

Minutes of the Financial Stability Oversight Council

Held April 18, 2016

PRESENT:

Jacob J. Lew, Secretary of the Treasury and Chairperson of the Financial Stability Oversight Council (Council)
Janet Yellen, Chair, Board of Governors of the Federal Reserve System (Federal Reserve)
Martin J. Gruenberg, Chairperson, Federal Deposit Insurance Corporation (FDIC)
Mary Jo White, Chair, Securities and Exchange Commission (SEC)
Timothy Massad, Chairman, Commodity Futures Trading Commission (CFTC)
Richard Cordray, Director, Consumer Financial Protection Bureau (CFPB)
Melvin Watt, Director, Federal Housing Finance Agency (FHFA)
Thomas J. Curry, Comptroller of the Currency, Office of the Comptroller of the Currency (OCC)
Debbie Matz, Chairman, National Credit Union Administration (NCUA)
Roy Woodall, Independent Member with Insurance Expertise
Richard Berner, Director, Office of Financial Research (OFR), Department of the Treasury (nonvoting member) (via telephone)
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)
Adam Hamm, Commissioner, North Dakota Insurance Department (non-voting member)
Melanie Lubin, Securities Commissioner, Maryland Office of the Attorney General, Securities Division (non-voting member)

GUESTS:

Department of the Treasury (Treasury)

Sarah Bloom Raskin, Deputy Secretary of the Treasury
Antonio Weiss, Counselor to the Secretary
Patrick Pinschmidt, Deputy Assistant Secretary and Executive Director of the Council
Mark Kaufman, Counselor to the Deputy Secretary
Eric Froman, Deputy Assistant General Counsel for the Council

Board of Governors of the Federal Reserve System

Daniel Tarullo, Governor
Nellie Liang, Director, Office of Financial Stability Policy and Research

Federal Deposit Insurance Corporation

Jason Cave, Special Advisor to the Chairman for Supervisory Matters

Securities and Exchange Commission

Nathaniel Stankard, Deputy Chief of Staff

Commodity Futures Trading Commission

Lawranne Stewart, Special Counsel

Consumer Financial Protection Bureau

Ron Borzekowski, Assistant Director for Research

Federal Housing Finance Agency

Sandra Thompson, Deputy Director, Division of Housing Mission and Goals

Comptroller of the Currency

Jennifer Kelly, Senior Deputy Comptroller for Bank Supervision Policy and Chief National Bank Examiner

National Credit Union Administration

Ralph Monaco, Chief Economist

Office of the Independent Member with Insurance Expertise

Diane Fraser, Senior Policy Advisor

Federal Reserve Bank of New York

William Dudley, President and Chief Executive Officer

Office of Financial Research

Stacey Schreft, Deputy Director for Research and Analysis

Federal Insurance Office

Steven Seitz, Deputy Director (Financial Stability)

Louisiana Office of Financial Institutions

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

North Dakota Insurance Department

Mark Sagat, Counsel and Manager, Financial Policy and Legislation, National Association of Insurance Commissioners

Maryland Office of the Attorney General, Securities Division

Christopher Staley, Counsel, North American Securities Administrators Association

PRESENTERS:

Annual Report

- *Trent Reasons, Director of Analysis, Treasury*
- *Erik Heitfield, Assistant Director, Research and Statistics, Federal Reserve*

Update on Review of Asset Management Products and Activities

- *Patrick Pinschmidt, Deputy Assistant Secretary and Executive Director of the Council, Treasury*
- *Charles Cohen, Deputy Director of Analysis, Treasury (available for questions)*
- *Lyndsay Huot, Deputy Director of Policy, Treasury (available for questions)*

Executive Session

The Chairperson called the executive session of the meeting of the Council to order at approximately 4:32 P.M. (EDT). He outlined the meeting agenda, which had previously been distributed to the members together with copies of the resolutions and other materials. The agenda for the executive session of the meeting included the Council's 2016 annual report.

The Chairperson began by acknowledging that this was the last Council meeting for the Chairman of the NCUA, Debbie Matz, and he thanked her for her service.

The Chairperson then noted the decision, issued March 30, 2016, of the U.S. district court for the District of Columbia rescinding the Council's final determination regarding MetLife, Inc. under section 113 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Chairperson noted that the government was appealing the decision, which he said misinterprets the Council's interpretive guidance.

1. 2016 Annual Report

The Chairperson then introduced the first agenda item, the Council's 2016 annual report to Congress. The Chairperson introduced Trent Reasons, Director of Analysis at Treasury, and Erik Heitfield, Assistant Director for Research and Statistics at the Federal Reserve. Mr. Reasons provided an update on the status of the drafting of the annual report, and noted that the draft report remained under review by staff of Council members and member agencies. Members of the Council then asked questions and had a discussion, including regarding the presentation of certain risks in the report.

2. Other Business

The Chairperson then noted that the Council would be voting during the open session of the meeting on the Council's public update regarding asset management products and activities. He thanked the Council members for their work on the update. He also noted that the Council's assessment of certain potential risks arising from asset management products and activities would benefit from additional information and analysis, and called upon Council member agencies to participate in the ongoing analysis.

The Chairperson then called on Antonio Weiss, Counselor to the Secretary at Treasury, to provide an update on Puerto Rico. Mr. Weiss noted that Puerto Rico began defaulting on certain of its obligations in December 2015 and that the next large payment, by the Government Development Bank, was due on May 2. He explained that Treasury was working with Congress on a legislative solution to Puerto Rico's difficulties. The Chairperson noted that the situation in Puerto Rico is dire.

The Chairperson adjourned the executive session of the meeting at approximately 4:50 P.M. (EDT).

Open Session

The Chairperson called the open session of the meeting of the Council to order at approximately 5:00 P.M. (EDT). The agenda for the open session included: (1) an update on the Council's review of asset management products and activities; and (2) consideration of, and a vote on, resolutions approving the minutes of the Council's meetings on March 2, 2016, and March 21, 2016.

1. Update on Review of Asset Management Products and Activities

The Chairperson introduced the first agenda item, an update on the review of potential risks to financial stability arising from asset management products and activities. He noted that the Council's work on asset management underscores the importance of the Council's mission. The Chairperson noted that the Council's most fundamental duty is to monitor potential risks and emerging threats to financial stability, and he stated that this work only can be achieved by bringing the entire regulatory community together. He noted that, before the financial crisis, no single entity had this responsibility, and excessive risks grew within regulatory gaps and across markets. He said that the Council was created to give its members the collective responsibility to address emerging risks before they threaten the financial system and damage the economy.

The Chairperson said that the Council did not begin its work with pre-determined outcomes but with a recognition that the asset management industry is a significant and growing segment of the U.S. financial system. He said that the Council has a responsibility to understand the potential implications for financial stability as markets evolve. He noted that the Council has focused on issues and questions that are being studied by market participants, academic experts, and other market observers as they seek to understand and manage risk in a changing world. He also noted that the Council has an interest in well-functioning markets that promote stable economic growth, particularly in times of stress.

The Chairperson said that the update that the Council would vote on at this meeting is not a rulemaking but rather the Council's collective view on key areas of potential risks. He explained that Council members have consulted and worked closely with each other and harnessed the extensive analytical resources of their expert staffs. He emphasized that the Council has conducted outreach to the asset management industry and market observers to inform its analysis, including holding a public conference and issuing a request for public comment.

The Chairperson noted that the Council benefited greatly from the expertise of many of its member agencies in this analysis, particularly the insights of Chair White and the SEC staff. He noted that the SEC is engaged in important rulemaking initiatives affecting the asset management industry in a number of the areas explored in the Council's review, and that the Council welcomes these initiatives by the SEC. He said that it is important that the work of the Council and the work of the other regulators are complementary.

Finally, the Chairperson expressed the importance of the Council continuing to lead the international regulatory conversation in this area. He said that the Council's work represents a domestic consensus on potential risks to financial stability from asset management products and activities.

The Chairperson then highlighted the two risk areas emphasized by the Council's analysis—liquidity and redemption risk, and risks related to leverage. He said that the Council's analysis indicates that financial stability concerns may arise from liquidity and redemption risks in pooled investment vehicles, in particular in mutual funds, and that the Council has laid out a number of important policy steps that should be considered. He said that these are important steps to help regulators and investors better understand, monitor, and mitigate potential financial stability risks.

With respect to leverage, the Chairperson said that the Council has not concluded that the use of leverage by private funds currently presents financial stability risks. He noted that, overall, the use of leverage in the financial system has decreased dramatically since the crisis and that leverage among hedge funds does not appear high on average, but that, by several measures, leverage appears to be concentrated in large funds. He said, however, that greater leverage does not necessarily imply greater risk, and many other factors need to be considered. He noted that individual regulators do not have a complete picture of the risks being taken. He stated that the need for further analysis and information sharing is clear, and that the Council plans to create a working group composed of experts from the relevant Council member agencies to address the questions identified by the Council's initial review.

The Chairperson then asked Patrick Pinschmidt, Deputy Assistant Secretary and Executive Director of the Council at Treasury, to discuss the details of the asset management update. Mr. Pinschmidt started by describing the Council's work to date. He recounted how, in May 2014, the Council hosted a public conference on asset management that brought together a diverse group of industry and non-industry participants that helped shape the Council's initial approach to its work. He said that after the conference, the Council undertook a more focused analysis of potential risks related to industry-wide products and activities across the asset management sector. He then noted that in December 2014, the Council issued a notice for public comment regarding a broad array of potential risks, as well as existing risk management practices.

Mr. Pinschmidt said that the engagement with market participants and other stakeholders had contributed greatly to the Council's work. He said that the Council's focus has been on potential risks to financial stability, rather than investment risk, which is a normal and necessary part of market functioning. He explained that the Council has been focused on assessing whether asset management products or activities could create, amplify, or transmit risk more broadly in the financial system in ways that could affect U.S. financial stability.

Mr. Pinschmidt then outlined the five areas of the Council's proposed public update on asset management products and activities: (1) liquidity and redemption; (2) leverage; (3) operational risks; (4) securities lending, and (5) resolvability and transition planning. He said that liquidity and redemption risk and leverage were the key areas of focus by the Council.

Mr. Pinschmidt said that, for each of the five areas, the Council had reviewed potential risks to financial stability and considered the materiality of such risks and potential mitigants, including the extent to which market practices or regulations may address the risks. He said that, throughout this process, the members of the Council had consulted extensively and had drawn on the expertise of their staffs and those of the member agencies and that the Council considered many sources of information, including publicly available data, data reported on the SEC's Form PF, analyses from market participants, academic studies, and information submitted in response to the Council's request for public comment. Mr. Pinschmidt also noted that the Council's review recognized that the SEC had issued several proposed rules since May 2015 affecting the asset management industry. He said that, as the SEC rulemaking progress, the Council intends to monitor the effects of any regulatory changes and their implications for financial stability.

Mr. Pinschmidt then noted that the Council's review of liquidity and redemption risk focused on pooled investment vehicles. He explained that there are two primary features of these investment vehicles—liquidity transformation and first-mover advantage—that may raise potential financial stability concerns, particularly during times of market stress. He then outlined the six steps that should be considered as ways to help mitigate these financial stability risks. First, robust liquidity risk management practices for mutual funds should mitigate the risks of potential deterioration in the liquidity of fund assets, particularly with regard to preparations for stressed conditions by funds that invest in less-liquid assets. Second, clear regulatory guidelines addressing limits on mutual funds' ability to hold assets with very limited liquidity should be considered. Third, enhanced reporting and disclosures by mutual funds of their liquidity profiles and liquidity risk management practices would help mitigate financial stability risks. Fourth, taking steps to allow and facilitate mutual funds' use of tools to allocate redemption costs more directly to investors who redeem shares should help reduce first-mover advantage and mitigate the risk that less-liquid asset classes would be faced with widespread sales under stressed conditions. Fifth, additional public disclosure and analysis of external sources of financing for mutual funds should be considered. Finally, regulators should consider whether these measures are appropriate for reducing potential liquidity risks in collective investment funds and similar pooled investment vehicles subject to their respective jurisdictions.

Mr. Pinschmidt said that the next area the Council focused on was leverage, among both registered funds and private funds. He said that the Council's primary focus was on private funds. He noted that, on average, the use of leverage by private funds is not particularly elevated, but that the use of leverage appears to be concentrated in larger funds. He said that fully evaluating these issues requires additional analyses, involving more and better data.

He also noted that available measures of leverage are imperfect, and that the relationship between a hedge fund's level of leverage and risk, and whether that risk may have financial stability implications, is highly complex. He said that differences in investment strategies, counterparties, asset classes, hedging, and financing terms all play a critical role in understanding hedge fund risks. He said that while hedge fund reporting on Form PF has increased transparency to regulators on the use of leverage, the data do not provide a complete picture of risk-taking.

Mr. Pinschmidt noted that hedge funds and their counterparties are supervised or regulated by multiple agencies with various jurisdictions, meaning that no single regulator has a complete window into the risk profile of funds, which limits the Council's ability to assess potential risks to financial stability from these activities. He said that the Council is therefore creating an interagency working group that will share and analyze relevant regulatory information in order to better understand hedge fund activities and further assess whether there are potential risks to financial stability. He said that the working group will also assess the sufficiency and use of regulatory data to evaluate the extent and types of leverage employed by hedge funds and will consider potential enhancements to this data as well as the establishment of standards governing the measurements of leverage. Mr. Pinschmidt said that the working group will seek to provide findings to the Council by the fourth quarter of 2016. He explained that if risks to financial stability are identified, the Council intends to (1) determine what actions can be taken by regulators using existing authorities; (2) assess whether existing regulatory and supervisory tools are sufficient to address such risks, and (3) consider whether additional authorities may be needed for market regulators or other supervisory agencies.

With respect to the other three areas of the Council's analysis, Mr. Pinschmidt said that the review of operational risks focused on the potential for a disruption or failure of a service provider or the provision of a flawed service resulting in broader transmission of risk. He said that the Council believes further analysis is appropriate and will seek continued engagement with industry participants and other stakeholders to develop a greater understanding of service providers, their operating infrastructure, and the measures used by asset managers to mitigate these potential risks.

Mr. Pinschmidt said that with respect to securities lending, more comprehensive information on securities lending is necessary to assess potential risks. He stated that, in addition to encouraging a number of data enhancements, the Council encourages improved and regular data collection and reporting, interagency data sharing, and additional engagement with international counterparties.

With respect to resolvability and transition planning, Mr. Pinschmidt said that the Council identified certain potential risks and steps to address such risks in the context of its analysis of liquidity and redemption risks and leverage. He noted that SEC staff are developing a proposed rule for consideration by the SEC that would require registered investment advisers to create and maintain transition plans that address, among other things, a major disruption in their business.

After the presentation, the Chairperson recognized other Council members who had comments.

Mary Jo White, Chair of the SEC, expressed her support for the publication of the Council's update and commended the transparency and the work of the staff that led to the update. Chair White stated that the Council's work on this topic is complementary to the regulatory reforms the SEC is currently undertaking. She noted that the SEC has been the primary regulator of the vast majority of the asset management industry since 1940 and highlighted the SEC's pending initiatives to modernize and enhance its asset management regulatory regime. She noted that SEC rule proposals regarding enhanced reporting of data, liquidity risk management, and use of

leverage are outstanding and that she expected proposals on transition planning and stress testing to follow.

Chair White said that, although there is overlap in the topics covered in Council's update and the SEC's proposed reforms, it should be understood that the SEC's analysis of asset management issues is set forth in the SEC's proposals. She stated that the SEC, in developing final regulations, will consider and rely on its analysis of the input received from the public. She stated that the Council update should not be read as an indication of the direction that the SEC's final asset management rules may take.

Chair White said that the Council views set forth in its public update describe certain relevant principles and next steps for consideration. She stated that the exercise had also highlighted other important issues not within the SEC's jurisdiction, including the interaction of asset managers with other financial institutions, the use of economic substitutes across the industry, and the behavior of market participants before and after the financial crisis. She noted that careful examination of these and other issues by both the Council and relevant regulators is important for analyzing risks to financial stability and the materiality and likelihood of such risks. She commended the work of the staff and that stated that she looked forward to continued collaboration with her colleagues on the Council.

The Chairperson then turned to Janet Yellen, Chair of the Federal Reserve. Chair Yellen began by stating that she supports the Council's public update. She noted that in recent years the asset management industry has expanded its role in providing credit to the economy and that some products and activities have become more complex. She stated that the Council's update highlights several areas where these developments could create risks to financial stability. She stated that an important risk pertains to funds that in recent years have developed a greater mismatch between the liquidity of the assets they hold and the liquidity offered to shareholders. She said that such mismatches increase the incentives for fund investors to redeem ahead of others. She stated her belief that the steps described in the Council's update should be considered to reduce the mismatch and any first-mover advantage in order to diminish the likelihood of broad market disruptions that could arise from sales of less-liquid assets by funds that are forced to meet large and widespread redemptions.

Chair Yellen also observed that some registered funds have increased their use of leverage, including through derivatives, in ways that are not transparent. She noted that the SEC has taken several important steps related to liquidity risks and leverage, and that steps to improve reporting risk management practices are the foundation for any efforts to mitigate potential risks to financial stability. Chair Yellen stated that she supports the creation, under the Council's public update, of an interagency working group to study private funds that appear to have significant leverage, stating that the group should seek to improve the systematic analysis of regulatory information that is collected by the agencies for different purposes and that the aim should be to better assess potential systemic risks from these funds. She added that as the asset management industry has grown, it is important for the Council to continue to evaluate potential risks to financial stability arising from increased reliance on a small number of service providers. She said that this effort highlights that as financial intermediation practices have expanded and become more interrelated, some practices that create risks do not fall within the scope of any

individual regulatory agency. She said that the Council is positioned to facilitate cross-industry efforts and a system-wide approach, which is important to identifying and mitigating emerging risks in the financial system.

The Chairperson then turned to Martin Gruenberg, Chairperson of the FDIC. Chairperson Gruenberg said that he supported the issuance of the Council's public update. He noted that the asset management industry has grown in size and importance in recent years, becoming more consequential to the financial markets and the broader economy. He said that, as of December 2014, U.S. pooled investment vehicles, excluding money market mutual funds, had approximately \$25.8 trillion of assets. He said that to mitigate liquidity risks, mutual funds should consider adopting risk management practices that incorporate the impact of stress conditions on less-liquid assets. He also said that the establishment of regulatory guidelines establishing limits on less-liquid assets should be considered.

Chairperson Gruenberg then said that the Council also focused on the potential risks to U.S. financial stability associated with leverage in certain investment vehicles. He said that one area that bears further analysis is the use of leverage by hedge funds. He said that the Council's public update notes that many hedge funds use relatively small amounts of leverage but that large hedge funds tend to use more leverage than smaller funds. He said that he supports the creation of the Council's interagency working group that will share and analyze regulatory information in order to assess potential risks to financial stability.

Timothy Massad, Chairman of the CFTC, then stated that he supports the issuance of the Council's public update and thanked the staffs of the member agencies for their efforts. He endorsed the update's suggestion that the Council study further the use of leverage, particularly by hedge funds. He said that the issues raised by the update regarding leverage are particularly relevant to the work of the CFTC because of the role of derivatives, noting that, while the CFTC does not regulate hedge funds, it is responsible, along with the SEC, for derivatives regulation.

Chairman Massad said that the first challenge is in determining the metrics the Council should use to measure leverage. He said that, as the Council's public update notes, no good metric for leverage in this context is available. He noted that the leverage metrics cited in the update may not indicate the levels of underlying risk. As an example, he described gross notional exposures, which include derivatives, but not in a manner that measures risk or that takes into account factors that affect risk, such as product type, offsetting positions, whether a transaction is cleared, and whether margin is collected. He said that to analyze the implications of leverage, the Council needs to take into consideration these and other critical market structure details. Chairman Massad said that the CFTC made a preliminary analysis of the data it collects to identify hedge funds with the largest derivatives exposures, finding that most of the exposure relates to cleared derivatives. He said that the funds generally had extremely low levels of uncleared derivatives and that the counterparties were typically large registered swap dealers.

Chairman Massad also highlighted that the swaps marketplace is changing. He noted that the CFTC now requires clearing of most swaps and reporting of all swaps. He said that the CFTC is implementing margin requirements for uncleared swaps between swap dealers and large financial institutions and that trading on swap execution facilities is increasing. He said that

these steps have brought greater transparency to this market and a greater ability to address risk and that these and other regulatory reforms, taken together with other changes in the marketplace, may be contributing to increased derivative activity by hedge funds and other asset management firms.

Chairman Massad stated that the first step is to work with and improve the data the Council member agencies are now collecting to help transition from an emphasis on collecting historical data on past quarterly periods to something closer to real-time analysis of exposures across cleared and uncleared positions. He said that this will take time but that this work is necessary to assess potential risk to the financial system.

The Chairperson then turned to Chairman Matz. Chairman Matz thanked the staff of the Council member agencies who have worked on this issue. She expressed her agreement with the statements of the other Council members. She said that the Council's public update shows that the Council has moved carefully, based on the comments of industry participants and academics and the expertise of the Council members. She highlighted that there are still data gaps, and that, with respect to leverage, the Council has taken a serious but preliminary look at leverage in hedge funds and realized that it needs additional information. She noted that the Council's creation of the hedge fund working group to collect all available regulatory data on hedge funds will assist in tracing the interconnections hedge funds have with other parts of the financial sector. She noted that the Council's public update is a progress report and that there is still more to consider.

Thomas Curry, Comptroller of the Currency, then thanked the staff of the Council member agencies for their hard work. He called the Council's public update an important step in the process of identifying financial stability risks and developing options for addressing those risks. He noted that a key recommendation is the creation of an interagency working group that will focus on hedge fund activities that might pose risks to financial stability. He said that the group is expected to examine regulatory and supervisory data to evaluate the use of leverage by these funds, assess the sufficiency and accuracy of existing data, and consider how the data might be augmented to improve the Council's ability to evaluate risks to financial stability.

Comptroller Curry noted that that collective investment funds were of particular interest to the OCC. He said that, as the regulator of many of these funds, the update goes a long way in clarifying the differences and similarities between collective investment funds and other pooled investment vehicles, such as mutual funds, including that collective investment funds cannot be accessed by retail investors or institutional money managers and that there are restrictions on how collective investment funds are advertised. He said that the vast majority of the assets in these funds are retirement savings that tend to pose less liquidity and investment risk than other investments but that the OCC will continue to focus on liquidity and leverage issues that may be associated with these funds and is closely following developments at the Council in this area.

The Chairperson then turned to Michael McRaith, Director of the Federal Insurance Office. Director McRaith thanked the staff who had worked on the Council's public update. He said that the work of the Council in this area underscores the importance of collaboration among the

Council members. He noted that this work is relevant to the insurance sector and that he strongly supports the views in the update.

The Chairperson then turned to Richard Cordray, Director of the CFPB. Director Cordray thanked the staff for their work on the Council's public update. He noted the importance for the Council to continue to make progress regarding potential risks. He stated that the creation of the hedge fund working group was important, because no single regulator has a complete window into the risk profile of hedge funds, and that the ability to assess risks and mitigants is constrained by data limitations. He expressed his support for the Council's public update.

The Chairperson then presented to the Council the following resolution approving the publication of the Council's public update on asset management:

“WHEREAS, section 112 of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides that the purposes of the Financial Stability Oversight Council (the “Council”) are to identify risks to the financial stability of the United States that could arise from the material financial distress or failure, or ongoing activities, of large, interconnected bank holding companies or nonbank financial companies, or that could arise outside the financial services marketplace; to promote market discipline, by eliminating expectations on the part of shareholders, creditors, and counterparties of such companies that the government will shield them from losses in the event of failure; and to respond to emerging threats to the stability of the United States financial system; and

WHEREAS, in May 2014, the Council hosted a public conference on asset management; and

WHEREAS, in July 2014, the Council directed staff to undertake a more focused analysis of industry-wide products and activities to assess potential risks across the asset management sector; and

WHEREAS, in December 2014, the Council published a notice seeking public comment regarding whether and how certain asset management products and activities could pose potential risks to U.S. financial stability; and

WHEREAS, the Council and the staffs of the Council members and of their agencies have analyzed potential risks to financial stability that may arise from certain asset management products and activities; and

WHEREAS, the members of the Council have consulted extensively and have drawn on the expertise of their staffs and the staffs of their member agencies with respect to the Council's evaluation of potential risks to financial stability that may arise from certain asset management products and activities; and

WHEREAS, the staffs of the Council members and of their agencies have prepared the “Update on Review of Asset Management Products and Activities” attached hereto (the “Asset Management Update”).

NOW, THEREFORE, BE IT RESOLVED, that the Council approves the Asset Management Update and authorizes the Chairperson, or his designee, to cause the Asset Management Update to be published on the Council's website, 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; and

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 Asset Management Update and to take such other actions as they deem 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 approved the resolution by unanimous vote.

2. Resolutions Approving the Minutes of the Meetings Held on March 2, 2016 and March 21, 2016

"BE IT RESOLVED, by the Financial Stability Oversight Council (the "Council"), that the minutes attached hereto of the meeting held on March 2, 2016 of the Council are hereby approved."

"BE IT RESOLVED, by the Financial Stability Oversight Council (the "Council"), that the minutes attached hereto of the meeting held on March 21, 2016 of the Council are hereby approved."

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

3. Other Business

The Chairperson then noted that this was the last meeting of the Council that Chairman Matz would be attending, and thanked her for her service. Chairman Matz said that the Council had sent a strong message that the era of "too big to fail" is over. She said that the Council has promoted greater collaboration across financial regulators and has been careful to seek out industry opinions and academic research and consider a wide range of views. Chairman Matz also noted that the Council's public update on asset management highlights the risks to that sector from service providers. She noted that the NCUA does not have the authority to oversee third-party service providers, and that this inability was a regulatory blind spot. She thanked the Council for its support in closing this loophole. She stated that she believed the Council's actions will mitigate the likelihood of another financial crisis. She concluded that the Council must not lose sight of the need to protect jobs and businesses on Main Street by providing effective oversight of Wall Street, and she encouraged the Council to remain steadfast in this objective.

The Chairperson adjourned the meeting at approximately 5:38 P.M. (EDT).