

## Minutes of the Financial Stability Oversight Council

Held March 17, 2011

### PRESENT:

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

Sheila Bair, Chairperson, Federal Deposit Insurance Corporation (FDIC)

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

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

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

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

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

John Walsh, Acting Comptroller of the Currency (OCC)

William Haraf, Commissioner, California Department 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 Wolin, Deputy Secretary

Jeffrey Goldstein, Under Secretary for Domestic Finance

Amias Gerety, Deputy Assistant Secretary for the Financial Stability Oversight Council

Laurie Schaffer, Assistant General Counsel (Banking and Finance)

#### Board of Governors of the Federal Reserve System

Janet Yellen, Vice Chair

#### Commodity Futures Trading Commission

Dan Berkovitz, General Counsel

#### Comptroller of the Currency

Tim Long, Senior Deputy Comptroller

#### Federal Deposit Insurance Corporation

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

#### Federal Housing Finance Agency

Mario Ugoletti, Special Advisor to the Director

#### National Credit Union Administration

David Marquis, Executive Director

Securities and Exchange Commission

Didem Nisanci, Chief of Staff

Federal Reserve Bank of New York

William Dudley, President and Chief Executive Officer

California Department of Financial Institutions

Michael Stevens, Senior Vice President & Director of Regulatory Affairs, Conference of State Bank Supervisors

Missouri Department of Insurance, Financial Institutions, and Professional Registration

Mark Sagat, Government Relations Analyst and Counsel, National Association of Insurance Commissioners

North Carolina Department of the Secretary of State, Securities Division

Deborah House, Director of Policy, North American Securities Administrators Association

PRESENTERS

*Macro-environment Overview (Japan and Middle East/North Africa)*

- *Lael Brainard, Under Secretary of International Affairs, Treasury*
- *Nellie Liang, Director, Office of Financial Stability Policy and Research, Federal Reserve*

*European Sovereign Fiscal and Banking Sector*

- *Jeffrey Baker, Director of Office of Europe and Eurasia, Treasury*
- *Beth Anne Wilson, Assistant Director, International Finance Division, Federal Reserve*
- *John Schindler, Chief, Macprudential Analysis Section, Federal Reserve*

*Money Market Mutual Funds*

- *Eileen Rominger, Director, Division of Investment Management, SEC*
- *Robert Plaze, Associate Director, Division of Investment Management, SEC*

*Council of Inspectors General for Financial Oversight*

- *Eric Thorson, Chair of the Council of Inspectors General for Financial Oversight*

*Designations of Financial Market Utilities*

- *Lance Auer, Deputy Assistant Secretary for Financial Institutions, Treasury*
- *Jeff Stehm, Associate Director of Financial market Infrastructure Oversight, Federal Reserve*
- *Robert Wasserman, Associate Director, DCIO, CFTC*

## **Executive Session**

Secretary Geithner called the executive session of the meeting of the Financial Stability Oversight Council (Council) to order at 1:30 p.m. (EDT).

The Chairperson outlined the meeting agenda, which had been previously distributed to the member agencies together with copies of the resolutions and other materials. The agenda for the meeting included the following subjects: (1) a presentation on the current macro-environment, including a discussion of conditions in Japan and the Middle East/North Africa; (2) a presentation on selected European sovereign fiscal position and banking sectors; (3) a discussion of money market mutual funds; (4) an overview of the duties and responsibilities of the Council of Inspectors General for Financial Oversight; (5) consideration of, and vote on, publication of a Notice of Proposed Rulemaking (NPR) regarding the designation of financial market utilities; (6) consideration of, and vote on, publication of an NPR regarding the Freedom of Information Act; and (7) consideration of, and vote on, the minutes from the January 18, 2011 meeting. The Chairperson indicated that the first four items on the agenda would be discussed in the executive session and that consideration of, and votes on, the proposed rulemakings and minutes would take place in the open session.

### **1. Current Macro-environment**

The Chairperson turned to the agenda item regarding a presentation on the current macro-environment, including a discussion of conditions in Japan and the Middle East/North Africa. He asked Lael Brainard, Under Secretary for International Affairs, Treasury, and Nellie Liang, Director, Office of Financial Stability Policy and Research, Federal Reserve to provide the presentation.

The individuals listed above provided presentations concerning the state of the financial markets. The presentations highlighted current issues in the markets such as oil prices and economic developments in Japan including. They provided a preliminary assessment of the impact of the earthquake and of current events in the Middle East/North Africa. The members of the Council asked questions regarding the presentations.

### **2. Selected European sovereign fiscal positions and banking sectors**

The Chairperson then turned to the agenda item regarding developments related to selected European sovereign fiscal positions and banking sectors. The Chairperson asked Jeffrey Baker, Director of Office of Europe and Eurasia, Treasury, Beth Anne Wilson, Assistant Director, International Finance Division, Federal Reserve, and John Schindler, Chief, Macroprudential Analysis Section, Federal Reserve to present on this topic.

The individuals listed above provided presentations concerning the the sovereign fiscal positions in a number of euro-area countries, as well as potential impacts on the European banking sectors. The presenters also discussed the exposure of US financial intermediaries and financial system to European markets and financial institutions. The members of the Council asked questions regarding the presentations.

### 3. Money Market Mutual Funds ( MMMF )

The Chairperson asked Eileen Rominger, Director, Division of Investment Management, SEC and Robert Plaze, Associate Director, Division of Investment Management, SEC, to provide a presentation to the Council regarding the current state of the MMMF industry, risks in the structure of MMMFs, SEC regulatory actions to address these risks, and the options presented in the President's Work Group on Financial Markets' report on MMMFs. The presenters also discussed public comments received on the PWG report. The SEC staff indicated that the SEC would hold a roundtable in May to discuss the various options presented in the PWG report and would invite FSOC members to participate in that roundtable. The members of the Council asked questions regarding the presentations and the Chairperson suggested that the Council review the options again after the roundtable discussions.

### 4. Council of Inspectors General for Financial Oversight ( CIGFO )

The Chairperson introduced Eric Thorson, who is Chair of the CIGFO, to provide a presentation regarding the responsibilities of the CIGFO. Mr. Thorson indicated CIGFO's commitment to working with the Council.

### 5. Other issues

The Chairperson announced that Michael McRaith, Director of the Department of Insurance, State of Illinois, had been selected to be the Director of the Federal Insurance Office.

The Chairperson called the executive session to a close at 2:56 p.m. (EST)

## **Open Session**

The Chairperson called the open session of the meeting of the Council to order at 3:15 p.m. (EST). The Chairperson presented three resolutions for consideration by the Council.

#### 1. Discussion and Vote on Resolution Approving Publication of a Notice of Proposed Rulemaking ( NPR ) Concerning the Designation of Certain Financial Market Utilities

The Chairperson recognized Lance Auer to provide a presentation on the major components of the NPR, including changes that were made to address the key issues raised in the comment letters received in response to the Council's Advanced Notice of Proposed Rulemaking. After Mr. Auer's presentation, the Chairperson presented to the Council the following resolution approving publication of the NPR.

*"WHEREAS, the Financial Stability Oversight Council (the "Council") was established by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "DFA") with a duty to "...identify systemically important financial market utilities . . .;"*

*WHEREAS, section 804 of the DFA gives the Council the authority to designate financial market utilities that the Council determines are, or are likely to become, systemically important;*

*WHEREAS, the Council published an advance notice of proposed rulemaking (“ANPR”) on December 21, 2010, through which it sought public comment to gather information as the Council began to develop the criteria and analytical framework by which it will designate those financial market utilities that it determines are, or are likely to become, systemically important; and*

*WHEREAS, staff from the Council Agencies have reviewed the public comments received in response to the ANPR and have prepared a notice of proposed rulemaking (“NPR”) that describes the criteria that will inform, and the processes and procedures established under the DFA for, the Council’s designation of financial market utilities under the DFA; and*

*WHEREAS, staff from the Council Agencies recommend that the Council approve the attached NPR and publish it as set forth in the attached Federal Register document.*

*NOW, THEREFORE, BE IT RESOLVED, that the Council hereby approves the NPR and authorizes the Chairperson, or his designee, to cause the attached NPR 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 the Council can issue 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 voice vote.

2. Discussion and Vote on Resolution Approving Publication of a Notice of Proposed Rulemaking (NPR) Concerning the Freedom of Information Act (FOIA)

The Chairperson presented the draft FOIA regulations to the Council. He stated that the Council is covered by FOIA and that the draft regulations are a straightforward approach to implementing the requirements of the FOIA. The Chairperson presented to the Council the following resolution approving the publication of the NPR.

*WHEREAS, the Financial Stability Oversight Council (the “Council”) was established by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “DFA”); and*

*WHEREAS, section 112 of the DFA provides that the Freedom of Information Act (the “FOIA”), “including the exceptions thereunder, shall apply to any data or information submitted” under subtitle A and subtitle B of title I of the DFA; and*

*WHEREAS, staff from the Council Agencies have prepared a notice of proposed rulemaking (“NPR”) that, consistent with the DFA and the FOIA, sets forth the procedures for requesting access to the Council’s records; and*

*WHEREAS, staff from the Council Agencies recommend that the Council approve the attached NPR and publish it as set forth in the attached Federal Register document.*

*NOW, THEREFORE, BE IT RESOLVED, that the Council hereby approves the NPR and authorizes the Chairperson, or his designee, to cause the attached NPR 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 the Council can issue the attached NPR 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. “*

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

3. Resolution approving the minutes of the January 18, 2011 meeting

*“BE IT RESOLVED, by the Financial Stability Oversight Council (the “Council”) that the minutes attached hereto of the January 18, 2011 meeting 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 voice vote.

The Chairperson then asked for a motion to adjourn the meeting which was made by Chairman Gensler. The Chairperson adjourned the meeting at approximately 3:30 p.m. (EST).