

## Minutes of the Financial Stability Oversight Council

Held November 3, 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)  
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  
Matthew Rutherford, Acting 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  
Scott Alvarez, General Counsel

#### 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  
Ron Borzekowski, Deputy Assistant 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

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

## PRESENTERS:

### *Nonbank Financial Company Annual Review*

- *Steven Seitz, Acting Deputy Director (Financial Stability), Federal Insurance Office*
- *Bruce Saul, Senior Policy Advisor, Federal Insurance Office*
- *Eric Froman, Deputy Assistant General Counsel for the Council, Treasury*

### *Recent Market Activity*

- *Kenneth Danger, Associate Director, Policy Review & Systems Support, CFTC*
- *Vince McGonagle, Director, Division of Market Oversight, CFTC*
- *Matthew Hunter, Deputy Director, Division of Market Oversight, CFTC*
- *Nellie Liang, Director, Office of Financial Stability Policy and Research, Federal Reserve*

## **Executive Session**

The Chairperson called the executive session of the meeting of the Council to order at approximately 5:03 P.M. (EST). 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 executive session of the meeting included the following subjects: (1) the annual reevaluation of a previously designated nonbank financial company, Prudential Financial, Inc. (Prudential); (2) an update on recent market activity; and (3) consideration of, and a vote on, a resolution approving the minutes of the Council's meeting on October 6, 2014.

### 1. Annual Reevaluation of Designated Nonbank Financial Company

The Chairperson introduced the first agenda item, the annual reevaluation of a nonbank financial company, Prudential, that the Council had designated in 2013 under section 113 of the Dodd-Frank Wall Street Reform and Consumer Protection 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. The Chairperson introduced Steven Seitz, Acting Deputy Director (Financial Stability) of the Federal Insurance Office; Bruce Saul, Senior Policy Advisor at the Federal Insurance Office; and Eric Froman, Deputy Assistant General Counsel for the Council at Treasury. Mr. Seitz and Mr. Saul presented on the analysis and conclusions related to Prudential, including regarding information submitted by the company to the Council during the annual reevaluation and material changes since the Council designated the company, in light of the standard for designations under section 113. The staff recommended that the Council not rescind its final determination with respect to Prudential. Members of the Council then asked questions and had a discussion, including relating to the extent of changes since the company's designation in September 2013. Mary Jo White, Chair of the SEC, recused herself from participating in the discussion and the vote.

The Chairperson then presented to the Council the following resolution regarding the reevaluation of the Council's determination regarding Prudential.

*“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, section 113(d) of the DFA requires the Council not less frequently than annually to reevaluate each determination regarding a nonbank financial company under section 113 and rescind any such determination if the Council determines that the nonbank financial company no longer meets the standards for a determination under section 113; 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 processes and procedures by which the Council will reevaluate each currently effective determination; and*

*WHEREAS, on September 19, 2013, the Council made a final determination, in accordance with the DFA and the Rule and Guidance, that Prudential Financial, Inc. (“Prudential”) shall be supervised by the Federal Reserve and shall be subject to enhanced prudential standards under the DFA; and*

*WHEREAS, in connection with the Council’s reevaluation of its determination regarding Prudential, the Council provided Prudential an opportunity to submit written materials to the Council to contest the Council’s determination; and*

*WHEREAS, Prudential submitted materials to the Council in connection with the Council’s reevaluation of its determination regarding Prudential; and*

*WHEREAS, the Council has considered a broad range of information available through existing public and regulatory sources, as well as information submitted to the Council by Prudential; and*

*WHEREAS, based on the reevaluation of Prudential, the staffs of the Council Members and their Agencies recommend that the Council not rescind its determination regarding Prudential; and*

*WHEREAS, the members of the Council have considered the issues and the record in connection with the following actions.*

*NOW, THEREFORE, BE IT RESOLVED, that, based on the information, considerations, and analysis set forth in the attached “Notice Regarding the Financial Stability Oversight Council’s Reevaluation of the Determination Regarding Prudential Financial, Inc.” (the “Reevaluation Notice”), and on a review of the administrative record, the Council hereby does not rescind its determination, pursuant to section 113 of the DFA, that material financial distress at Prudential could pose a threat to the financial stability of the United States and that Prudential shall be supervised by the Federal Reserve and shall be subject to prudential standards, in accordance with Title I of the DFA.*

*BE IT FURTHER RESOLVED, that the Council hereby authorizes the Reevaluation Notice to be sent to Prudential.*

*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 Reevaluation Notice.”*

The Chairperson asked for a motion approving the resolution, which was made and seconded. The Council approved the resolution by a vote of 8 to 1, with Mr. Woodall dissenting and Chair White recused from the vote.

## 2. Update on Recent Market Activity

The Chairperson introduced the next agenda item, an update on recent market activity. The Chairperson introduced Kenneth Danger, Associate Director, Policy Review & Systems Support at the CFTC; Vince McGonagle, Director, Division of Market Oversight at the CFTC; Matthew Hunter, Deputy Director, Division of Market Oversight at the CFTC; and Nellie Liang, Director, Office of Financial Stability Policy and Research at the Federal Reserve. Chairman Massad provided an introduction, and the CFTC then presented on its preliminary analysis of the activity in the Treasury futures market on the morning of October 15, 2014. The members of the Council asked questions and had a discussion. The Chairperson noted the importance of understanding this activity and asked the CFTC, the Federal Reserve, and Treasury to work together to further the analysis and report back to the Council.

## 3. Resolution Approving the Minutes of the Meeting held on October 6, 2014.

*“BE IT RESOLVED, by the Financial Stability Oversight Council (the “Council”), that the minutes attached hereto of the meeting held on October 6, 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 5:40 P.M. (EST).