

Minutes of the Financial Stability Oversight Council

Held April 25, 2013

PRESENT:

Jacob J. Lew, Secretary of the Treasury and Chairperson of the Financial Stability Oversight Council (Council)
Ben Bernanke, Chairman, 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)
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)
Thomas J. Curry, Comptroller of the Currency, Office of the Comptroller of the Currency (OCC)
Roy Woodall, Independent Member with Insurance Expertise
Richard Berner, Director, Office of Financial Research, Department of the Treasury (non-voting member)
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
Mary J. Miller, Under Secretary for Domestic Finance
Christopher J. Meade, Acting General Counsel
Amias Gerety, Deputy Assistant Secretary for FSOC
Patrick Pinschmidt, Executive Director of the Council

Board of Governors of the Federal Reserve System

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

Federal Deposit Insurance Corporation

Jason Cave, Deputy Director for Complex Financial Institutions Monitoring

Securities and Exchange Commission

Sara Cortes, Counsel to the Chairman

Commodity Futures Trading Commission

Eric Juzenas, Chief Operating Officer and Senior Counsel

Consumer Financial Protection Bureau

Ron Borzekowski, Senior Economist in Research, Markets, and Regulations

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

Office of Financial Research

Matthew Reed, Chief Counsel

Federal Insurance Office

John Nolan, Senior Policy Advisor

Louisiana Office of Financial Institutions

Margaret Liu, Senior Vice President, Conference of State Bank Supervisors

Missouri Department of Insurance, Financial Institutions, and Professional Registration

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

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

Joseph Brady, General Counsel, North American Securities Administrators Association

PRESENTERS:

The Council's Annual Report

- *Tobias Adrian, Vice President and Function Head, Capital Markets Function, Federal Reserve Bank of New York*
- *Trent Reasons, Senior Policy Advisor, Treasury*

Nonbank Financial Company Designations Stage 3 Analysis Update

- *Maria Perozek, Senior Economist, Federal Reserve*
- *Jose Berrospide, Economist, Federal Reserve*
- *George Sacco, Senior Analyst, FHFA*
- *John Nolan, Senior Advisor, Federal Insurance Office, Treasury*
- *Todd Cohen, Policy Advisor, Treasury*
- *Diane Fraser, Senior Policy Advisor, Office of the Independent Member*

Executive Session

The Chairperson called the executive session of the meeting of the Financial Stability Oversight Council to order at approximately 1:02 P.M. (EDT). He began by welcoming the new Chair of the SEC, Mary Jo White, to the Council, and thanking the prior SEC Chairman, Elisse Walter, for her service.

The Chairperson then 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 following subjects: (1) an update on the Council's 2013 annual report; and (2) an update on the nonbank financial company designations stage 3 analysis.

1. Update on the Council's 2013 Annual Report

The Chairperson first introduced the agenda item regarding the Council's 2013 annual report. The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) sets forth requirements for the Council's annual report to Congress. The Chairperson stated that a vote on approval of the 2013 annual report would occur during the open session of the meeting. Following the presentation, the members of the Council asked questions and had a discussion.

2. Nonbank Financial Company Designations Stage 3 Analysis Update

The Chairperson turned to the next agenda item regarding an update on the ongoing analysis of the nonbank financial companies that the Council previously had advanced to stage 3 of the designations process. Maria Perozek, Senior Economist at the Federal Reserve; Jose Berrospide, Economist at the Federal Reserve; George Sacco, Senior Analyst at the FHFA; John Nolan, Senior Advisor in the Federal Insurance Office at Treasury; Todd Cohen, Policy Advisor at Treasury; and Diane Fraser, Senior Policy Advisor in the Office of the Independent Member, were available to answer questions. The members of the Council discussed the nonbank financial companies that the Council previously had advanced to stage 3 of the designations process. Chair White of the SEC recused herself from participating in this discussion.

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 2:47 P.M. (EDT).

The agenda for the open session of meeting included the following subjects: (1) consideration of, and a vote on, a resolution approving the publication and transmittal to Congress of the Council's 2013 annual report; and (2) consideration of, and a vote on, a resolution approving the minutes of the Council's meeting on April 4, 2013.

The Chairperson began by welcoming the new Chair of the SEC, Mary Jo White, to the Council, and thanking the prior SEC Chairman, Elisse Walter, for her hard work over the past several months. He then offered opening remarks on the importance of continued work on financial reform. He noted that the financial system is more resilient than it was five years ago and that members of the Council have made a great deal of progress in building a safer financial system, including much progress over the last year. He stated that the Council's 2013 annual report provides information about the Council's actions during the past year, developments in the financial system during that time, and recommendations to increase the stability of the financial system. He also thanked the members of the Council and their staffs for their work on the annual report.

Before proceeding to the agenda items, the Chairperson provided an opportunity for other Council members to make remarks. Ben Bernanke, Chairman of the Federal Reserve, stated that the Council's annual report is a valuable and comprehensive overview of our financial system that highlights key financial vulnerabilities and offers recommendations for addressing these vulnerabilities. He noted three areas in which work remains: (1) the vulnerability of wholesale funding markets to runs; (2) risks in the tri-party repo market; and (3) reference interest rates.

Gary Gensler, Chairman of the CFTC, offered his support for the Council's annual report and its recommendations. He noted that Congress has asked for recommendations to enhance financial stability, and in that regard, the report recommends a number of reforms, including reform of reference rates, such as LIBOR and similar interest rate benchmarks. He further stated that agencies had made progress on financial reform since the passage of the Dodd-Frank Act, that the SEC, the CFTC, and other regulators have completed most of the swaps market rulemakings, and that the markets were shifting to implementation of the reforms.

1. The Council's 2013 Annual Report

The Chairperson introduced the agenda item regarding an update on the Council's 2013 annual report and asked Tobias Adrian, Vice President and Function Head, Capital Markets Function at the Federal Reserve Bank of New York, and Trent Reasons, Senior Policy Advisor at Treasury, to give the presentation. Mr. Adrian and Mr. Reasons provided a summary of the annual report. They also outlined the seven themes of the annual report.

Following the presentation, Chair White noted the importance of money market mutual fund reform. She said that this reform was best handled by the SEC, which has the expertise and experience in this area. She added that the SEC staff has made progress in preparing recommendations to the Commission. The SEC had also published a staff study in response to questions from the Commissioners, and the SEC staff will present recommendations for reform to the SEC in the near future. Next, Debbie Matz, Chairman of the NCUA, stated that all of the

recommendations in the annual report were meaningful to the credit union industry and highlighted certain recommendations that were particularly important to credit unions. Thomas J. Curry, the Comptroller of the Currency at the OCC, said that he endorsed the entire annual report and was pleased that it highlights operational risks. He added that we need to press large institutions to improve operational controls and corporate governance practices.

Martin J. Gruenberg, Chairperson of the FDIC, observed that prior to the Council, no one in the federal government was responsible for reviewing overall financial risk, and that it is valuable to bring agencies together, identify issues, and present them to the public. Edward DeMarco, Acting Director of the FHFA, echoed Chairperson Gruenberg's comments and thanked the staff for their work on the report. Chairman Gensler stated that the annual report is helpful in facilitating dialogue between agencies because it must be signed by all members of the Council.

The Chairperson then presented to the Council the following resolution approving the publication and transmittal to Congress of the Council's 2013 annual report.

"WHEREAS, the Financial Stability Oversight Council (the "Council") under the provisions of section 112 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "DFA") is required to annually report to and testify before Congress on: the activities of the Council; significant financial market and regulatory developments, including insurance and accounting regulations and standards, along with assessment of those developments on the stability of the financial system; potential emerging threats to the financial stability of the United States; all determinations made section 113 or title VIII of the DFA, and the basis for such determinations; all recommendations made under section 119 of the DFA and the result of such recommendations; and recommendations to enhance the integrity, efficiency, competitiveness, and stability of the United States financial markets; to promote market discipline; and to maintain investor confidence; and

WHEREAS, staff of the Council Members and their Agencies prepared the attached 2013 annual report pursuant to section 112 of the DFA, and members of the Council have reviewed and commented on the attached report.

NOW THEREFORE, BE IT RESOLVED, that the Council approves the attached report prepared under the provisions of section 112 of the DFA and authorizes the Chairperson, or his designee, to take such action as necessary to formally transmit the attached report to the Congress 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 attached report and to take such other actions as they deem necessary or appropriate to prepare the report for release to the Congress and the public."

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 the Minutes of the Meeting held on April 4, 2013

“BE IT RESOLVED, by the Financial Stability Oversight Council (the “Council”), that the minutes attached hereto of the meeting held on April 4, 2013 of the Council are hereby approved.”

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

The Chairperson adjourned the meeting at approximately 3:16 P.M. (EDT).