidance to ensure that the Council can issue and publish this document in the Federal Register, and to take such other actions and issue such other documents incident and related to the foregoing as they deem necessary or appropriate to fulfill the Council's objectives in connection with its publication."

The Chairperson asked for a motion approving the resolution, which was made and seconded. The Council then approved the resolution by unanimous vote.

2. Resolution Approving Publication of the Council's Final Rule Concerning FOIA

The Chairperson called on Brian Sonfield, Deputy Assistant General Counsel, General Law, Ethics, and Regulation at Treasury, to provide an overview of the final rule. Mr. Sonfield explained that, among other things, the regulation sets forth the process for processing FOIA requests. He also noted that the notice of proposed rulemaking was issued last year with a sixty-day comment period, and the final rule attempted to respond to all significant comments that were received. After this overview, the Chairperson presented to the Council the following resolution approving publication of the Council's final rule on FOIA in the Federal Register.

“WHEREAS, the Freedom of Information Act (the “FOIA”) governs public access to federal agency records and requires each agency to publish implementing regulations; and

WHEREAS, the Council issued a notice of proposed rulemaking concerning FOIA procedures for requesting access to Council records on March 28, 2011; and

WHEREAS, the staff of the Council members have considered the comments submitted in response to the notice of proposed rulemaking issued by the Council on March 28, 2011; and

WHEREAS, the staff of the Council members have prepared a final rule that, consistent with the Dodd-Frank Wall Street Reform and Consumer Protection Act and the FOIA, sets forth procedures for requesting access to the Council’s records; and

WHEREAS, staff from the Council members recommend that the Council approve the final rule and publish it as set forth in the attached Federal Register document.

NOW, THEREFORE, BE IT RESOLVED, that the Council hereby approves the final rule as presented and authorizes the Chairperson, or his designee, to cause the attached final rule to be published in the Federal Register, in a form and manner acceptable to the Chairperson, or his designee, and to otherwise make it available to the public as the Chairperson deems appropriate.

BE IT FURTHER RESOLVED, that the Council hereby delegates authority to the Chairperson, or his designee, to make technical, nonsubstantive, or conforming changes to the text of the attached Federal Register document to ensure that it can be published in the Federal Register, and to take such other actions and issue such other documents incident and related to the foregoing as the Chairperson, or his designee, deems necessary or appropriate to fulfill the Council’s objectives in connection with its publication in the Federal Register.”

The Chairperson asked for a motion approving the resolution, which was made and seconded. The Council then approved the resolution by unanimous vote.

3. Resolution Appointing Chairperson of the Deputies Committee

Next, the Chairperson presented to the Council the following resolution appointing Mary Miller, Under Secretary for Domestic Finance at Treasury, as Chairperson of the Deputies Committee.

“BE IT RESOLVED, by the Financial Stability Oversight Council (the “Council”) that Mary J. Miller, Under Secretary for Domestic Finance, Department of the Treasury, is appointed Chairperson of the Deputies Committee, to serve until such time as she resigns as Chairperson of the Deputies Committee, she is no longer serving as Under Secretary for Domestic Finance, or the Council selects a new Chairperson of the Deputies Committee, whichever occurs first.”

The Chairperson asked for a motion approving the resolution, which was made and seconded. The Council then approved the resolution by unanimous vote.

4. Resolution Approving the Minutes of the Meeting held on February 1, 2012

“BE IT RESOLVED, by the Financial Stability Oversight Council (the “Council”) that the minutes attached hereto of the meeting held on February 1, 2012 of the Council are hereby approved.”

The Chairperson asked for a motion to approve the resolution, which was made and seconded. The Council then approved the resolution by unanimous vote.

The Chairperson inquired as to whether there was any other business before the Council. Mary Schapiro, Chairman of the SEC, thanked members of the Council and their staff for their important work on the nonbank financial companies designation rule.

The Chairperson asked for a motion to adjourn the meeting, and the Council voted to adjourn. The Chairperson adjourned the meeting at approximately 2:58 P.M. (EDT).