

Minutes of the Financial Stability Oversight Council

Held November 23, 2010

PRESENT:

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

Sheila Bair, Chairperson, Federal Deposit Insurance Corporation

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

Edward DeMarco, Acting Director, Federal Housing Finance Agency

Gary Gensler, Chairman, Commodity Futures Trading Commission

Debbie Matz, Chairman, National Credit Union Administration

Mary Schapiro, Chairman, Securities and Exchange Commission

John Walsh, Acting Comptroller of the Currency

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, Senior Adviser

Laurie Schaffer, Assistant General Counsel (Banking and Finance)

Board of Governors of the Federal Reserve System

Daniel Tarullo, Governor

Commodity Futures Trading Commission

Cyrus Amir-Mokri, Senior Counsel to the Chairman

Comptroller of the Currency

Tim Long, Senior Deputy Comptroller

Federal Deposit Insurance Corporation

Arthur Murton, Acting Director, Office of Complex Financial Institutions

Federal Housing Finance Agency

Mario Ugoletti, Special Advisor to the Director

National Credit Union Administration

David Marquis, Executive Director of NCUA

Securities and Exchange Commission

Didem A. Nisanci, Chief of Staff

Federal Reserve Bank of New York

William Dudley, President and Chief Executive Officer

California Department of Financial Institutions

Margaret Liu, Vice President & Assistant General Counsel, Conference of State Bank Supervisors

Missouri Department of Insurance, Financial Institutions, and Professional Registration

Elise Liebers, Special Advisor, 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

Mortgage Servicing and Foreclosure Issues

- *Michael Barr, Assistant Secretary for Financial Institutions, Department of the Treasury*
- *David Stevens, Assistant Secretary for Housing and Commissioner of the Federal Housing Administration, Department of Housing and Urban Development*

Section 619 (Volcker Rule)

- *Mary Miller, Assistant Secretary for Financial Markets, Department of the Treasury*

ANPR on Designations of Financial Markets Utilities

- *Lance Auer, Policy Advisor, Office of Financial Institutions Policy, Department of the Treasury*
- *Jeff Stehm, Associate Director, Division of Reserve Bank Operations and Payment Systems, Board of Governors of the Federal Reserve System*
- *John Lawton, Deputy Director, Division of Clearing and Intermediary Oversight, Commodity Futures Trading Commission*
- *Robert Cook, Director, Division of Trading and Markets, Securities and Exchange Commission*

Executive Session

Secretary Geithner called the executive session of the meeting of the Financial Stability Oversight Council (Council) to order at 11:00 a.m. In his opening remarks, the Chairperson applauded the collaborative and cooperative nature in which Council members were working.

The Chairperson then 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) an update on mortgage servicing and foreclosure issues; (2) discussion on designations of nonbank financial firms for supervision by the Board of Governors of the Federal Reserve System (Federal Reserve); (3) discussion of the Council study on the Volcker Rule (section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“DFA”)); and, (4) consideration of resolutions approving: (a) publication of an Advanced Notice of Proposed Rulemaking (ANPR) regarding designation of financial market utilities as systemically important; (b) the Council committee structure; and (c) the minutes of the October 1, 2010 Council meeting. The Chairperson indicated that the first two items on the agenda would be discussed in the executive session and that a mortgage servicing and foreclosure issues update would also be provided in the open session and the resolutions would be considered in the open session of the meeting.

1. Discussion of Mortgage Servicing and Foreclosure Issues

The Chairperson turned to the agenda item regarding an update of mortgage servicing and foreclosure issues and asked Michael Barr, Assistant Secretary for Financial Institutions, Department of the Treasury, to present the update. Mr. Barr is serving as a co-chair with the Department of Justice on an interagency taskforce on mortgage servicing and foreclosure issues. Mr. Barr stated that the purpose of the taskforce was to provide a coordinated and comprehensive process for examining mortgage servicers in order to assess the problems, develop solutions, and hold, as appropriate, servicers and others accountable. He indicated that the taskforce was focused on five key areas: (1) the foreclosure process; (2) loss mitigation; (3) put back risk; (4) issues related to securitization trusts; and (5) disclosure obligations.

The Chairperson also recognized David Stevens from the Federal Housing Administration (FHA) to provide to the members of the Council information on the activities of his agency. Mr. Stevens said that FHA was looking at whether the servicers followed FHA’s requirements related to loss mitigation. The members of the Council discussed the mortgage servicing and foreclosure issues and expressed interest in having an update on the work of the interagency taskforce at the next Council meeting.

2. Discussion of Designations of Nonbank Financial Firms.

The Chairperson then turned to the agenda item regarding designation of nonbank financial companies for supervision by the Board of Governors of the Federal Reserve System. The Chairperson recognized Amias Gerety, Senior Advisor, Office of Financial Institutions, Department of the Treasury, who provided an update to the members of the Council on the work of the working group on designations. Members of the Council asked questions regarding the use of quantitative or qualitative criteria or a combination of both and whether the criteria should be tailored to specific industry groups.

Open Session

Secretary Geithner called the open session of the meeting of the Council to order at 12:05 p.m. The Chairperson made opening remarks and then recognized Assistant Secretary Barr who provided an update on the mortgage servicing and foreclosure issues. After Mr. Barr’s remarks, the Chairperson presented three resolutions for consideration by the Council.

1. Resolution Approving Publication of an Advanced Notice of Proposed Rulemaking Regarding Designation of Financial Markets Utilities.

The Chairperson presented to the Council the following resolution approving publication of an advanced notice of proposed rulemaking regarding designation of financial markets utilities in the form as previously distributed to the Council.

“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, under the provisions of the DFA, in making a determination on whether a financial market utility is, or is likely to become, systemically important, the Council must take into consideration the following: (A) The aggregate monetary value of transactions processed by the financial market utility; (B) The aggregate exposure of the financial market utility to its counterparties; (C) The relationship, interdependencies, or other interactions of the financial market utility with other financial market utilities or payment, clearing, or settlement activities; (D) The effect that the failure of or a disruption to the financial market utility would have on critical markets, financial institutions, or the broader financial system; and (E) Any other factors that the Council deems appropriate;

WHEREAS, the staffs of the Council member agencies have prepared an advance notice of proposed rulemaking (“ANPR”) that, consistent with the DFA, seeks to gather information as the Council begins 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 member agencies recommend that the Council publish the ANPR as set forth in the attached Federal Register document.

NOW, THEREFORE, BE IT RESOLVED, that the Council hereby authorizes the Chairperson, or his designee, to cause the attached ANPR to be published in the Federal Register, in a form and manner acceptable to the Chairperson, or his designee.

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. Resolution approving the committee structure and appointing a chairperson of the Deputies Committee.

The Chairperson presented to the Council the following resolution approving the committee structure and appointing a chairperson of the Deputies Committee in the form as previously distributed to the Council.

“BE IT RESOLVED, by the Financial Stability Oversight Council (Council), that the committee structure attached hereto is hereby approved and the committees are hereby established and that Jeffrey A. Goldstein, Under Secretary for Domestic Finance , the Department of the Treasury, is appointed Chairperson of the Deputies Committee, to serve until such time as he resigns as Chairperson of the Deputies Committee, he no longer is 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 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 October 1, 2010 meeting.

The Chairperson presented to the Council the following resolution approving the minutes of the October 1, 2010 meeting in the form previously distributed to the Council.

“BE IT RESOLVED, by the Financial Stability Oversight Council (the “Council”) that the minutes attached hereto of the October 1, 2010 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 and seconded. The Chairperson adjourned the meeting at approximately 12:25 p.m. (EDT).