

## Minutes of the Financial Stability Oversight Council

March 24, 2023

### PRESENT:

Janet L. Yellen, Secretary of the Treasury and Chairperson of the Financial Stability Oversight Council (Council)  
Jerome H. Powell, Chair, Board of Governors of the Federal Reserve System (Federal Reserve)  
Martin Gruenberg, Chairman, Federal Deposit Insurance Corporation (FDIC)  
Gary Gensler, Chair, Securities and Exchange Commission (SEC)  
Rostin Behnam, Chairman, Commodity Futures Trading Commission (CFTC)  
Rohit Chopra, Director, Consumer Financial Protection Bureau (CFPB)  
Sandra L. Thompson, Director, Federal Housing Finance Agency (FHFA)  
Michael J. Hsu, Acting Comptroller of the Currency, Office of the Comptroller of the Currency (OCC)  
Todd M. Harper, Chairman, National Credit Union Administration (NCUA)  
Thomas E. Workman, Independent Member with Insurance Expertise  
James Martin, Acting Director, Office of Financial Research (OFR), Department of the Treasury (non-voting member)  
Steven Seitz, Director, Federal Insurance Office (FIO), Department of the Treasury (non-voting member)  
Adrienne Harris, Superintendent, New York Department of Financial Services (non-voting member)  
Elizabeth K. Dwyer, Superintendent of Financial Services, Rhode Island Department of Business Regulation (non-voting member)  
Melanie Lubin, Securities Commissioner, Maryland Office of the Attorney General, Securities Division (non-voting member)

### GUESTS:

#### Department of the Treasury (Treasury)

Didem Nisanci, Chief of Staff  
Nellie Liang, Under Secretary for Domestic Finance  
Sandra Lee, Deputy Assistant Secretary for the Council  
Laurie Schaffer, Principal Deputy General Counsel  
Eric Froman, Assistant General Counsel (Banking and Finance)  
Sean Hoskins, Director of Policy, Office of the Financial Stability Oversight Council

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

Michael Barr, Vice Chair for Supervision  
Andreas Lehnert, Director, Division of Financial Stability

#### Federal Deposit Insurance Corporation

James McGraw, Senior Deputy Director, Division of Complex Institution Supervision and Resolution

Securities and Exchange Commission

Amanda Fischer, Chief of Staff

Commodity Futures Trading Commission

Rahul Varma, Acting Deputy Director, Division of Market Oversight

Consumer Financial Protection Bureau

Gregg Gelzinis, Advisor to the Director

Federal Housing Finance Agency

Joshua Stallings, Deputy Director, Division of Bank Regulation

Comptroller of the Currency

Jay Gallagher, Senior Deputy Comptroller for Supervision Risk and Analysis

National Credit Union Administration

Andrew Leventis, Chief Economist

Office of the Independent Member with Insurance Expertise

Charles Klingman, Senior Policy Advisor

Federal Reserve Bank of New York

John Williams, President

Dianne Dobbeck, Head of Supervision

Office of Financial Research

Sriram Rajan, Associate Director, Research and Analysis Center

Federal Insurance Office

Philip Goodman, Senior Insurance Regulatory Policy Analyst

New York Department of Financial Services

Karen Lawson, Executive Vice President for Policy and Supervision, Conference of State Bank Supervisors

Rhode Island Department of Business Regulation

Ethan Sonnichsen, Managing Director, National Association of Insurance Commissioners

Maryland Office of the Attorney General, Securities Division

Vincente Martinez, General Counsel, North American Securities Administrators Association

PRESENTERS:

*Update on Market Developments*

- *Julie Remache, Deputy System Open Market Account (SOMA) Manager and Head of Market and Portfolio Analysis, Markets Group, Federal Reserve Bank of New York*

- *Stephanie Curcuru, Deputy Director, Division of International Finance, Federal Reserve (available for questions)*

## **Executive Session**

The Chairperson called the executive session of the meeting of the Council to order at approximately 10:00 A.M. The Council convened by videoconference. The Chairperson began by outlining the meeting agenda, which had previously been distributed to the members together with other materials. The agenda for the executive session was an update on domestic and international financial market developments.

### **1. Update on Market Developments**

The Chairperson stated that she had convened this meeting so that Council members could share information about the latest financial market developments, both domestically and internationally. She said that the actions by Swiss authorities the previous weekend related to the acquisition of Credit Suisse by UBS had helped support financial stability and prevent the significant spillovers that could otherwise have occurred. She said that domestically, while some institutions had come under stress, the U.S. banking system remained sound and resilient. She stated that it was important to continue to monitor these stresses and consider what additional steps could be taken, if necessary.

The Chairperson then turned to Julie Remache, Deputy SOMA Manager and Head of Market and Portfolio Analysis in the Markets Group at the Federal Reserve Bank of New York. Ms. Remache discussed the financial market impact of recent stress in the banking sector stemming from the failures of Silicon Valley Bank (SVB) and Signature Bank and the acquisition of Credit Suisse by UBS. She said that asset price volatility had been elevated in 2023. She discussed recent swings in interest rates and a deterioration in Treasury market liquidity, although she noted that volatility and liquidity conditions had abated since the previous week. She stated that since the failure of SVB, equity valuations for some U.S. banks had remained significantly lower, and their credit default swap spreads had increased. She stated that while market participants expressed concerns about profitability and that valuations of U.S. banks had declined, they remained robust relative to banking sectors in other countries. She stated that banks appeared to have been able to access the liquidity they needed through the Federal Reserve's discount window or its recently created Bank Term Funding Program, or by borrowing from the Federal Home Loan Banks. She said that the actions taken by the official sector in both the United States and Switzerland had supported market confidence, although she noted that investor sentiment remained fragile. Addressing the potential impact on credit conditions of the stress in the banking sector, she noted that small and medium-sized banks accounted for a significant share of commercial real estate lending and of lending to small and mid-sized enterprises. She concluded by stating that the Federal Reserve would continue to monitor developments in financial markets; at small, regional, and large banks; and in funding markets.

The Chairperson stated that as market events unfolded in the coming days and weeks, it would be essential for Council members to continue to maintain open lines of communication. She said that she was again asking staff from all member agencies to closely monitor developments in

financial institutions and markets. She then invited Council members to provide updates on recent developments in their regulated institutions and markets.

Council members then had a discussion about recent market developments, including the responses of domestic and international regulators; factors contributing to the failure of SVB and Signature Bank, and the risk of contagion from those failures; the acquisition of Credit Suisse by UBS; the recent increase in government money market fund assets; the recent increase in advances by the Federal Home Loan Banks; information-sharing among Council member agencies; and potential evaluations regarding whether changes to supervisory or regulatory approaches may be appropriate.

The Chairperson adjourned the meeting at approximately 10:42 A.M.