

Minutes of the Financial Stability Oversight Council

Held September 28, 2012

PRESENT:

Timothy F. Geithner, Secretary of the Treasury and Chairperson of the Financial Stability Oversight Council

Ben Bernanke, Chairman, Board of Governors of the Federal Reserve System (Federal Reserve)

Martin J. Gruenberg, Acting Chairperson, Federal Deposit Insurance Corporation (FDIC)

Mary Schapiro, Chairman, Securities and Exchange Commission (SEC)

Gary Gensler, Chairman, Commodity Futures Trading Commission (CFTC) (*participating by phone*)

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

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

Neal Wolin, Deputy Secretary

Mary J. Miller, Under Secretary for Domestic Finance

Amias Gerety, Deputy Assistant Secretary for FSOC

Christopher J. Meade, Acting General Counsel

Board of Governors of the Federal Reserve System

Daniel K. Tarullo, Governor

Scott Alvarez, General Counsel

Federal Deposit Insurance Corporation

Jason Cave, Deputy Director, Division of Complex Financial Institutions

Securities and Exchange Commission

Jennifer McHugh, Senior Advisor to the Chairman

Commodity Futures Trading Commission

Dan Berkovitz, General Counsel

Consumer Financial Protection Bureau

Ashwin Vasan, Senior Advisor

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

Diane Fraser, Senior Policy Advisor

Federal Reserve Bank of New York

William Dudley, President and Chief Executive Officer

Federal Insurance Office

John Nolan, Senior Policy Advisor

Louisiana Office of Financial Institutions

Michael Stevens, Senior Vice President and Director of Regulatory Affairs, Conference of State Banking 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

Joseph Brady, Deputy General Counsel, North American Securities Administrators Association

PRESENTERS:

Nonbank Financial Company Designations: Advancement of an Initial Set of Nonbank Financial Companies to Stage 3

- *Amias Gerety, Deputy Assistant Secretary for FSOC*
- *Hampton Finer, Assistant Vice President, Financial Institutions Supervision Group, Federal Reserve Bank of New York*
- *Caroline Frawley, Senior Vice President, Financial Institutions Supervision Group, Federal Reserve Bank of New York*
- *George Sacco, Senior Analyst, FHFA*
- *Peter Yen, Capital Markets Policy Analyst, FDIC*
- *Diana Hancock, Deputy Associate Director, Division of Research and Statistics, Federal Reserve*

Macro-environment Overview: Update on LIBOR and Europe

- *Lael Brainard, Under Secretary for International Affairs, Treasury*
- *John Schindler, Section Chief, Macroprudential Analysis, Federal Reserve*

Approval of the Council's 2013 Budget

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

Executive Session

The Chairperson called the executive session of the meeting of the Financial Stability Oversight Council (Council) to order at approximately 10:03 A.M. (EDT).

The Chairperson began by outlining 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 and the advancement of an initial set of nonbank financial companies to stage 3 of the evaluation process; (2) an update on London interbank offered rate (LIBOR) issues and an update on Europe; (3) an update on money market mutual funds; (4) consideration of, and a vote on, a resolution approving the Council's 2013 budget; and (5) consideration of, and a vote on, a resolution approving the minutes from the Council's meeting on July 18, 2012.

1. Nonbank Financial Company Designations: Advancement of an Initial Set of Nonbank Financial Companies to Stage 3

The Chairperson asked Amias Gerety, Deputy Assistant Secretary for FSOC at Treasury, to introduce the first item, the advancement of an initial set of nonbank financial companies and the non-advancement of certain nonbank financial companies to stage 3 of the evaluation process. After the introduction, the Chairperson called on Hampton Finer, Assistant Vice President, Financial Institutions Supervision Group at the Federal Reserve Bank of New York; Caroline Frawley, Senior Vice President, Financial Institutions Supervision Group at the Federal Reserve Bank of New York; George Sacco, Senior Analyst at the FHFA; Peter Yen, Capital Markets Policy Analyst at the FDIC; and Diana Hancock, Deputy Associate Director, Division of Research and Statistics at the Federal Reserve to present on an initial set of nonbank financial companies being considered for advancement or non-advancement to stage 3. After the presentations, members of the Council asked questions and had a discussion. Following the completion of the presentations and the discussion, the Chairperson presented to the Council the following resolution approving the advancement of an initial set of nonbank financial companies and the non-advancement of certain nonbank financial companies (identified in an attachment thereto) to stage 3 of the evaluation process.

“WHEREAS, section 113 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “DFA”) authorizes the Financial Stability Oversight Council (“Council”) to determine that a nonbank financial company shall be supervised by the Board of Governors of the Federal Reserve System (“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 (collectively,

the “Determination Standards”) of the nonbank financial company, could pose a threat to the financial stability of the United States; and

WHEREAS, in making a determination under section 113 of the DFA, the Council must take into consideration the following: (A) the extent of the leverage of the company; (B) the extent and nature of the off-balance-sheet exposures of the company; (C) the extent and nature of the transactions and relationships of the company with other significant nonbank financial companies and significant bank holding companies; (D) the importance of the company as a source of credit for households, businesses, and State and local governments and as a source of liquidity for the United States financial system; (E) the importance of the company as a source of credit for low-income, minority, or underserved communities, and the impact that the failure of such company would have on the availability of credit in such communities; (F) the extent to which assets are managed rather than owned by the company, and the extent to which ownership of assets under management is diffuse; (G) the nature, scope, size, scale, concentration, interconnectedness, and mix of the activities of the company; (H) the degree to which the company is already regulated by 1 or more primary financial regulatory agencies; (I) the amount and nature of the financial assets of the company; (J) the amount and types of the liabilities of the company, including the degree of reliance on short-term funding; and (K) any other risk-related factors that the Council deems appropriate;

WHEREAS, the Council issued a final rule (the “Final Rule”) and accompanying interpretive guidance (the “Interpretive Guidance”) to be codified in 12 C.F.R. Part 1310 that describes the criteria and the processes and procedures by which the Council will determine that a nonbank financial company shall be supervised by the Federal Reserve and shall be subject to enhanced prudential standards under the DFA; and

WHEREAS, the Interpretive Guidance describes a three-stage process that the Council expects to use for evaluating a nonbank financial company prior to a Council vote on a proposed determination; and

WHEREAS, the staffs of the Council Members and their Agencies have evaluated an initial set of nonbank financial companies under stage 1, which consisted of the application of uniform quantitative thresholds to identify nonbank financial companies for further evaluation; and

WHEREAS, in stage 2, the staffs of the Council Members and their Agencies have analyzed certain of the nonbank financial companies identified in stage 1, based on a wide range of quantitative and qualitative information available to the Council, primarily through public and regulatory sources;

WHEREAS, based on the stage 2 evaluations, the staffs of the Council Members and their Agencies recommend that the Council approve the advancement of an initial set of nonbank financial companies from stage 2 to stage 3 of the evaluation process, which will include an evaluation of information collected directly from the nonbank financial companies, with a focus on whether the nonbank financial company could pose a threat to U.S. financial stability under the Determination Standards;

WHEREAS, based on the stage 2 evaluations, the staffs of the Council Members and their Agencies recommend that the Council not, at this time, approve the advancement of certain nonbank financial companies from stage 2 to stage 3 of the evaluation process; and

WHEREAS, in furtherance of the evaluation of nonbank financial companies in stage 3 of the evaluation process, the Council intends to make certain information requests, coordinate and consult with certain regulatory agencies, and take certain other actions, which actions the Council deems appropriate to delegate to the Deputies Committee, pursuant to § XXX.6(i) of the Rules of Organization of the Council.

NOW, THEREFORE, BE IT RESOLVED, that the Council hereby authorizes the advancement of an initial set of nonbank financial companies (identified in an attachment hereto) to stage 3 of the evaluation process, and authorizes the staffs of the Council Members and their Agencies to begin the stage 3 evaluation process.

BE IT FURTHER RESOLVED, that certain nonbank financial companies (identified in an attachment hereto) will not, at this time, be advanced to stage 3 of the evaluation process, and that such companies shall be evaluated by the Nonbank Designations Committee from time to time, as appropriate, in accordance with sections 112 and 113 of the DFA and the Interpretive Guidance.

BE IT FURTHER RESOLVED, that the Council hereby approves the attached notification letters required by the Final Rule (12 C.F.R. § 1310.21) and authorizes the letters to be sent in October 2012 to the initial set of nonbank financial companies advancing to stage 3 of the evaluation process.

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 attached notification letters.

BE IT FURTHER RESOLVED, that in accordance with § XXX.6(i) of the Rules of Organization of the Council, the Council hereby delegates authority to the Deputies Committee, operating by consensus, to (1) prepare, approve, and cause to be transmitted requests for information to the nonbank financial companies advancing to stage 3 of the evaluation process, (2) prepare, approve, and cause to be transmitted requests for information to, and engage in coordination and consultations with, the primary financial regulatory agencies (as defined in section 2(12) of the DFA) or foreign regulatory authorities with respect to the nonbank financial companies advancing to stage 3 of the evaluation process, and (3) take other actions, in each case as the Deputies Committee may deem necessary or appropriate for the purpose of evaluating such nonbank financial companies in stage 3 of the evaluation process in accordance with the DFA, the Final Rule and the Interpretive Guidance.”

The Chairperson asked for a motion approving the resolution, which was made and seconded. The Council approved the resolution by unanimous vote.

2. Macro-environment Overview: Update on LIBOR and Europe

The Chairperson then raised the agenda item regarding an update on LIBOR and Europe. He first asked Lael Brainard, Under Secretary for International Affairs at Treasury, to provide an update on Europe. After the presentation, members of the Council asked questions and had a discussion.

The Chairperson then asked John Schindler, Section Chief, Macroprudential Analysis at the Federal Reserve, to provide an update on LIBOR. Mr. Schindler explained, among other things, potential systemic implications and options for reform. After the presentation, members of the Council asked questions and had a discussion.

3. Money Market Mutual Fund Update

The Chairperson next addressed the agenda item regarding an update on money market mutual funds (MMF). On September 27, 2012, the Chairperson sent a letter to Council Members regarding a proposed path forward on MMF reform. This letter urged the Council to use its authority under section 120 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) to make a recommendation to the SEC on MMF reform. The Chairperson explained that the Council should take action to further the pursuit of reform swiftly. As set forth in his letter, the Chairperson also urged the Council to take parallel steps to consider authorities under Title I and Title VIII of the Dodd-Frank Act in the event that the SEC is unwilling to act in a timely and effective manner. He asked the staff to work on a recommendation for the Council to consider at its November meeting. Members of the Council then discussed ongoing efforts to support MMF reform.

4. Approval of the Council’s 2013 Budget

The Chairperson turned to the next agenda item regarding consideration of a resolution approving the Council’s budget for fiscal year 2013, and he asked Amias Gerety, Deputy Assistant Secretary for FSOC at Treasury, to provide an overview of the budget. The Chairperson then presented to the Council the following resolution approving the Council’s 2013 budget.

“BE IT RESOLVED, by the Financial Stability Oversight Council (the “Council”), that the Council’s budget for FY 2013 attached hereto is hereby approved.”

The Chairperson asked for a motion approving the resolution, which was made and seconded. The Council then approved the resolution by unanimous vote.

5. Resolution Approving the Minutes of the Meeting held on July 18, 2012

“BE IT RESOLVED, by the Financial Stability Oversight Council (the “Council”), that the minutes attached hereto of the meeting held on July 18, 2012 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 asked for a motion to adjourn the meeting, and the Council voted to adjourn. The Chairperson adjourned the meeting at approximately 11:45 A.M. (EDT).