

Minutes of the Financial Stability Oversight Council

September 12, 2018

PRESENT:

Steven T. Mnuchin, Secretary of the Treasury and Chairperson of the Financial Stability Oversight Council (Council)
Jerome H. Powell, Chairman, Board of Governors of the Federal Reserve System (Federal Reserve)
Jelena McWilliams, Chairperson, Federal Deposit Insurance Corporation (FDIC)
Jay Clayton, Chairman, Securities and Exchange Commission (SEC)
J. Christopher Giancarlo, Chairman, Commodity Futures Trading Commission (CFTC) (by telephone)
J. Michael Mulvaney, Acting Director, Bureau of Consumer Financial Protection (Bureau)
Melvin Watt, Director, Federal Housing Finance Agency (FHFA)
Joseph Otting, Comptroller of the Currency, Office of the Comptroller of the Currency (OCC)
J. Mark McWatters, Chairman, National Credit Union Administration (NCUA)
Thomas E. Workman, Independent Member with Insurance Expertise
Ken Phelan, Acting Director, Office of Financial Research (OFR), Department of the Treasury (non-voting member)
Steven Dreyer, Director, Federal Insurance Office, Department of the Treasury (non-voting member) (by telephone)
Charles G. Cooper, Commissioner, Texas Department of Banking (non-voting member)
Peter Hartt, Director, Insurance Division, New Jersey Department of Banking & Insurance (non-voting member)
Melanie Lubin, Securities Commissioner, Maryland Office of the Attorney General, Securities Division (non-voting member)

GUESTS:

Department of the Treasury (Treasury)

Brent McIntosh, General Counsel
Brian Callanan, Deputy General Counsel
Craig Phillips, Counselor to the Secretary
Bimal Patel, Deputy Assistant Secretary for the Council
Eric Froman, Principal Deputy Assistant General Counsel (Banking and Finance) and Executive Director of the Council
Stephen Ledbetter, Director of Policy, Office of the Financial Stability Oversight Council

Board of Governors of the Federal Reserve System

Andreas Lehnert, Director, Division of Financial Stability

Federal Deposit Insurance Corporation

Travis Hill, Senior Advisor to the Chairman

Securities and Exchange Commission (SEC)
Jaime Klima, Chief Counsel

Commodity Futures Trading Commission
Susan Milligan, Deputy General Counsel

Bureau of Consumer Financial Protection
Brian Johnson, Acting Deputy Director

Federal Housing Finance Agency
Sandra Thompson, Deputy Director, Division of Housing Mission and Goals

Comptroller of the Currency
Grace Dailey, Senior Deputy Comptroller for Bank Supervision Policy and Chief National Bank Examiner

National Credit Union Administration
Ralph Monaco, Chief Economist

Office of the Independent Member with Insurance Expertise
Charles Klingman, Senior Policy Advisor

Federal Reserve Bank of New York
John Williams, President and Chief Executive Officer (by telephone)

Office of Financial Research (OFR)
Stacey Schreft, Deputy Director for Research and Analysis

Texas Department of Banking
James Cooper, Senior Vice President for Policy, Conference of State Bank Supervisors

New Jersey Department of Banking & Insurance
Mark Sagat, Assistant Director, Financial Policy and Legislation, National Association of Insurance Commissioners

Maryland Office of the Attorney General, Securities Division
Christopher Staley, Counsel, North American Securities Administrators Association

PRESENTERS:

2018 Annual Report

- *Bimal Patel, Deputy Assistant Secretary for the Council, Treasury*
- *Stephen Ledbetter, Director of Policy, Office of the Financial Stability Oversight Council, Treasury*
- *Adam Minson, Analytical Coordinator, Federal Reserve Bank of New York (available for questions)*

Fiscal Year 2019 Council Budget

- *Bimal Patel, Deputy Assistant Secretary for the Council, Treasury*
- *Randall Fasnacht, Director of Operations, Office of the Financial Stability Oversight Council, Treasury (available for questions)*

Application to the Council Under Section 117 of the Dodd-Frank Act

- *Bimal Patel, Deputy Assistant Secretary for the Council, Treasury*
- *Stephen Ledbetter, Director of Policy, Office of the Financial Stability Oversight Council, Treasury*
- *Eric Froman, Principal Deputy Assistant General Counsel (Banking & Finance) and Executive Director of the Council, Treasury (available for questions)*

Update on Annual Reevaluation of Nonbank Financial Company Designation

- *Stephen Ledbetter, Director of Policy, Office of the Financial Stability Oversight Council, Treasury*

Executive Session

The Chairperson called the executive session of the meeting of the Council to order at approximately 1:36 P.M.

The Chairperson began by welcoming Charles Cooper, the Commissioner of the Texas Department of Banking, to his first meeting of the Council. The Chairperson then noted that this was the last Council meeting for Peter Hartt, Director of the Insurance Division of the New Jersey Department of Banking & Insurance, and thanked him for his service. The Chairperson then outlined the meeting agenda, which had previously been distributed to the members together with other materials. The agenda for the executive session of the meeting included (1) the Council's 2018 annual report, (2) the Council's fiscal year 2019 budget, (3) a vote on the minutes of the Council's meeting on July 17, 2018, (4) an application to the Council under section 117 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), and (5) an update on the annual reevaluation of the designation of a nonbank financial company.

1. 2018 Annual Report

The Chairperson then introduced the first agenda item, the Council's 2018 annual report, and turned to Bimal Patel, Deputy Assistant Secretary for the Council at Treasury, Stephen

Ledbetter, Director of Policy in the Office of the Financial Stability Oversight Council at Treasury, and Adam Minson, Analytical Coordinator at the Federal Reserve Bank of New York.

Mr. Patel then provided an overview of the organization of the annual report and the process for developing the report. He noted that the report will include a signed statement by Council members, recommendations, descriptions of financial and regulatory developments, a discussion of potential emerging threats and vulnerabilities, and recommendations. He then provided an update regarding interagency staff deliberations about the report and highlighted issues that the report may address. Members of the Council then had a discussion about potential topics for the report.

2. Fiscal Year 2019 Council Budget

The Chairperson then introduced the next agenda item, the Council's fiscal year 2019 budget. He introduced Bimal Patel, Deputy Assistant Secretary for the Council at Treasury, for a presentation. Mr. Patel reported on the Council's proposed budget for fiscal year 2019. Treasury had distributed a proposed budget to the Council in August 2018 in accordance with the Council's bylaws. The fiscal year 2019 budget includes \$6.2 million budgeted for expenses of the Office of the Financial Stability Oversight Council at Treasury and the Office of the Independent Member with Insurance Expertise and \$4.3 million for the reimbursement of certain implementation expenses of the FDIC relating to its responsibilities under Title II of the Dodd-Frank Act. Mr. Patel noted that the proposed fiscal year 2019 budget was a reduction of approximately 10 percent from the fiscal year 2018 budget. Members of the Council then had a discussion regarding changes to the Council's budget over time.

The Chairperson then presented to the Council the following resolution approving the Council's budget for fiscal year 2019.

BE IT RESOLVED, by the Financial Stability Oversight Council (the "Council"), that the Council's budget for fiscal year 2019 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.

3. Resolution Approving the Minutes of the Meeting Held on July 17, 2018

BE IT RESOLVED, by the Financial Stability Oversight Council (the "Council"), that the minutes attached hereto of the meeting held on July 17, 2018 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.

4. Application to the Council Under Section 117 of the Dodd-Frank Act

The Chairperson then introduced the next agenda item, an application to the Council from ZB,

N.A., a subsidiary of Zions Bancorporation, under section 117 of the Dodd-Frank Act. Jay Clayton, Chairman of the SEC, recused himself from participating in the discussion. The Chairperson turned to Bimal Patel, Deputy Assistant Secretary for the Council at Treasury, and Stephen Ledbetter, Director of Policy in the Office of the Financial Stability Oversight Council at Treasury.

Under section 117 of the Dodd-Frank Act, if certain entities cease to be bank holding companies, they will be treated as nonbank financial companies subject to Federal Reserve supervision and enhanced prudential standards unless the Council grants an appeal. Mr. Patel noted that the Council had made a proposed decision to grant the appeal of ZB, N.A. to the Council under section 117 of the Dodd-Frank Act at the Council's previous meeting. Mr. Patel then described the Council's process with respect to the appeal after the Council's proposed decision. He stated that the Council had provided its written explanation of the proposed decision to the company. He stated that the Council had also provided the written proposed decision to the Senate Banking and House Financial Services Committees and published it online, subject to redactions of confidential business information the company had submitted to the Council. He noted that neither of the two Congressional committees had indicated that it intended to hold a hearing regarding the Council's proposed decision. Members of the Council then had a discussion regarding the appeal.

The Chairperson then presented to the Council the following resolution regarding the application of ZB, N.A. to the Council.

WHEREAS, section 117 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "DFA") applies to any entity that (i) was a bank holding company with total consolidated assets of at least \$50 billion as of January 1, 2010, and (ii) received financial assistance under or participated in the Capital Purchase Plan (the "CPP") established under the Troubled Asset Relief Program authorized by the Emergency Economic Stabilization Act of 2008, and any successor entity to any such entity; and

WHEREAS, section 117 of the DFA provides that if any entity subject to such section ceases to be a bank holding company at any time after January 1, 2010, then such entity shall be treated as a nonbank financial company supervised by the Board of Governors of the Federal Reserve System (the "Federal Reserve"), as if the Financial Stability Oversight Council (the "Council") had made a determination under section 113 of the DFA with respect to that entity; and

WHEREAS, section 117 of the DFA provides that an entity may request an opportunity for a written or oral hearing before the Council to appeal its treatment as a nonbank financial company supervised by the Federal Reserve; and

WHEREAS, Zions Bancorporation, a Utah corporation, was a bank holding company with total consolidated assets of at least \$50 billion as of January 1, 2010, and received financial assistance under the CPP; and

WHEREAS, Zions Bancorporation and ZB, N.A., a national bank and wholly owned subsidiary of Zions Bancorporation, entered into an agreement and plan of merger, dated as of April 5, 2018 (the "Merger Agreement"), pursuant to which Zions Bancorporation will merge with and

into ZB, N.A. (the “Merger”); and

WHEREAS, the Federal Reserve has determined, in consultation with the Council, that ZB, N.A. would be the successor to Zions Bancorporation under section 117 of the DFA upon the consummation of the Merger; and

WHEREAS, ZB, N.A. submitted a request for a written hearing before the Council to appeal its treatment, upon the consummation of the Merger, as a nonbank financial company supervised by the Federal Reserve; and

WHEREAS, the Council held a written hearing regarding ZB, N.A.’s appeal under section 117 of the DFA; and

WHEREAS, on July 17, 2018, the Council made a proposed decision to grant the appeal of ZB, N.A. under section 117 of the DFA, and thereafter submitted a report including the statement of the basis for the proposed decision of the Council (the “Proposed Decision”) to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives and released the Proposed Decision to the public; and

WHEREAS, the Council provided ZB, N.A. an opportunity to submit information in response to the Proposed Decision, and ZB, N.A. did not submit such a response; and

WHEREAS, based on their analysis, the staffs of the Council members and their agencies recommend that the Council make a final decision to grant the appeal of ZB, N.A.; and

WHEREAS, the DFA requires the Council to notify the subject entity of any final decision of the Council regarding an appeal under section 117 of the DFA; 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 “Final Decision of the Council Regarding the Appeal by ZB, N.A. Under Section 117 of the Dodd-Frank Act” (the “Final Decision”), and on a review of the administrative record, the Council hereby makes a final decision to grant the appeal of ZB, N.A., subject to the condition that the Merger be consummated in accordance with the terms of the Merger Agreement within 90 days after the date hereof.

BE IT FURTHER RESOLVED, that the Council has considered and hereby approves the Final Decision and authorizes the Final Decision to be sent to ZB, N.A.

BE IT FURTHER RESOLVED, that the Council hereby authorizes the Final Decision, with such redactions of confidential, sensitive, or nonpublic information as the Chairperson or his designee deems appropriate, to be released to the public.

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 Final Decision.

The Chairperson asked for a motion to approve the resolution, which was made and seconded. The Council approved the resolution by unanimous vote, with Chairman Clayton recused.

5. Update on Annual Reevaluation of Nonbank Financial Company Designation

The Chairperson then introduced the final agenda item, an update on the annual reevaluation of a nonbank financial company that the Council had previously designated under section 113 of the Dodd-Frank Act. Chairman Clayton recused himself from participating in the discussion.

The Chairperson introduced Stephen Ledbetter, Director of Policy in the Office of the Financial Stability Oversight Council at Treasury. Mr. Ledbetter provided an update regarding additional analysis that staff had conducted since the Council's previous meeting. He explained staff's preliminary findings regarding the company's growth, leverage, capital markets activities, asset liquidation risks, and other factors. He then described anticipated next steps in the analysis, including consultations with the company's regulators.

6. Other Business

Council members then discussed recent market developments, including distress in certain emerging markets.

The Chairperson adjourned the meeting at approximately 2:02 P.M.