

Minutes of the Financial Stability Oversight Council

Held July 31, 2014

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, 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

Sarah Bloom Raskin, Deputy Secretary
Mary J. Miller, Under Secretary for Domestic Finance
Christopher J. Meade, General Counsel
Patrick Pinschmidt, Deputy Assistant Secretary and Executive Director of the Council

Board of Governors of the Federal Reserve System

Daniel K. Tarullo, Governor

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, Senior Counsel

Consumer Financial Protection Bureau
Steve Antonakes, Deputy Director

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

Comptroller of the Currency
John Lyons, Senior Deputy Comptroller 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

Federal Reserve Bank of New York
William Dudley, President and Chief Executive Officer (via telephone)

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
Michael 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
Joseph Brady, General Counsel, North American Securities Administrators Association

PRESENTERS:

Asset Management Update

- *Patrick Pinschmidt, Deputy Assistant Secretary and Executive Director of the Council*
- *Jon Hertzke, Assistant Director, Division of Investment Management, Risk and Examinations Office, SEC*
- *Lyndsay Huot, Senior Policy Advisor, Treasury*
- *Jim Hodder, Financial Economist, SEC*
- *David Aikman, Advisor, Federal Reserve*
- *Nellie Liang, Director, Office of Financial Stability Policy and Research, Federal Reserve*

Annual Reevaluations of Designated Nonbank Financial Companies

- *Todd Cohen, Policy Advisor, Treasury*

Nonbank Financial Company Designations Stage 3 Analysis Update

- *Todd Cohen, Policy Advisor, Treasury*
- *Felton Booker, Senior Advisor, Banking Supervision and Regulation, Federal Reserve*
- *Diane Fraser, Senior Policy Advisor, Office of the Independent Member with Insurance Expertise*
- *John Nolan, Deputy Director (Financial Stability), Federal Insurance Office*
- *Eric Froman, Deputy Assistant General Counsel for FSOC, Treasury*

Executive Session

The Chairperson called the executive session of the meeting of the Council to order at approximately 1:34 P.M. (EDT). He outlined the meeting agenda, which had previously been distributed to the members together with copies of the resolution and other materials. The agenda included the following subjects: (1) an asset management update; (2) a discussion of money market mutual fund (MMF) reforms; (3) the annual reevaluations of two previously designated nonbank financial companies, American Intentional Group, Inc. (AIG) and General Electric Capital Corporation (GECC); (4) an update on the nonbank financial company designations stage 3 analysis; and (5) consideration of, and a vote on, a resolution approving the minutes of the Council's meeting on June 24, 2014.

1. Asset Management Update

The Chairperson introduced the first agenda item, an update related to the staff work on asset management. He introduced Patrick Pinschmidt, Deputy Assistant Secretary and Executive Director of the Council; Lyndsay Huot, Senior Policy Advisor at Treasury; and Jon Hertzke, Assistant Director of the Division of Investment Management, Risk and Examinations Office at the SEC. Jim Hodder, Financial Economist at the SEC; David Aikman, Advisor at the Federal Reserve; and Nellie Liang, Director of the Office of Financial Stability Policy and Research at the Federal Reserve, were available for questions. Mr. Pinschmidt, Ms. Huot, and Mr. Hertzke described the work of the Council staff relating to the Council's ongoing assessment of potential industry-wide and firm-specific risks to U.S. financial stability arising from the asset management industry and its activities. The Council then had a discussion, and directed staff to

undertake a more focused analysis of industry-wide products and activities to assess potential risks associated with the asset management industry.

2. Money Market Mutual Fund Reform

The Chairperson introduced the next agenda item, a discussion of money market mutual fund reforms. In November 2012, the Council used its authority under section 120 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) to propose specific recommendations for SEC reform. The SEC proposed reforms in 2013 and adopted final rules on July 23, 2014. The Chairperson introduced Mary Jo White, Chair of the SEC, to discuss how the final rules recently adopted by the SEC address risks identified by the Council. Chair White briefly described the final rules, noting that the reforms took a combination approach by establishing a floating net asset value (NAV) for institutional prime MMFs, and permitting MMF boards to impose liquidity fees and redemption gates. The members of the Council then had a discussion regarding the final rules in the context of the Council's proposed recommendations for MMF reform. The Council discussed its intention to monitor the effectiveness of the SEC's reforms in addressing risks to financial stability, including any unintended consequences of liquidity fees and gates, as well as the treatment of retail funds. After these measures have been implemented, the Council intends to report on the effects of these reforms and their broader implications for financial stability.

3. Annual Reevaluations of Designated Nonbank Financial Companies

The Chairperson introduced the next agenda item, the first annual reevaluations of two nonbank financial companies, AIG and GECC, that the Council had designated in 2013 under section 113 of the Dodd-Frank Act. Under the Dodd-Frank Act, the Council is required annually to reevaluate each previous designation and rescind a designation if the Council determines that the company no longer meets the statutory standards. It was noted that the Council has a statutory obligation at least annually to reevaluate each determination made under section 113 of the Dodd-Frank Act with respect to a nonbank financial company, regardless whether the company has contested the Council's determination. The Chairperson introduced Todd Cohen, Policy Advisor at Treasury, who presented on the analyses and conclusions related to the companies under review, including regarding material changes with respect to each company since it was designated by the Council and in light of the standards for designations under section 113. The staff recommended that the Council not rescind its final determinations with respect to AIG and GECC. Members of the Council then asked questions and had a discussion. The Council did not rescind either company's designation.

4. Nonbank Financial Company Designations Stage 3 Analysis Update

The Secretary then introduced the next agenda item, an update on the ongoing analysis of a nonbank financial company that the Council previously advanced to stage 3 of the designations process. The Chairperson introduced Todd Cohen, Policy Advisor at Treasury; Felton Booker, Senior Advisor, Banking Supervision and Regulation at the Federal Reserve; Diane Fraser, Senior Policy Advisor at the Office of the Independent Member with Insurance Expertise; and John Nolan, Deputy Director (Financial Stability) of the Federal Insurance Office. Eric Froman,

Deputy Assistant General Counsel for FSOC at Treasury, was also available for questions. Mr. Booker then gave a presentation. The members of the Council asked questions and had a discussion.

5. Resolution Approving the Minutes of the Meeting held on June 24, 2014

“BE IT RESOLVED, by the Financial Stability Oversight Council (the “Council”), that the minutes attached hereto of the meeting held on June 24, 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 3:50 P.M. (EDT).