

## Minutes of the Financial Stability Oversight Council

Held July 18, 2011

### PRESENT:

Timothy F. Geithner, Secretary of the Treasury and Chairperson of the Financial Stability Oversight Council  
Martin J. Gruenberg, Acting Chairperson, Federal Deposit Insurance Corporation (FDIC)  
Ben Bernanke, Chairman, Board of Governors of the Federal Reserve System (Federal Reserve)  
Edward DeMarco, Acting Director, Federal Housing Finance Agency (FHFA)  
Gary Gensler, Chairman, Commodity Futures Trading Commission (CFTC)  
Debbie Matz, Chairman, National Credit Union Administration (NCUA)  
Mary Schapiro, Chairman, Securities and Exchange Commission (SEC)  
John Walsh, Acting Comptroller of the Currency (OCC)  
William Haraf, Commissioner, California Department 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)  
Michael McRaith, Director, Federal Insurance Office (non-voting member)

### GUESTS:

#### Department of the Treasury

Neal Wolin, Deputy Secretary  
Jeffrey Goldstein, Under Secretary for Domestic Finance  
Amias Gerety, Deputy Assistant Secretary for FSOC  
Laurie Schaffer, Assistant General Counsel (Banking and Finance)

#### Board of Governors of the Federal Reserve System

Daniel Tarullo, Governor

#### Commodity Futures Trading Commission

Timothy Karpoff, Counsel to the Chairman

#### Comptroller of the Currency

Julie Williams, Chief Counsel and First Senior Deputy Comptroller

#### Federal Deposit Insurance Corporation

Arthur Murton, Director, Division of Insurance and Research

#### Federal Housing Finance Agency

Mario Ugoletti, Special Advisor to the Director

#### National Credit Union Administration

John Worth, Chief Economist

Securities and Exchange Commission

Ricardo Delfin, Special Counsel to the Chairman

Federal Reserve Bank of New York

William Dudley, President and Chief Executive Officer

California Department of Financial Institutions

Margaret Liu, Senior Vice President, Deputy General Counsel, Conference of State Bank Supervisors

Missouri Department of Insurance, Financial Institutions, and Professional Registration

Mark Sagat, Government Relations Analyst and Counsel, National Association of Insurance Commissioners

North Carolina Department of the Secretary of State, Securities Division

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

PRESENTERS

*Macro-environment Overview and the FSOC Annual Report*

- *Nellie Liang, Director, Office of Financial Stability Policy and Research, Federal Reserve*
- *Art Murton, Director of Insurance & Research, FDIC*
- *Simon Potter, Senior Policy Advisor, FSOC, Treasury*
- *Amias Gerety, Deputy Assistant Secretary for FSOC, Treasury*

*Designations of Nonbank Financial Companies*

- *Lance Auer, Deputy Assistant Secretary for Financial Institutions, Treasury*
- *Jason Cave, Deputy Director for Monitoring, Office of Complex Financial Institutions*
- *Michael Gibson, Senior Associate Director, Division of Research and Statistics, Federal Reserve*

*Enhanced Prudential Standards*

- *Mark Van der Weide, Chief of Staff for Policy, Division of Banking Supervision and Regulation, Federal Reserve*

*Final Rule Regarding Designations of Financial Market Utilities*

- *Lance Auer, Deputy Assistant Secretary for Financial Institutions, Treasury*
- *Jeff Stehm, Associate Director of Financial Market Infrastructure Oversight, Federal Reserve*
- *Robert Wasserman, Associate Director, DCIO, CFTC*

*Secured Creditor Haircut Study*

- *Felton Booker, Acting Director, Office of Financial Institutions Policy, Treasury*

- *Penfield Starke, Senior Counsel, FDIC*

## **Executive Session**

Secretary Geithner called the executive session of the meeting of the Financial Stability Oversight Council (Council) to order at 10:05 a.m. (EDT).

The Chairperson outlined the meeting agenda, which had been previously distributed to the member agencies together with copies of the resolution and other materials. The agenda for the meeting included the following subjects: (1) a presentation and discussion on designation of nonbank financial companies; (2) a presentation and discussion on enhanced prudential standards; and (3) a presentation and discussion on the Council's annual report and the current macro-economic environment; (4) consideration of, and a vote on, the Financial Market Utilities Designations Final Rule; (5) consideration of, and vote on, the Secured Creditor Haircut Study; and, (5) consideration of, and a vote on, the minutes from the May 24 and July 13, 2011 meetings. The Chairperson indicated that the first three items would be considered in the executive session and that the remaining items would be considered in the open session.

### **1. Designation of Nonbank Financial Companies**

The Chairperson turned to the agenda item regarding designation of nonbank financial companies and asked Lance Auer, Deputy Assistant Secretary for Financial Institutions, Treasury; Nellie Liang, Director, Office of Financial Stability Policy and Research, Federal Reserve Board, and Jason Cave, Deputy Director for Monitoring, Office of Complex Financial Institutions, FDIC, to provide a presentation on the work of the interagency staff on the framework and process for designations of nonbank financial companies. The members of the Council asked questions about the presentation and discussed the designation process.

### **2. Enhanced Prudential Standards**

The Chairperson then turned to the agenda item regarding enhanced prudential standards and called on Mark Van der Weide, Chief of Staff for Policy, Division of Banking Supervision and Regulation, Federal Reserve Board, to discuss the status of the Federal Reserve Board's rulemaking implementing regarding the standards. Mr. Van Der Weide reviewed the requirements of section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. He discussed international developments regarding capital surcharges for systemically important financial companies and that the Federal Reserve Board was reviewing the international framework as part of its work on developing a proposed rule regarding the capital element under the enhanced prudential standards. The members of the Council asked questions about the presentation. Chairman Gruenberg thanked the Federal Reserve for its cooperation on the joint rule implementing the resolution plan requirement of the enhanced prudential standards.

### **3. Annual Report and the Current Macro-Economic Environment**

The Chairperson raised the agenda item regarding the Council's annual report and the current macro-economic environment. The Chairperson asked Simon Potter, Senior Policy Advisor,

FSOC, Nellie Liang, Director, Office of Financial Stability Policy and Research, Federal Reserve Board, Art Murton, Director of Insurance & Research, FDIC, and Amias Gerety, Deputy Assistant Secretary for FSOC to make the presentation.

The individuals listed above provided the presentation, which reviewed the statutory requirements for the report and recommendations. The members complimented the work that has been done to date on the report and asked questions regarding the report. A discussion took place regarding the current macro-economic environment and the Chairperson discussed the U.S. fiscal situation.

## **Open Session**

The Chairperson called the open session of the meeting of the Council to order at 11:20 a.m. (EDT). The Chairperson presented four resolutions for consideration by the Council.

### **1. Discussion on the Annual Report of the Council**

The Chairperson called on Amias Gerety, Deputy Assistant Secretary for FSOC and Simon Potter, Senior Policy Advisor, FSOC to discuss the annual report. The Chairperson also introduced Nellie Liang, Director, Office of Financial Stability Policy and Research, Federal Reserve Board, and Art Murton, Director of Insurance & Research, FDIC who were available to answer questions in addition to Mr. Auer. Mr. Gerety discussed that this is the first annual report of the Council and reviewed the recommendations contained in the report. The Council voted to approve the annual report by notation vote on July 22, 2011 as set forth below.

### **2. Discussion and Vote on Resolution Approving the Final Rule Concerning the Designation of Certain Financial Market Utilities and Publication of the Final Rule**

The Chairperson recognized Lance Auer, Deputy Assistant Secretary for Financial Institutions, Treasury, to give a presentation on the key issues raised in the public comments on the Notice of Proposed Rulemaking and the revisions made in the Final Rule. The Chairperson also introduced Jeff Stehm, Associate Director of Financial Market Infrastructure Oversight, Federal Reserve, Robert Wasserman, Associate Director, DCIO, CFTC who were available to answer questions in addition to Mr. Auer. After the presentation, the Chairperson presented to the Council the following resolution approving the Final Rules and its publication.

*“WHEREAS, the Financial Stability Oversight Council (the “Council”) was established by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “DFA”) with a duty to “...identify systemically important financial market utilities . . .;”*

*WHEREAS, section 804 of the DFA gives the Council the authority to designate financial market utilities that the Council determines are, or are likely to become, systemically important;*

*WHEREAS, the Council published a notice of proposed rulemaking (“NPR”) on March 28, 2011, through which it sought public comment on the criteria and analytical framework by which it will designate those financial market utilities that it determines are, or are likely to become, systemically important; and*

*WHEREAS, the staffs of the Council Agencies have reviewed the public comments received in response to the NPR and have prepared a final rule that describes the criteria that will inform, and the processes and procedures established under the DFA for, the Council's designation of financial market utilities under the DFA.*

*NOW, THEREFORE, BE IT RESOLVED, that the Council hereby approves the final rule as presented and authorizes the Chairperson, or his designee, to cause the attached final rule to be published in the Federal Register, in a form and manner acceptable to the Chairperson, or his designee.*

*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 Federal Register document, and to take such other actions and issue such other documents incident and related to the foregoing as they deem necessary or appropriate to fulfill the Council's objectives in connection with its publication in the Federal Register.*

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

3. Discussion and Vote on Resolution Approving the Study Required by Section 215 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The Chairperson recognized Felton Booker, Acting Director, Office of Financial Institutions Policy, Treasury, and Penfield Starke, Senior Counsel, FDIC to provide a presentation on the study. After the presentation, the Chairperson presented to the Council the following resolution approving the study and its publication and transmission to the Congress.

*WHEREAS, the Financial Stability Oversight Council (the "Council") under the provisions of section 215 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "DFA") is required to conduct a study evaluating the importance of maximizing United States taxpayer protections and promoting market discipline with respect to the treatment of fully secured creditors in the utilization of the orderly liquidation authority authorized by the DFA.*

*WHEREAS, the Council under the provisions of section 215 of the DFA is required to issue a report to the Congress containing all findings and conclusions made by the Council in carrying out such study.*

*WHEREAS, the Council Agencies conducted the study and prepared the attached report pursuant to section 215 of the DFA.*

*NOW THEREFORE, BE IT RESOLVED, that the Council approves the attached report prepared under the provisions of section 215 of the DFA and authorizes the Chairperson, or his designee, to take such action as necessary to formally transmit the attached report to the Congress and to otherwise make it available to the public as the Chairperson deems appropriate; and,*

*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 report and to take such other actions as they deem necessary or appropriate to prepare the report for release to the Congress and the public.*

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

4. Resolution Approving the Minutes of the May 24, 2011 meeting.

*“BE IT RESOLVED, by the Financial Stability Oversight Council (the “Council”) that the minutes attached hereto of the May 24, 2011 meeting of the Council are 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.

4. Resolution Approving the Minutes of the July 13, 2011 meeting

*“BE IT RESOLVED, by the Financial Stability Oversight Council (the “Council”) that the minutes attached hereto of the July 13, 2011 meeting of the Council are hereby approved.”*

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

The Chairperson then asked for a motion to adjourn the meeting, which was made. The Chairperson adjourned the meeting at approximately 12:00 p.m. (EST).