

Minutes of the Financial Stability Oversight Council

Held March 11, 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) (via telephone)
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) (via telephone)

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
Mark Kaufman, Counselor to the Deputy Secretary

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

Art Murton, Director, Division of Insurance and Research

Securities and Exchange Commission

Lona Nallengara, Chief of Staff

Commodity Futures Trading Commission

Lawranne Stewart, Senior Counsel

Consumer Financial Protection Bureau

Steven Antonakes, Deputy Director

Federal Housing Finance Agency

Mario Ugoletti, Special Advisor to the Director

Comptroller of the Currency

Christina E. Benson, Associate Deputy Comptroller for Bank Supervision Policy

National Credit Union Administration

John Worth, Chief Economist

Office of the Independent Member with Insurance Expertise

Diane Fraser, Senior Policy 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

Steven Seitz, Acting Deputy Director (Financial Stability)

Louisiana Office of Financial Institutions

Nathan Ross, Senior Policy and Supervision Analyst

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

PRESENTERS:

Dodd-Frank Act Stress Test Results

- *Andreas Lehnert, Deputy Director, Office of Financial Stability and Research, Federal Reserve*

Central Counterparties

- *Lyndsay Huot, Senior Policy Advisor, Treasury*
- *Robert Wasserman, Chief Counsel, Division of Clearing and Risk, CFTC*
- *Peter Curley, Associate Director for Clearance and Settlement, Division of Trading and Markets, SEC*
- *Travis Nesmith, Section Chief, Quantitative Risk Analysis, Federal Reserve*

2015 Annual Report

- *Trent Reasons, Senior Policy Advisor, Treasury*
- *Daniel Beltran, Senior Economist, Federal Reserve*

Executive Session

The Chairperson called the executive session of the meeting of the Council to order at approximately 1:31 P.M. (EDT). He 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) Dodd-Frank Act stress test results; (2) central counterparties; and (3) the Council's 2015 annual report.

1. Dodd-Frank Act Stress Test Results

The Chairperson introduced Andreas Lehnert, Deputy Director, Office of Financial Stability and Research at the Federal Reserve to provide an overview of the Federal Reserve's bank holding company stress-testing process for 2015, including the results of the Dodd-Frank Act stress tests (DFAST) and the process for the Comprehensive Capital Analysis and Review (CCAR). Mr. Lehnert explained the stress test procedure. He noted that the DFAST is a quantitative exercise, while the CCAR is both a quantitative and qualitative assessment using the distributions proposed by the firms in their capital plans. He also explained several key elements of the supervisory projections for stress testing, as well as the macro scenarios and risks considered. Mr. Lehnert then summarized the DFAST results, which were announced on March 5, 2015. Mr. Lehnert noted that CCAR results would be announced later in the day on March 11, 2015. Following the presentation, members of the Council asked questions and had a discussion.

2. Central Counterparties

The Chairperson introduced the second agenda item, central counterparties (CCPs). The Chairperson noted that several Council member agencies have been engaged in CCP-related work. He introduced the following speakers to discuss CCPs and ongoing regulatory work regarding key risk-management areas: Lyndsay Huot, Senior Policy Advisor at Treasury; Robert

Wasserman, Chief Counsel, Division of Clearing and Risk at the CFTC; Peter Curley, Associate Director for Clearance and Settlement, Division of Trading and Markets at the SEC; and Travis Nesmith, Section Chief, Quantitative Risk Analysis at the Federal Reserve. Ms. Huot began by noting as background that the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) recognizes the importance of central clearing to financial stability and the importance of strong risk management at financial market utilities (FMUs), including CCPs. She also noted that the Council has designated eight FMUs, including five CCPs, as systemically important, thereby subjecting them to heightened risk-management standards. She gave examples of the ways in which CCPs can enhance financial stability, but she also explained that, because CCPs centralize risk and face direct credit risk from their clearing members, robust risk management is important to financial stability. Ms. Huot then described how CCP risk management is multi-layered and described the financial resources available to cover losses arising from a clearing member default. Mr. Wasserman then described the engagement on the part of regulators to help ensure appropriate management of risks by CCPs, including the implementation of enhanced regulatory standards and an extensive supervisory program. He then described important international standards and guidance, including recently issued standards on public quantitative disclosures, as well as forward-looking domestic and international work streams. Mr. Curley noted that the SEC is also engaged in and supportive of this work, both domestically and internationally. Mr. Nesmith provided additional perspectives on work underway internationally on CCP stress testing. Ms. Huot concluded with an update on work underway in the Council's staff committees regarding CCP risks and risk management. She highlighted areas of ongoing regulatory focus, including CCP default management, interactions between banks and CCPs, and CCP recovery and resolution planning. Members of the Council then asked questions and had a discussion, including a discussion of the coverage of CCPs in the Council's 2015 annual report.

3. 2015 Annual Report

The Chairperson introduced Trent Reasons, Senior Policy Advisor at Treasury, and Daniel Beltran, Senior Economist at the Federal Reserve, to present on the next agenda item, the Council's 2015 annual report. The Chairperson noted that the annual report is expected to be published in the spring. Messrs. Reasons and Beltran provided an update regarding the development of the 2015 annual report. They discussed and asked for guidance on the potential emerging threats and recommendations to be included in the report. Members of the Council then asked questions and had a discussion.

4. Resolution Approving the Minutes of the Meeting held on January 21, 2015

“BE IT RESOLVED, by the Financial Stability Oversight Council (the “Council”), that the minutes attached hereto of the meeting held on January 21, 2015 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.

5. Resolution Approving the Minutes of the Meeting held on February 4, 2015

“BE IT RESOLVED, by the Financial Stability Oversight Council (the “Council”), that the minutes attached hereto of the meeting held on February 4, 2015 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 3:07 P.M. (EDT).