

Minutes of the Financial Stability Oversight Council

Held February 4, 2015

PRESENT:

Jacob J. 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)
Timothy Massad, Chairman, Commodity Futures Trading Commission (CFTC)
Richard Cordray, Director, Consumer Financial Protection Bureau (CFPB)
Melvin Watt, Director, Federal Housing Finance Agency (FHFA)
Thomas J. Curry, Comptroller of the Currency, Office of the Comptroller of the Currency (OCC)
Debbie Matz, Chairman, National Credit Union Administration (NCUA)
Roy Woodall, Independent Member with Insurance Expertise
Richard Berner, Director, Office of Financial Research (OFR), 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)
Adam Hamm, Commissioner, North Dakota Insurance Department (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

Sarah Bloom Raskin, Deputy Secretary of the Treasury
Christopher J. Meade, General Counsel
Patrick Pinschmidt, Deputy Assistant Secretary and Executive Director of the Council

Board of Governors of the Federal Reserve System

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

Lona Nallengara, Chief of Staff

Commodity Futures Trading Commission

Lawranne Stewart, Special Counsel

Consumer Financial Protection Bureau
Steven Antonakes, Deputy Director

Federal Housing Finance Agency
Mario Ugoletti, Special Advisor to the Director

Comptroller of the Currency
Jennifer Kelly, Senior Deputy Comptroller for Bank Supervision Policy and Chief National Bank Examiner

National Credit Union Administration
John Worth, Chief Economist

Office of the Independent Member with Insurance Expertise
Chris Ledoux, Senior Advisor

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

Federal Insurance Office
Steven Seitz, Acting Deputy Director (Financial Stability)

Louisiana Office of Financial Institutions
Margaret Liu, Senior Vice President, Conference of State Bank Supervisors

North Dakota Insurance Department
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
Christopher Staley, Counsel, North American Securities Administrators Association

Executive Session

The Chairperson called the executive session of the meeting of the Council to order at approximately 3:08 P.M. (EST). The meeting was conducted by telephone. The Chairperson 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 meeting included the following subjects: (1) extension of the comment period for the Council's Federal Register notice seeking public comment on asset management products and activities; and (2) the Council's process for considering nonbank financial companies for potential designation.

1. Extension of the Comment Period for the Council's Federal Register Notice Seeking Public Comment on Asset Management Products and Activities

The Chairperson noted that the Council had received numerous requests asking the Council to extend the public comment period for its Federal Register notice seeking comment on potential

risks to U.S. financial stability from asset management products and activities. The Council had voted to approve the notice at its meeting on December 18, 2014, and comments on the notice were required to be submitted by February 23, 2015.

The Chairperson said he supported extending the comment period and asked whether there were any questions or concerns. Hearing none, he presented to the Council the following resolution regarding the extension of the comment period.

“WHEREAS, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “DFA”) established the Council to identify risks to the financial stability of the United States, promote market discipline, and respond to emerging threats to the stability of the U.S. financial system; and

WHEREAS, over the past year the Council has been engaged in work to analyze risks associated with the asset management industry and whether any such risks could affect U.S. financial stability; and

WHEREAS, the Council is evaluating industry-wide products and activities to assess potential risks associated with the asset management industry; and

WHEREAS, certain areas of interest have been identified as warranting further review and analysis, particularly whether risks associated with liquidity and redemptions, leverage, operational functions, and resolution in the asset management industry could affect U.S. financial stability; and

WHEREAS, on December 18, 2014, the Council approved the “Notice Seeking Comment on Asset Management Products and Activities” (the “Notice”) and the publication of the Notice in the Federal Register and on the Council’s website;

WHEREAS, comments on the Notice were required to be submitted no later than February 23, 2015; and

WHEREAS, to allow the public more time to review, consider, and comment on the Notice, the Council believes it is appropriate to extend the comment period for the Notice.

NOW, THEREFORE, BE IT RESOLVED, that the Council hereby approves the extension of the comment period for the Notice until March 25, 2015, and authorizes the Chairperson, or his designee, to cause notice of such extension to be published in the Federal Register and on the Council’s website, in a form and manner acceptable to the Chairperson or his designee, and to otherwise make it available to the public as the Chairperson deems appropriate.

BE IT FURTHER RESOLVED, that the Council hereby delegates authority to the Chairperson, or his designee, to take such other actions and issue such other documents incident and related to the foregoing as they may deem necessary or appropriate to fulfill the Council’s objectives in connection with the publication of the notice of the extension of the comment period for the Notice.”

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

2. Supplemental Procedures Relating to Nonbank Financial Company Determinations

The Chairperson then introduced the next agenda item, supplemental procedures relating to the Council's nonbank financial company designations process. The Chairperson noted that the Council heard a detailed presentation at its open meeting on January 21, 2015, on outreach to stakeholders regarding the nonbank designations process and the changes to that process proposed by staff.

The Chairperson then noted that based on the Council's discussion of this issue at its previous meeting, he proposed that the Council proceed to a vote on the supplemental procedures. After a discussion among members of the Council, the Chairperson presented to the Council the following resolution.

"WHEREAS, section 113 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "DFA") authorizes the Financial Stability Oversight Council (the "Council") to determine that a nonbank financial company shall be supervised by the Board of Governors of the Federal Reserve System (the "Federal Reserve") and shall be subject to enhanced prudential standards if the Council determines that material financial distress at the nonbank financial company, or the nature, scope, size, scale, concentration, interconnectedness, or mix of the activities of the nonbank financial company, could pose a threat to the financial stability of the United States; and

WHEREAS, the Council issued a final rule and accompanying interpretive guidance (the "Rule and Guidance"), codified at 12 C.F.R. Part 1310, that describes the criteria and the processes and procedures by which the Council will determine that a nonbank financial company shall be supervised by the Federal Reserve and shall be subject to enhanced prudential standards under the DFA; and

WHEREAS, the Rule and Guidance describes a three-stage process that the Council expects to use for evaluating a nonbank financial company prior to a Council vote on a proposed determination; and

WHEREAS, the Council has received recommendations from a number of companies, trade associations, public interest organizations, and members of Congress and their staffs regarding the Council's process relating to nonbank financial company determinations;

WHEREAS, the Council has conducted a review of its practices related to the evaluation of nonbank financial companies under section 113 of the DFA; and

WHEREAS, the staffs of the Council Members and their Agencies have prepared the attached "Supplemental Procedures Relating to Nonbank Financial Company Determinations" (the

“Supplemental Procedures”), which supplement the processes and procedures set forth in the *Rule and Guidance*; and

WHEREAS, the staffs of the Council Members and their Agencies also have prepared the attached *“Notice of Document Availability”* (the *“Notice”*) to be published in the *Federal Register* regarding the publication of the Supplemental Procedures on the Council’s website; and

WHEREAS, the Council’s evaluation of nonbank financial companies is supported by the Council’s *Nonbank Financial Company Designations Committee* (the *“Nonbank Designations Committee”*), which is overseen by the Council’s *Deputies Committee*; and

WHEREAS, the Supplemental Procedures provide for the *Deputies Committee* to instruct the *Nonbank Designations Committee* to form an analytical team to commence an active review of a nonbank financial company in Stage 2 of the Council’s process for evaluating nonbank financial companies for potential determination; and

WHEREAS, under the Supplemental Procedures, the Council will notify a nonbank financial company after the *Deputies Committee* instructs the *Nonbank Designations Committee* to form an analytical team to commence an active review of a company in Stage 2.

NOW, THEREFORE, BE IT RESOLVED, that the Council hereby approves and adopts the Supplemental Procedures;

BE IT FURTHER RESOLVED, that the Council hereby delegates authority to the *Deputies Committee* to instruct the *Nonbank Designations Committee* to form an analytical team to commence an active review of a nonbank financial company in Stage 2;

BE IT FURTHER RESOLVED, that the Council hereby delegates authority to the *Deputies Committee* to notify a nonbank financial company that comes under active review in Stage 2, and to take such other actions as the *Deputies Committee* may deem necessary or appropriate for the purpose of evaluating nonbank financial companies in accordance with the Supplemental Procedures;

BE IT FURTHER RESOLVED, that the Council hereby approves the Notice and authorizes the Chairperson, or his designee, to cause the Notice to be published in the *Federal Register*, in a form and manner acceptable to the Chairperson or his designee, 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 Supplemental Procedures and to the Notice to ensure that the Council can issue and publish the Supplemental Procedures on the Council’s website and publish the Notice in the *Federal Register*, and to take such other actions and issue such other documents incident and related to

the foregoing as they deem necessary or appropriate to fulfill the Council's objectives in connection with such publication."

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 3:22 P.M. (EST).