

Minutes of the Financial Stability Oversight Council

September 29, 2017

PRESENT:

Steven T. Mnuchin, 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) (by telephone in part)
Jay Clayton, Chairman, Securities and Exchange Commission (SEC) (by telephone)
J. Christopher Giancarlo, Chairman, Commodity Futures Trading Commission (CFTC) (by telephone)
Richard Cordray, Director, Consumer Financial Protection Bureau (CFPB)
Melvin Watt, Director, Federal Housing Finance Agency (FHFA) (by telephone)
Keith Noreika, Acting Comptroller of the Currency, Office of the Comptroller of the Currency (OCC)
J. Mark McWatters, Chairman, National Credit Union Administration (NCUA)
S. Roy Woodall, Independent Member with Insurance Expertise
Richard Berner, Director, Office of Financial Research (OFR), Department of the Treasury (non-voting member) (by telephone)
Ray Grace, Commissioner, North Carolina Office of the Commissioner of Banks (non-voting member) (by telephone)
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) (by telephone)

GUESTS:

Department of the Treasury (Treasury)
Craig Phillips, Counselor to the Secretary
Brian Callanan, Deputy General Counsel
Bimal Patel, Deputy Assistant Secretary for the Council
Eric Froman, Principal Deputy Assistant General Counsel (Banking and Finance) and Executive Director of the Council
Jacob Loshin, Senior Advisor to the General Counsel

Board of Governors of the Federal Reserve System

Jerome H. Powell, Governor
Mark Van Der Weide, General Counsel

Federal Deposit Insurance Corporation

Jason Cave, Special Advisor to the Chairman for Supervisory Matters

Securities and Exchange Commission

Jaime Klima, Chief Counsel

Commodity Futures Trading Commission

Richard Danker, Special Advisor

Consumer Financial Protection Bureau

Richard Lepley, Principal Deputy General Counsel

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

Diane Fraser, Senior Policy Advisor

Federal Reserve Bank of New York

William Dudley, President and Chief Executive Officer (by telephone)

Office of Financial Research

Stacey Schreft, Deputy Director for Research and Analysis

Federal Insurance Office

Steven Seitz, Deputy Director

North Carolina Office of the Commissioner of Banks

Jim 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:

Fiscal Year 2018 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)*
- *Thomas Peddicord, Deputy Director, Division of Finance, FDIC (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 (available for questions)*
- *Brian Callanan, Deputy General Counsel, Treasury (available for questions)*

Executive Session

The Chairperson called the executive session of the meeting of the Council to order at approximately 4:07 P.M.

He began by outlining the meeting agenda, which had previously been distributed to the members together with other materials. The agenda for the meeting included the following subjects: (1) consideration of, and a vote on, a resolution approving the Council's fiscal year 2018 budget; and (2) an update on the annual reevaluation of the designation of a nonbank financial company.

1. Fiscal Year 2018 Council Budget

The Chairperson introduced the first agenda item, the Council's fiscal year 2018 budget. He called on Bimal Patel, Deputy Assistant Secretary for the Council at Treasury, to give a presentation. Mr. Patel reported on the Council's proposed budget for fiscal year 2018. Treasury had distributed a proposed budget to the Council in August 2017 in accordance with the Council's bylaws. The fiscal year 2018 budget includes \$6.9 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 \$4.2 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 described changes in the Council's staffing levels over time and noted that the proposed budget contemplates 14 full-time employees in the Office of the Financial Stability Oversight Council at Treasury.

Members of the Council then asked questions and had a discussion, including regarding changes in the Council's budget over time. The Chairperson then presented to the Council the following resolution approving the Council's budget for fiscal year 2018.

“BE IT RESOLVED, by the Financial Stability Oversight Council (the “Council”), that the Council’s budget for fiscal year 2018 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.

2. Update on Annual Reevaluation of Nonbank Financial Company Designation

The Chairperson then introduced the next agenda item, an update on the annual reevaluation of a nonbank financial company, American International Group, Inc. (AIG), that the Council had previously designated under section 113 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). Chairman Clayton recused himself from participating in the discussion.

The Chairperson noted that at the previous Council meeting one week earlier, the Council had held a vote on whether to rescind AIG's designation, and the vote was six in favor of the rescission and three opposed, with one member recused. The Chairperson stated that at the previous meeting he had explained his determination that a Council member who is recused from voting on a particular matter is not a "voting member then serving" with respect to that vote, and therefore should be excluded from the vote tally. The Chairperson noted that Council members had requested more time to consider this issue, and that he had therefore postponed resolution of this issue. The Chairperson then described the additional interagency deliberations that had been held over the previous week. In light of those deliberations, the Chairperson stated that he remained of the view that a recused Council member is not a "voting member then serving" with respect to the vote from which he is recused. The Chairperson noted that Council members had requested a Council vote on this issue, and that he was therefore calling for a vote on a resolution that had been distributed to Council members before the meeting.

The Chairperson then presented to the Council the following resolution.

"WHEREAS, section 111(f) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") provides that, unless otherwise specified, the Financial Stability Oversight Council (the "Council") shall make all decisions that it is authorized or required to make by a majority vote of the voting members then serving; and

WHEREAS, the Dodd-Frank Act provides that the Council shall make certain decisions by a vote of not fewer than 2/3 of the voting members then serving; and

WHEREAS, section 9(a) of the Rules of Organization of the Financial Stability Oversight Council requires a voting member of the Council to disqualify himself or herself from participation in a Council discussion or action on any matter as required by applicable law;

NOW, THEREFORE, BE IT RESOLVED, that the Council affirms that, for purposes of any decision of the Council that is required to be made by a majority vote of the voting members then serving or by a vote of not fewer than 2/3 of the voting members then serving, any Council member who is disqualified from participating in such matter shall not be considered to be "then serving" with respect to such matter."

The Chairperson asked for a motion approving the resolution, which was made and seconded. The Council approved the resolution by a vote of six to three, with Richard Cordray, Director of the CFPB; Martin J. Gruenberg, Chairperson of the FDIC; and Melvin Watt, Director of the FHFA, dissenting. Chairman Clayton was recused.

In light of that resolution, and in light of the vote at the previous Council meeting to rescind AIG's designation by a vote of six Council members voting in favor, three members opposed, and one member recused, the Chairperson declared that the Council's designation of AIG was rescinded.

Council members also discussed the Council's procedures regarding the timing of the public announcement of its rescission of AIG's designation.

3. Other Business

The Chairperson then asked Director Cordray to comment on the cybersecurity incident at Equifax Inc. Director Cordray described the scope of the breach, which had affected 143 million Americans, and federal regulators' efforts to address cybersecurity risks in the banking system. He highlighted the importance of further coordination among federal banking regulators regarding cybersecurity in the financial sector. The Chairperson stated that this issue is a significant concern.

The Chairperson adjourned the meeting at approximately 4:52 P.M.