

## Minutes of the Financial Stability Oversight Council

October 18, 2024

### 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) (via videoconference)  
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) (via videoconference)  
Adrienne Harris, Superintendent, New York State Department of Financial Services (non-voting member)  
Elizabeth K. Dwyer, Superintendent of Financial Services, Rhode Island Department of Business Regulation (non-voting member) (via videoconference)  
Melanie Lubin, Securities Commissioner, Maryland Office of the Attorney General, Securities Division (non-voting member) (via videoconference)

### 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  
Addar Levi, Acting General Counsel  
Eric Froman, Assistant General Counsel (Banking and Finance)  
Sean Hoskins, Director of Policy, Office of the Financial Stability Oversight Council  
Nicholas Steele, Director of Analysis, Office of the Financial Stability Oversight Council

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

Michael Barr, Vice Chair for Supervision (via videoconference)  
Andreas Lehnert, Director, Division of Financial Stability

#### Federal Deposit Insurance Corporation

Susan Baker, Corporate Expert, Division of Complex Institution Supervision and Resolution

Securities and Exchange Commission

Amanda Fischer, Chief of Staff

Commodity Futures Trading Commission

John Dunfee, Chief Counsel

Consumer Financial Protection Bureau

Gregg Gelzinis, Advisor to the Director

Federal Housing Finance Agency

George Sacco, Senior Analyst, Division of Housing Mission and Goals

Comptroller of the Currency

Jay Gallagher, Senior Deputy Comptroller for Supervision Risk and Analysis

National Credit Union Administration

Catherine Galicia, Chief of Staff

Office of the Independent Member with Insurance Expertise

Diane Fraser, Senior Policy Advisor

Federal Reserve Bank of New York

John Williams, President

Richard Crump, Financial Research Advisor, Macrofinance Studies

Office of Financial Research

Stacey Schreft, Deputy Director, Research and Analysis

Federal Insurance Office

Philip Goodman, Senior Insurance Regulatory Policy Analyst (via videoconference)

New York State 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 (NAIC) (via videoconference)

Maryland Office of the Attorney General, Securities Division

Vincente Martinez, General Counsel, North American Securities Administrators Association (via videoconference)

## PRESENTERS:

### *Banking and Commercial Real Estate Developments*

- *Jose Berrospide, Assistant Director, Division of Financial Stability, Federal Reserve*
- *Hein Bogaard, Economic Expert, Supervision Risk and Analysis, OCC*
- *Lauren Brown, Acting Associate Director, Division of Insurance and Research, FDIC (available for questions)*

### *FHFA Proposals Related to Federal Home Loan Banks*

- *Jack Phelps, Associate Director, Division of Bank Regulation, FHFA*
- *Joshua Stallings, Deputy Director, Division of Bank Regulation, FHFA*

### *Update on Short-Term Investment Vehicles*

- *Cam Fuller, Senior Policy Advisor, Office of the Financial Stability Oversight Council, Treasury*
- *Alexandra Somers, Senior Policy Advisor, Office of the Financial Stability Oversight Council, Treasury*
- *Adam Minson, Lead, Financial Sector Risk, Federal Reserve Bank of New York (available for questions)*
- *Angela Mokodean, Senior Special Counsel, Division of Investment Management, SEC (available for questions) (via videoconference)*
- *Phoebe Papageorgiou, Technical Expert for Asset Management Policy, OCC (available for questions)*

### *Update on Private Credit*

- *Catherine Aquilina, Policy Advisor, Office of the Financial Stability Oversight Council, Treasury*
- *Steve Flantsbaum, Branch Chief, Analytics Office, Division of Investment Management, SEC (via videoconference)*
- *Eric Kolchinsky, Director, Structured Securities Group, NAIC (via videoconference)*
- *Karen Shultz, Senior Policy Advisor, Office of the Financial Stability Oversight Council, Treasury*
- *Filip Zikes, Principal Economist, Financial Stability Assessment Section, Federal Reserve*

### *2024 Annual Report Update*

- *Sandra Lee, Deputy Assistant Secretary for the Council, Treasury*
- *Stefan Jacewitz, Assistant Vice President, Federal Reserve Bank of Kansas City*

## **Executive Session**

The Chairperson called the executive session of the meeting of the Council to order at approximately 2:00 P.M. 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 included (1) an update on banking and commercial real estate developments,

(2) an update on FHFA proposals related to the Federal Home Loan Banks, (3) an update on short-term investment vehicles, (4) an update on private credit, (5) an update on the Council's 2024 annual report, and (6) a vote on the minutes of the Council's meeting on September 20, 2024.

## 1. Banking and Commercial Real Estate Developments

The Chairperson introduced the first agenda item, an update on banking and commercial real estate (CRE) developments. She introduced Hein Bogaard, Economic Expert in Supervision Risk and Analysis at the OCC, and Jose Berrospide, Assistant Director in the Division of Financial Stability at the Federal Reserve, for the update.

Mr. Berrospide stated that the presentation would focus on the perspective of the Federal Reserve, OCC and FDIC regarding CRE and banking developments. He said that CRE fundamentals remained weak, particularly for office and multifamily properties. He noted that CRE prices had continued to decline, and vacancy rates were high and rising for office and multifamily properties. He said that CRE debt outstanding (including multi-family) was approximately \$6 trillion, with banks holding more than half of this debt, followed by insurance companies and commercial mortgage-backed security investors. He stated that delinquencies on CRE loans backed by office properties at the largest banks were elevated, but he noted that these banks' overall CRE exposure was relatively low. He said that CRE exposures of regional banks were higher than those of large banks, but their delinquency rates remained lower. He said that banks were managing CRE risks by increasing contractual provisions, modifying terms, and tightening loan standards. He said that share prices of banks with high CRE exposures had underperformed relative to less-exposed banks. He stated that industry reports indicated that approximately \$1 trillion in CRE loans would mature annually between 2024 and 2027, with approximately 10 percent of the maturing loans backed by offices.

Mr. Berrospide stated that banks' profitability remained steady, and the system remained well-capitalized. He noted that bank liquidity remained adequate for most banks, and he said that the industry had modestly reduced its reliance on uninsured deposits. He stated that supervisors had emphasized the importance of banks enhancing operational and financial resilience.

Mr. Bogaard stated that bank earnings were steady and that capital ratios had increased in recent quarters. He noted that net interest margins had compressed in recent quarters, as higher interest revenues were outpaced by higher funding costs. He stated that banks had continued to report satisfactory regulatory capital ratios. He stated that the recent decline in long-term interest rates should provide some relief for banks with high unrealized losses on security holdings. He said that non-performing loan ratios generally remained below historical levels, but that those for credit cards and CRE loans had increased in recent quarters. He said that deposits, after rising substantially early in the pandemic, had declined by \$1.1 trillion from their peak in the first quarter of 2022 and were up slightly year over year. He stated that brokered and non-brokered reciprocal deposits had been growing as total deposits had contracted.

Mr. Bogaard stated that banks and regulators had worked to improve the industry's resilience to market volatility and operational risk. He noted that since March 2023, banks had pledged over

\$1 trillion in additional collateral to the Federal Reserve discount window. He noted that idiosyncratic events including hurricanes, cyber threats, and third-party service disruptions had underscored the importance of operational resilience planning. He said, in conclusion, that the economic and competitive environment was challenging for the banking industry, but that banks were reasonably well equipped to be resilient in this environment.

Following the presentation, the Chairperson stated that CRE remained a key vulnerability, with vacancy rates continuing to deteriorate for office and multifamily properties, and risks for bank CRE loans remaining high. She said that it was important for member agencies to continue to evaluate existing loss-mitigation options and to pay attention to banks with higher CRE concentrations. She said that operational resilience was also a key priority, and she expressed her support for the continued work of the banking agencies to analyze and address the risks posed to the financial system by third-party service providers, in addition to risks arising from cyber-related and other idiosyncratic events.

Council members then had a discussion about CRE and banking risks, including unrealized losses, reliance on uninsured deposits, and the CRE exposures of smaller banks and credit unions.

## 2. FHFA Proposals Related to Federal Home Loan Banks

The Chairperson then turned to the second agenda item, an update on recent FHFA initiatives related to the Federal Home Loan Banks (FHLBs). She introduced Joshua Stallings, Deputy Director in the Division of Bank Regulation at the FHFA, and Jack Phelps, Associate Director in the Division of Bank Regulation at the FHFA, for the update.

Sandra Thompson, Director of the FHFA, provided comments before the update. She said that last year, the FHFA had completed a year-long review of the Federal Home Loan Bank System (FHLB System). She said that the FHFA's primary goal was to ensure that the FHLB System would be well-positioned to fulfill its mission in the future. She noted that in November 2023, the FHFA issued a report, *FHLBank System at 100: Focusing on the Future*, which detailed both strengths and areas for improvement in the FHLB System's current structure. She stated that one of the major themes of the report was the need to strengthen the connection between the FHLBs' role as both a provider of liquidity and their obligation, as government-sponsored entities, to support the housing and community development activities of their members. She said that over time, the FHLB System's connection to the housing part of its mission had become less direct. She stated that the FHFA was working to refocus the FHLBs to strengthen their participation in housing-related activities, while also working to ensure that the FHLBs continue to fulfill their function as a reliable source of liquidity for their members, especially during times of market stress.

Director Thompson stated that in the presentation, her staff would discuss two of the FHFA's most recent publications, an advisory bulletin on credit risk management and a proposed rule that would update the FHLBs' investment options to allow them more flexibility to meet members' late-day advance demands. She also noted other FHFA efforts underway, including to simplify requirements associated with the FHLBs' Affordable Housing Programs, and to improve the

value proposition of membership in the FHLB System for non-depository community development financial institutions.

Director Thompson stated that as the one-year anniversary of the FHFA report on the FHLB System approached, the FHFA continued to focus on implementing recommended actions in the report. She said that the FHFA appreciated the partnership of the regulatory agencies with oversight of the FHLB membership.

Following Director Thompson's remarks, Mr. Stallings stated that the FHFA was continuing its work to ensure that the FHLBs remain a safe source of liquidity. He said that the FHFA had issued an advisory bulletin in September 2024 memorializing the FHFA's longstanding expectation that an FHLB's underwriting and credit decisions should be based on a member's financial condition and not rely solely on collateral. He said that the advisory bulletin communicated expectations that FHLB lending activities should be conducted in a responsible manner and that the bulletin reinforced a comprehensive approach to credit risk management. He stated that the advisory bulletin sought to ensure that the FHLBs remain a reliable source of liquidity for members, particularly for small community-based organizations. He said that the advisory bulletin also promoted appropriate collaboration by the FHLBs with Federal Reserve Banks and primary regulators when engaging with troubled members. He said that in some scenarios, the FHLBs can receive assurance from the FHFA permitting continued activity with a troubled member. He said that this would occur following communication between the FHFA and primary regulators. He then discussed the framework components of the advisory bulletin, including credit risk governance, member credit assessment, and monitoring of credit conditions, and its approach to engaging with troubled members, which involves escalation, coordination, and default management.

Mr. Phelps then noted that the FHFA had issued a notice of proposed rulemaking in October 2024 that would expand the FHLBs' ability to invest in interest-bearing deposit accounts (IBDAs). He said that the proposal was intended to align counterparty limits for IBDAs with overnight federal fund sales. He also noted that the proposal was intended to modernize the FHFA's regulatory approach in this area, with the goal of treating products with similar characteristics identically. He stated that the FHFA was in ongoing dialogue with the Federal Reserve to standardize the relationship across the FHLB and Federal Reserve Systems.

Following the presentation, the Chairperson stated that the FHLBs play an important role in providing liquidity and supporting housing finance. She said that the banking stress in 2023 highlighted the importance of efforts to evaluate how liquidity is provided in the financial system. She noted that the FHFA initiatives discussed intersect with the authorities of several Council member agencies, and impact many of the entities they supervise. She said that the Council would continue to closely monitor and revisit this topic.

Council members then had a discussion about the FHFA advisory bulletin, including its discussion of communication and coordination in engagements with troubled members, and its statements on interagency cooperation regarding operational readiness, in order to facilitate FHLB member borrowing through the Federal Reserve Banks.

### 3. Update on Short-Term Investment Vehicles

The Chairperson then introduced the third agenda item, an update on short-term investment vehicles (STIVs). She turned to Cam Fuller, Senior Policy Advisor in the Office of the Financial Stability Oversight Council at Treasury, and Alexandra Somers, Senior Policy Advisor in the Office of the Financial Stability Oversight Council at Treasury, for the update.

Ms. Fuller stated that short-term wholesale funding markets are critical to the broader financial system and have been an area of focus for the Council. She noted that the Council's 2023 annual report recommended that member agencies examine resiliency in these markets, including evaluating investment vehicles with similarities to money market funds (MMFs). She said that, in advance of the SEC's implementation of reforms of prime MMFs, the Council's staff-level Systemic Risk Committee had established a STIV analytical team to analyze potential financial stability risks associated with vehicles that share many structural characteristics with MMFs but are not subject to the SEC's MMF regulations. She said that this review encompassed five types of STIVs: local government investment pools (LGIPs); offshore U.S. dollar MMFs; bank-sponsored short-term investment funds (STIFs); private liquidity funds; and ultra-short bond funds.

Ms. Fuller stated that staff had found that these types of STIVs share features that can contribute to systemic risk. She noted that STIVs have structural characteristics that may amplify first-mover advantage. She said that STIVs are subject to liquidity mismatch, where ownership interests can be redeemed faster than the assets they hold can be converted to cash. She stated that there is heterogeneity across STIV structures, with differences among their investor bases and the propensity of those investor bases to run that may mitigate some vulnerabilities. She stated that these first-mover dynamics are particularly applicable to vehicles that have a stable net asset value (NAV) and invest in credit-sensitive assets. She said that ultra-short bond funds are the only vehicle reviewed by the team that does not operate with a stable NAV.

Ms. Fuller explained the aggregate assets under management of various types of STIVs, including prime-like STIVs. She said that STIVs are significant funding providers in critical short-term debt markets. She said that STIVs have faced heavy investor redemptions during periods of stress. She stated that the resulting withdrawals from funding markets can contribute to financial instability, as demonstrated by prime MMFs. She stated that staff had also identified certain data gaps and data limitations that make sizing and monitoring of STIVs challenging.

Ms. Fuller stated that during periods of stress, the rising possibility of losses in a stable NAV structure could prompt investor concerns and redemptions. She said that the resulting sales to meet investor redemptions can lead to a liquidity spiral, whereby funds sell assets and realize losses to meet redemptions, which further increases redemption pressures and results in additional sales. She said that this spiral can impair market functioning and strain markets for short-term instruments.

Ms. Somers then further described the analytical team's findings regarding the size of the STIV industry and its growth. She said that, in contrast to the MMF industry, most STIVs are invested in assets with credit sensitivity. She stated that the assets under management of prime

institutional MMFs had declined since the end of 2023 to approximately \$330 billion in advance of the SEC's MMF reform implementation. She also noted that the majority of prime-like STIVs operate with a fixed NAV, which she said can amplify first-mover dynamics and was no longer permitted in prime institutional MMFs.

Ms. Somers stated that two key considerations when determining the potential materiality of financial stability risks are funds' share of the overall market and secondary liquidity in the markets in which they operate. She said that the analytical team reviewed STIVs' market footprint in the commercial paper market, where there is very limited secondary market liquidity, and found that STIVs make up a large percentage of the commercial paper investor base. She said that stress in these fund structures could spill over to broader commercial paper markets. She stated that the potential impact of stressed asset sales is most acute for LGIPs and offshore MMFs, which collectively represent 36 percent of the market. She said that STIVs facing heavy redemptions may withdraw from primary markets in order to preserve liquidity. She said that this reduction in credit provision can negatively impact the ability of commercial paper market participants to meet their near-term funding needs.

Ms. Somers stated that the analytical team reviewed instances where STIVs faced sizable redemptions and experienced distress over the past several decades. She said that the team found several instances of STIV distress in the 1990s and during the 2008 financial crisis. She said that while the team was unaware of any STIV closures or liquidations in March 2020, these vehicles experienced heavy redemptions and benefited from the overall market stabilization provided by the Federal Reserve's emergency facilities. She stated that there was evidence of first-mover dynamics occurring in offshore MMFs. She noted that offshore low-volatility NAV MMFs experienced heavy outflows, which accelerated as funds approached the threshold where they would be required to convert from a fixed NAV to a floating NAV.

Ms. Somers stated that the analytical team identified certain data gaps and data-sharing issues that partly limited its analysis of certain products and complicates monitoring of STIVs. She noted that there is no consolidated information readily available about LGIP size and portfolio composition. She noted that certain STIF assets are sponsored by state-chartered trust companies but that there is no consolidated reporting on the size and composition of these STIFs.

Ms. Somers said that the findings from the analytical team's review were expected to be highlighted in the Council's 2024 annual report.

Following the presentation, the Chairperson stated that the analytical team's work underscored that STIVs are sizeable, have a significant role in unsecured funding markets, and could amplify financial stability risks during periods of stress. She expressed her support for staff's ongoing efforts to assess the financial stability implications of these products and consider how to enhance the resilience of this sector.

Council members then asked questions and had a discussion regarding risks arising from STIVs, their market size, and potential areas for further focus among Council member agencies.



#### 4. Update on Private Credit

The Chairperson then introduced the fourth agenda item, an update on private credit. She turned to Karen Shultz, Senior Policy Advisor in the Office of the Financial Stability Oversight Council at Treasury; Catherine Aquilina, Policy Advisor in the Office of the Financial Stability Oversight Council at Treasury; Steve Flantsbaum, Branch Chief of the Analytics Office in the Division of Investment Management at the SEC; Eric Kolchinsky, Director of the Structured Securities Group at the NAIC; and Filip Zikes, Principal Economist in the Financial Stability Assessment Section of the Federal Reserve for the presentation.

Ms. Shultz stated that the Council's 2023 annual report highlighted the growth of private credit as a vulnerability, noting that the extent to which private credit poses financial stability risks remained uncertain, due in part to the opacity of the market. She said that staff had presented at the Council meeting in May 2023, highlighting several areas where opacity makes it challenging to assess the build-up of risks in this market. She stated that these areas include varying levels of transparency regarding private credit funds and business development companies, as well as limited public information on borrower fundamentals. She said that staff had also highlighted increasing interconnections with banks and insurance companies as a key area of concern, given the difficulties in measuring and mapping these relationships. She said that staff had worked to better understand the data available to regulators and to identify data gaps that hinder efforts to identify and monitor financial stability risks.

Ms. Aquilina stated that agencies' view into the private credit market is limited. She said that each available data source provides information on only a particular segment of the market. She stated that it is challenging to combine data sets to develop a better picture of the market, and she noted that, even when data sets are combined, significant gaps remain that make it difficult to fully assess and monitor vulnerabilities in the sector. Ms. Aquilina stated that regulators have limited information regarding fund-level performance, due to the limited data on funds' portfolio companies and lack of transparency regarding valuation practices. She said that it is necessary, but challenging, to survey multiple datasets to understand the interconnections between private credit funds, business development companies, banks, and insurers. She said that regulatory reporting forms, such as the Federal Reserve's FR Y-14 and the SEC's Form PF, provide certain useful information, but she noted that it is difficult to identify private credit funds or private debt instruments within the data.

Mr. Kolchinsky stated that insurance companies had been increasing their exposure to illiquid assets, including private credit, over the last few years. He noted that insurers hold private credit loans on their balance sheets, invest in private credit funds as limited partners, and provide credit facilities to private credit funds. He stated that the influence of private equity firms appeared to be affecting the business decisions of traditional insurers, some of which he noted also established offshore captive reinsurers, bought private credit providers, or were moving into illiquid or more complex assets in search of yield. He said that the NAIC's annual financial statements provide the clearest view into some of the insurance interconnections with private credit. He said that insurance companies are required to file annual statements with the NAIC,

which detail each of their investments. He said that because there is no central definition of private credit, it is difficult to evaluate aggregate private credit exposure.

Mr. Zikes then discussed the interconnections of private credit funds with banks, which he said typically arise through loans. He said that banks had been active in extending credit to private credit funds and business development companies. He said that no available data provides a complete picture of bank lending to the industry, and he noted the difficulty of identifying private credit funds in supervisory data. He stated that data gaps and limitations make it difficult to fully understand how shocks to private credit could affect banks, which he noted are exposed to private credit directly as well as indirectly through nonbank financial institutions. He said that data on bank loans to private credit can be gleaned from multiple quarterly data sources. He noted that OCC and FDIC quarterly call reports address lending to private credit under the broader non-depository financial institution segment, which he noted does not enable identification of loans to different types of these institutions, such as private credit funds. He also noted that the Federal Reserve's quarterly FR Y-14Q report addresses lending to private credit firms and to borrowers that also borrow from large banks. He noted, however, that private credit firms and private credit borrowers are not explicitly identified in the data. He stated that SEC Form PF identifies borrowing from depository institutions for some funds but that private credit funds are not explicitly identified in the data.

Mr. Zikes stated that given the considerable challenges in identifying and evaluating the connections between banks and private credit firms in supervisory data, staff at the Federal Reserve and the OFR were conducting data-matching exercises to combine supervisory data with commercial databases. He said that this analysis provides a more accurate measurement of the exposure of banks to private credit and a better sense of the interconnectedness between funds and other financial institutions. He said that the OFR's Joint Analysis Data Environment (JADE) platform could help advance the data-matching work.

Mr. Zikes stated that the banking agencies and the SEC had implemented, or were in the process of implementing, reporting requirement changes that should better illustrate the interconnections among banks, private credit, and other nonbank financial institutions. First, he stated that, under the proposed amendments to the Federal Reserve's Form FR Y-14, Schedule H.1, firms would be required to report additional financial information about their nonbank financial institution borrowers, including total assets, total debt, capital expenditure, and net income of the borrower. He said that firms would also need to identify their nonbank financial institution borrowers by entity type, such as credit fund, broker-dealer, or special purpose entity. He stated that the proposed changes would also provide more detailed information on loan covenants, collateral, and fees. He said that the proposed amendments would provide more accurate and broader information on private credit firms. He noted that the Federal Reserve had invited public comments on the proposed changes in June. Turning to OCC and FDIC changes to call reports, he said that firms would be required to report additional information on loans to nonbank financial institutions, such as disaggregating the category of loans into five new categories, including private equity funds, but not private credit funds.

Mr. Flantsbaum then noted challenges in identifying private credit funds in Form PF data. He said that recently adopted amendments to Form PF would require certain types of funds reporting

on Form PF to disclose their investment strategies, including private credit. He said that this new visibility into investment strategies should enable better identification of private credit-focused funds. He stated that it would also enhance visibility into certain characteristics of these funds. He noted that the amendments became effective in June 2024 for certain categories of reporting funds and would become effective in March 2025 for certain other funds. He said that an initial set of reporting should become available in the summer of 2025.

Ms. Shultz stated that staff anticipated using the OFR's JADE platform to further analyze the data. She said that transitioning this work into a shared environment would allow member agencies to pool resources and work collaboratively on data-matching efforts, reducing the duplication of work across agencies and enabling more effective analysis. She stated that this work would benefit member agencies that do not have the resources independently to complete the analysis and would enhance the Council's monitoring of the sector.

Ms. Aquilina stated that, following the implemented and proposed regulatory reporting form changes, staff would evaluate additional data as it becomes available. She noted that large data gaps would remain. She said that while the risks of the private credit sector currently appeared contained, the opacity of the sector and its growing interconnections with financial institutions demonstrated the importance of continued monitoring.

Following the presentation, the Chairperson stated that there had been questions about whether material financial vulnerabilities are present in the private credit sector, and she noted that those questions had become more pressing recently as the market had grown and evolved in ways that could increase risks to financial stability. She said that she was concerned in particular about the potential increases in liquidity risks, leverage, and interconnectedness with other parts of the financial system. She noted that member agencies' analysis had been hampered by the lack of transparency regarding private credit funds and their lending activities. She stated that she welcomed the focus on improving the Council's ability to assess potential financial stability risks in this market, particularly through the workstream's efforts to identify data gaps and to create a private credit data inventory. She said that she also supported member agencies' efforts on data collection and collaboration to assess evolving risks in this area. Finally, she welcomed the recommendation to use the OFR's JADE platform to enhance the Council's monitoring of this market.

Council members then asked questions and had a discussion regarding the growth of the private credit market, its interconnections with the financial system, the scope of available data, and risks arising from this sector.

## 5. 2024 Annual Report Update

The Chairperson then introduced the fifth agenda item, an update on the Council's 2024 annual report. She turned to Sandra Lee, Deputy Assistant Secretary for the Council at Treasury, and Stefan Jacewitz, Assistant Vice President at the Federal Reserve Bank of Kansas City, for the update.

Mr. Jacewitz provided an update on the process and timeline for the development of the annual report, and described some potential recommendations that may appear in the report.

Council members discussed potential vulnerabilities and recommendations that may appear in the report and the timeline for issuing the report.

6. Resolution Approving the Minutes of the Meeting Held on September 20, 2024

*BE IT RESOLVED, by the Financial Stability Oversight Council (Council), that the minutes attached hereto of the meeting held on September 20, 2024 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 3:55 P.M.