

## Minutes of the Financial Stability Oversight Council

Held December 13, 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, 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)

Thomas J. Curry, 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

Mary J. Miller, Under Secretary for Domestic Finance

Lael Brainard, Under Secretary for International Affairs

Amias Gerety, Deputy Assistant Secretary for FSOC

Eric Thorson, Inspector General and Chairman of the Council of Inspectors General on Financial Oversight

Christopher J. Meade, Acting General Counsel

#### 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

Arthur Murton, Director, Division of Insurance and Research

#### Securities and Exchange Commission

Elisse Walter, Commissioner

Robert Cook, Director, Division of Trading and Markets

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

Federal Insurance Office

Beth Sammis, Senior Insurance Regulatory Policy Analyst

Louisiana Office of Financial Institutions

Mike Stevens, Senior Executive 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

Joe Opron, Counsel, North American Securities Administrators Association

PRESENTERS:

*Macro-environment Overview: Fiscal Developments*

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

*International Derivatives Regulation*

- *Gary Gensler, Chairman, CFTC*
- *Mary Schapiro, Chairman, SEC*
- *Elisse Walter, Commissioner, SEC*
- *Robert Cook, Director, Division of Trading and Markets, SEC*

- *Jacqueline Mesa, Director, Office of International Affairs, CFTC*

#### *Access to Mortgage Credit*

- *Michael Stegman, Counselor, Housing Finance Policy, Treasury*
- *Darrin Benhart, Deputy Comptroller for Credit Risk, OCC*
- *Michael Polumbo, Associate Director, Research and Statistics, Federal Reserve*
- *Raj Date, Deputy Director, CFTC*
- *Mario Ugoletti, Special Advisor to the Director, FHFA*
- *Timothy Bowler, Deputy Assistant Secretary for Capital Markets, Treasury*

#### *Dodd-Frank Act Section 113 Authority to Designate Money Market Mutual Funds*

- *Scott Alvarez, General Counsel, Federal Reserve*
- *Mark Van Der Weide, Senior Associate Director, Division of Banking Supervision and Regulation, Federal Reserve*

#### *Council Governance*

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

### **Executive Session**

The Chairperson called the executive session of the meeting of the Financial Stability Oversight Council (Council) to order at approximately 10:02 A.M. (EST). He began by thanking SEC Chairman Schapiro for her service to the SEC and the Council, and welcoming SEC Commissioner Walter, who will replace Chairman Schapiro on the Council. The Chairperson also welcomed Eric Thorson, Inspector General of Treasury and Chairman of the Council of Inspectors General on Financial Oversight, who was observing the meeting.

He then outlined the meeting agenda, which had been previously distributed to the members together with copies of the resolutions and other materials. The agenda for the meeting included the following subjects: (1) fiscal developments; (2) international derivatives regulation; (3) access to mortgage credit; (4) authority under section 113 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) to designate money market mutual funds; (5) Council governance, including consideration of, and a vote on, a resolution approving the appointment of an Executive Director of the Council; and (6) consideration of, and a vote on, a resolution approving the minutes of the Council's meeting on December 3, 2012.

#### 1. Macro-environment Overview: Fiscal Developments Update

The Chairperson turned to the first agenda item and provided the Council with an update on current fiscal developments, including various possible paths for the ongoing fiscal negotiations. After the presentation, members of the Council asked questions and had a discussion.

#### 2. International Derivatives Regulation

The Chairperson then called on Gary Gensler, Chairman of the CFTC; Mary Schapiro, Chairman of the SEC; and Elisse Walter, Commissioner of the SEC, to give a presentation on international derivatives regulation. Robert Cook, Director of the Division of Trading and Markets at the

SEC, and Jacqueline Mesa, Director of the Office of International Affairs at the CFTC, were available to answer questions. Chairman Gensler and Chairman Shapiro noted the collaborative relationship between the CFTC and the SEC regarding international derivatives regulation. Chairman Gensler explained that the CFTC had completed 42 rules covering approximately 80 percent of the rules required of the CFTC by the Dodd-Frank Act. He said that among other topics, the CFTC's final rules cover mandatory clearing determinations, transparency and reporting requirements, and swap dealer registration. Chairman Schapiro explained that the SEC has been involved in several meetings with the leaders of the authorities in other countries responsible for regulation of over-the-counter derivatives markets and stated that these meetings have been very useful. Commissioner Walter also discussed international cooperation and next steps. After the presentation, members of the Council asked questions and had a discussion.

### 3. Access to Mortgage Credit

The Chairperson then introduced the agenda item regarding access to mortgage credit and asked Michael Stegman, Counselor for Housing Finance Policy at Treasury, to give the presentation. Darrin Benhart, Deputy Comptroller for Credit Risk at the OCC; Michael Polumbo, Associate Director of Research and Statistics at the Federal Reserve; Raj Date, Deputy Director of the CFTC; Mario Ugoletti, Special Advisor to the Director at the FHFA; and Timothy Bowler, Deputy Assistant Secretary for Capital Markets at Treasury, were available for questions. After Mr. Stegman gave a presentation, members of the Council asked questions and had a discussion.

### 4. Consideration of Dodd-Frank Act Section 113 Authority to Designate Money Market Mutual Funds

The Chairperson turned to the next agenda item and called on Scott Alvarez, General Counsel of the Federal Reserve, and Mark Van Der Weide, Senior Associate Director of the Division of Banking Supervision and Regulation at the Federal Reserve, to give the presentation. Section 113 of the Dodd-Frank Act authorizes the Council to designate a nonbank financial company for Federal Reserve supervision and enhanced prudential standards. Mr. Alvarez and Mr. Van Der Weide gave a presentation related to the applicability of Section 113 of the Dodd-Frank Act to designate money market mutual funds or their sponsors. After the presentation, members of the Council asked questions and had a discussion.

### 5. Council Governance

The Chairperson turned to the next agenda item, regarding Council governance, and asked Amias Gerety, Deputy Assistant Secretary for FSOC at Treasury, to provide an update. Mr. Gerety provided an update on recent developments since Council governance was last discussed at the Council's meeting on November 13, 2012. The Chairperson then presented to the Council the following resolution approving the appointment of Patrick Pinschmidt to serve as Executive Director of the Council.

*“WHEREAS, Section XXX.3 of the Rules of Organization of the Financial Stability Oversight Council (Bylaws) establishes the position of Executive Director of the Financial Stability Oversight Council (Council), whose duties are to advise and assist the Council in carrying out*

*its responsibilities under the Dodd-Frank Wall Street Reform and Consumer Protection Act, assist in providing general direction with respect to the administration of the Council's actions, assist in directing the activities of staff, and perform such other duties as the Chairperson may require;*

*WHEREAS, Section XXX.3(a)(2)(A) of the Bylaws authorizes the Chairperson to designate an individual to serve as Executive Director of the Council, subject to the Council approving by a majority vote of the voting members then serving the appointment of an individual to serve as Executive Director; and*

*WHEREAS, in order to assist in the conduct of business by the Council, the Chairperson recommends that the Council approve the appointment of Patrick Pinschmidt to serve as Executive Director of the Council.*

*NOW, THEREFORE, BE IT RESOLVED, that the Council hereby approves the appointment of Patrick Pinschmidt to serve as Executive Director of the Council, to serve until such time as he resigns or his appointment is terminated as Executive Director of the Council, he is no longer serving as an employee of the Department of the Treasury, or the Council approves the appointment of a new Executive Director of the Council, 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.

6. Resolution Approving the Minutes of the Meeting held on December 3, 2012

*"BE IT RESOLVED, by the Financial Stability Oversight Council (the "Council"), that the minutes attached hereto of the meeting held on December 3, 2012 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 asked for a motion to adjourn the meeting, and the Council voted to adjourn. The Chairperson adjourned the meeting at approximately 12:00 P.M. (EST).