

## Minutes of the Financial Stability Oversight Council

Held February 13, 2014

### PRESENT:

Jack 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)  
Mark P. Wetjen, Acting Chairman, Commodity Futures Trading Commission (CFTC)  
Richard Cordray, Director, Consumer Financial Protection Bureau (CFPB)  
Melvin Watt, 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

Christopher J. Meade, 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, Special Advisor to the Chairman for Supervisory Matters

#### Securities and Exchange Commission

Jennifer B. McHugh, Senior Advisor to the Chair

#### Commodity Futures Trading Commission

Scott Reinhart, Co-Chief of Staff and Co-Chief Operating Officer

Consumer Financial Protection Bureau  
Steven Antonakes, 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

Office of Financial Research  
Patricia Mosser, Deputy Director for Research and Analysis

Federal Insurance Office  
John Nolan, Deputy Director (Financial Stability)

Louisiana Office of Financial Institutions  
James Cooper, 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:

*Nonbank Financial Company Designations*

- *Felton Booker, Senior Advisor, Banking Supervision & Regulation, Federal Reserve*
- *John Nolan, Deputy Director (Financial Stability), Federal Insurance Office*
- *Todd Cohen, Policy Advisor, Treasury*
- *Diane Fraser, Senior Policy Advisor, Office of the Independent Member with Insurance Expertise*

### *2014 Annual Report*

- *João Santos, Vice President and Function Head, Federal Reserve Bank of New York*
- *Trent Reasons, Senior Policy Advisor, Treasury*

### *Markets Update*

- *Matthew Rutherford, Assistant Secretary for Financial Markets, Treasury*
- *Nellie Liang, Director, Office of Financial Stability Policy and Research, Federal Reserve*

### *Update on International Association of Insurance Supervisors (IAIS) Processes*

- *Michael McRaith, Director, Federal Insurance Office*

## **Executive Session**

The Chairperson called the executive session of the meeting of the Council to order at approximately 1:10 P.M. (EST). The Council convened by teleconference due to a weather-related closure of federal offices in the Washington, D.C. area. He began by welcoming Chair Janet Yellen of the Federal Reserve, who was attending her first Council meeting as Chair of the Federal Reserve. He then outlined the meeting agenda, which had been previously distributed to the members together with copies of the resolution and other materials. The agenda for the meeting included the following subjects: (1) nonbank financial company designations; (2) the Council's 2014 annual report; (3) a markets update; (4) an update on the work of the IAIS; and (5) consideration of, and a vote on, a resolution approving the minutes of the Council's meeting on January 9, 2014.

### 1. Nonbank Financial Company Designations

The Chairperson introduced the first agenda item, an update on the ongoing analysis of a nonbank financial company that the Council previously had advanced to stage 3 of the designations process. Felton Booker, Senior Advisor at the Federal Reserve, provided an update. Diane Fraser, Senior Policy Advisor in the Office of the Independent Member; John Nolan, Senior Advisor in the Federal Insurance Office at Treasury; and Todd Cohen, Policy Advisor at Treasury, were available to answer questions. The members of the Council then had a discussion.

### 2. 2014 Annual Report

The Chairperson then turned to the next agenda item, regarding plans for the Council's 2014 annual report to Congress, and asked João Santos, Vice President and Function Head at the Federal Reserve Bank of New York, and Trent Reasons, Senior Policy Advisor at Treasury, to give a presentation. Mr. Santos and Mr. Reasons provided an overview of the current progress on the development of the report, and potential timing for its release. They also presented on items that could be identified in the report as potential emerging threats to U.S. financial stability, including revisiting some of the items that were addressed in the Council's 2013 annual report in light of subsequent market developments. After the presentation, members of the Council asked questions and discussed, among other things, issues related to interest rate risk, data gaps related to short-term funding markets, data standards, and monitoring evolving

practices in the financial system. The Council also provided guidance to staff on potential emerging threats to include in subsequent drafts of the annual report.

### 3. Markets Update

The Chairperson turned to the next agenda item, a discussion of the current market environment, including the U.S. fiscal situation, municipal markets, and emerging market developments. The Chairperson began the discussion by noting that Congress had recently passed a suspension of the U.S. debt limit until March 16, 2015. He then called on Matt Rutherford, Assistant Secretary for Financial Markets at Treasury, to give a presentation. Mr. Rutherford presented on recent developments in municipal markets and emerging markets. Nellie Liang, Director, Office of Financial Stability Policy and Research at the Federal Reserve, then presented on the level of exposure of financial institutions to emerging markets. After the presentation, members of the Council asked questions and had a discussion, including regarding the importance of Council members sharing information regarding any potential risks to U.S. financial stability that could arise from municipal markets or emerging markets.

### 4. IAIS Update

The Chairperson then introduced the next agenda item, an update on the work of the IAIS. The Chairperson noted that the IAIS has been engaged in significant standard-setting work. He introduced Michael McRaith, Director of the Federal Insurance Office, to discuss the progress of the IAIS's efforts and its work to come. Mr. McRaith described the IAIS's ongoing efforts to develop an assessment methodology to identify global systemically important insurers (G-SIIs) and the work the IAIS has undertaken to identify G-SIIs.

### 5. Resolution Approving the Minutes of the Meeting held on January 9, 2014

*“BE IT RESOLVED, by the Financial Stability Oversight Council (the “Council”), that the minutes attached hereto of the meeting held on January 9, 2014 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 2:57 P.M. (EST).