

Minutes of the Financial Stability Oversight Council

Held September 10, 2013

PRESENT:

Jacob J. Lew, Secretary of the Treasury and Chairperson of the Financial Stability Oversight Council (Council)
Ben Bernanke, Chairman, 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)
Gary Gensler, Chairman, Commodity Futures Trading Commission (CFTC)
Richard Cordray, Director, Consumer Financial Protection Bureau (CFPB)
Edward DeMarco, Acting Director, Federal Housing Finance Agency (FHFA)
Debbie Matz, Chairman, National Credit Union Administration (NCUA)
Thomas J. Curry, Comptroller of the Currency, Office of the Comptroller of the Currency (OCC)
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

Mary J. Miller, Acting Deputy Secretary and Under Secretary for Domestic Finance
Christopher J. Meade, General Counsel
Amias Gerety, Deputy Assistant Secretary for FSOC
Patrick Pinschmidt, 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, Deputy Director for Complex Financial Institutions Monitoring

Securities and Exchange Commission

Jennifer B. McHugh, Senior Advisor to the Chair

Commodity Futures Trading Commission

Eric Juzenas, Chief Operating Officer and Senior Counsel

Consumer Financial Protection Bureau

Steve Antonakes, Deputy Director

Federal Housing Finance Agency

Mario Ugoletti, Special Advisor to the Director

National Credit Union Administration

John Worth, Chief Economist

Office of the Comptroller of the Currency

John Lyons, Senior Deputy Comptroller and Chief National Bank Examiner

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 (*participating by phone*)

Office of Financial Research

Matthew Reed, Chief Counsel

Federal Insurance Office

John Nolan, Deputy Director (Financial Stability)

Louisiana Office of Financial Institutions

James Cooper, Senior 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

Rick Fleming, Deputy General Counsel, North American Securities Administrators Association

PRESENTERS:

Nonbank Financial Company Designations

- *John Nolan, Deputy Director (Financial Stability), Federal Insurance Office, Treasury*
- *Patrick Pinschmidt, Executive Director of the Council, Treasury*
- *George Sacco, Senior Analyst, FHFA*
- *Eric Froman, Deputy Assistant General Counsel for FSOC, Treasury*

Asset Management Study

- *Richard Berner, Director, Office of Financial Research, Treasury*

- *Greg Feldberg, Senior Advisor to the Chief of Analytical Strategy, Office of Financial Research, Treasury*

Nasdaq Trading Halt

- *Mary Jo White, Chair, SEC*
- *John Ramsay, Acting Director, Division of Trading and Markets, SEC*

Fiscal Developments Update

- *Jacob J. Lew, Secretary of the Treasury and Chairperson of the Council*

Fiscal Year 2014 Council Budget

- *Amias Gerety, Deputy Assistant Secretary for FSOC, Treasury*

Executive Session

The Chairperson called the executive session of the meeting of the Council to order at approximately 1:07 P.M. (EDT). He then outlined the meeting agenda, which had been previously distributed to the members together with copies of the resolutions and other materials. The agenda for the meeting included the following subjects: (1) nonbank financial company designations; (2) a presentation on an asset management study; (3) an update on the Nasdaq trading halt; (4) fiscal developments; (5) the Council's fiscal year 2014 budget; and (6) consideration of, and a vote on, a resolution approving the minutes of the Council's meeting on July 16, 2013.

1. Nonbank Financial Company Designations

The Chairperson introduced the first agenda item regarding nonbank financial company designations. He called on John Nolan, Deputy Director (Financial Stability) of the Federal Insurance Office at Treasury, to give a presentation on the ongoing review of a nonbank financial company subject to a proposed designation. Patrick Pinschmidt, Executive Director of the Council at Treasury; George Sacco, Senior Analyst at the FHFA; and Eric Froman, Deputy Assistant General Counsel for FSOC at Treasury, were available to answer questions. Mr. Nolan also provided an overview of certain additional analyses that had been conducted by staff of the Council and its members, including with regard to the information and arguments that had been presented by the company. After the presentation, members of the Council asked questions and had a discussion. Mary Jo White, Chair of the SEC, recused herself from participating in this discussion. During the discussion, certain members of the Council provided written views differing from the staff analysis of the company.

The Chairperson announced that a notational vote on a resolution approving a final designation regarding the nonbank financial company would occur in the coming days.

The Chairperson then called on Michael McRaith, Director of the Federal Insurance Office at Treasury, to discuss the International Association of Insurance Supervisors' process for the designation of global systemically important insurers. Council members then asked questions and had a discussion.

2. Asset Management Study

The Chairperson then introduced the next agenda item, which was a presentation on the Office of Financial Research's study entitled *Asset Management and Financial Stability*. He asked Richard Berner, Director of the Office of Financial Research at Treasury, to give a presentation. Greg Feldberg, Senior Advisor to the Chief of Analytical Strategy for the Office of Financial Research at Treasury, was available to answer questions. Director Berner gave a presentation on the report. Director Berner provided a brief overview of the asset management industry and an analysis of how asset management firms and the activities in which they engage can introduce vulnerabilities that could pose, amplify, or transmit threats to financial stability. After the presentation, members of the Council asked questions and had a discussion.

3. Nasdaq Trading Halt

The Chairperson turned to the next agenda item, regarding an update on the Nasdaq trading halt on August 22, 2013, and asked Mary Jo White, Chair of the SEC, to give the presentation. John Ramsay, Acting Director of the Division of Trading and Markets at the SEC, was available to answer questions. Chair White gave a presentation on the Nasdaq trading halt. Following the presentation, members of the Council asked questions and had a discussion.

4. Fiscal Developments Update

The Chairperson then provided the Council with an update on the debt limit. After the Chairperson's presentation, members of the Council asked questions and had a discussion.

5. The Council's Fiscal Year 2014 Budget

The Chairperson next introduced the agenda item regarding the Council's fiscal year 2014 budget. He called on Amias Gerety, Deputy Assistant Secretary for FSOC at Treasury, to give a presentation. Mr. Gerety reported on the Council's proposed budget for fiscal year 2014. The fiscal year 2014 budget, which includes expenses of the FSOC Secretariat, the Office of the Independent Member with Insurance Expertise, and the reimbursement of certain implementation expenses of the FDIC relating to its responsibilities under Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act, totals \$19.3 million, including \$11.6 million of estimated expenses for FDIC reimbursements. Mr. Gerety noted that the Council's fiscal year 2013 actual expenses were forecasted to be \$3.6 million under budget. Following the presentation, members of the Council asked questions and had a discussion. The Chairperson then presented to the Council the following resolution approving the Council's budget for fiscal year 2014.

"BE IT RESOLVED, by the Financial Stability Oversight Council (the "Council"), that the Council's budget for fiscal year 2014 attached hereto is 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.

6. Other Business

The Chairperson then noted the potential for the Council to ratify certain of its previous actions. He called on Christopher J. Meade, General Counsel of the Treasury Department, to give a presentation with respect to ratification. Following the presentation, members of the Council asked questions and had a discussion.

7. Resolution Approving the Minutes of the Meeting held on July 16, 2013

“BE IT RESOLVED, by the Financial Stability Oversight Council (the “Council”), that the minutes attached hereto of the meeting held on July 16, 2013 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 3:00 P.M. (EDT).