



U.S. TREASURY DEPARTMENT OFFICE OF PUBLIC AFFAIRS

FOR IMMEDIATE RELEASE 4:30PM EDT: July 31, 2014
CONTACT: Treasury Public Affairs (202) 622-2960

FINANCIAL STABILITY OVERSIGHT COUNCIL MEETING JULY 31, 2014

WASHINGTON – Secretary Lew today convened a meeting of the Financial Stability Oversight Council (Council) in a closed session at the Treasury Department.

During the meeting, the Council discussed its 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 directed staff to undertake a more focused analysis of industry-wide products and activities to assess potential risks associated with the asset management industry.

The Council also discussed the Securities and Exchange Commission's (SEC's) final rule on money market mutual fund (MMF) reform. The Council recognizes the SEC's work to adopt a significant set of structural reforms of MMFs, in particular a floating net asset value (NAV) for institutional prime MMFs. These structural reforms, along with enhanced transparency and diversification requirements as well as strengthened rules for government MMFs, are intended to reduce the risks to financial stability posed by MMFs.

Since the financial crisis, MMFs have represented an unaddressed source of risk to the financial system. MMFs proved susceptible to destabilizing runs that necessitated extraordinary government support during the financial crisis. Since then, the Council has highlighted this risk and recommended that the SEC undertake structural reforms of MMFs. In 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 to the SEC for reform. The SEC proposed reforms in 2013 and adopted them last week.

While not proceeding at this time to a final Section 120 recommendation, the Council intends to monitor the effectiveness of the SEC's reforms in addressing risks to financial stability. In particular, the Council believes it will be important to better understand any unintended consequences of liquidity fees and gates, as well as the treatment of retail funds. After these measures have been implemented, the

Council will report on the effects of these reforms and their broader implications for financial stability.

During the meeting, the Council continued its discussion of nonbank financial company designations under section 113 of the Dodd-Frank Act. Consistent with the Council's rule and guidance, the Council will not name any company under review in this process until a final designation has been made. This discussion also included an annual review of two nonbank financial companies designated in July of 2013, American International Group, Inc., and General Electric Capital Corporation. The Council did not rescind either company's designation.

Finally, the Council also voted to approve the minutes of its previous meeting on June 24.

Additional information regarding the Council, its work, and the recently approved meeting minutes is available at www.fsoc.gov.

###