

Minutes of the Financial Stability Oversight Council

Held December 17, 2015

PRESENT:

Sarah Bloom Raskin, Deputy Secretary of the Treasury (acting pursuant to delegated authority)
Janet Yellen, Chair, 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)
Timothy Massad, Chairman, Commodity Futures Trading Commission (CFTC)
Richard Cordray, Director, Consumer Financial Protection Bureau (CFPB)
Melvin Watt, Director, Federal Housing Finance Agency (FHFA)
Thomas J. Curry, Comptroller of the Currency, Office of the Comptroller of the Currency (OCC)
Debbie Matz, Chairman, National Credit Union Administration (NCUA)
Roy Woodall, Independent Member with Insurance Expertise
Richard Berner, Director, Office of Financial Research (OFR), Department of the Treasury
(nonvoting 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)
Adam Hamm, Commissioner, North Dakota Insurance Department (non-voting member)
Melanie Lubin, Securities Commissioner, Maryland Office of the Attorney General, Securities
Division (non-voting member)

GUESTS:

Department of the Treasury (Treasury)

Patrick Pinschmidt, Deputy Assistant Secretary and Executive Director of the Financial Stability
Oversight Council (Council)
Eric Froman, Deputy Assistant General Counsel for the Council
Mark Kaufman, Counselor to the Deputy Secretary

Board of Governors of the Federal Reserve System

Daniel K. Tarullo, Governor
Nellie Liang, Director, Office of Financial Stability Policy and Research

Federal Deposit Insurance Corporation

Jason Cave, Special Advisor to the Chairman for Supervisory Matters

Securities and Exchange Commission

Michael Liftik, Deputy Chief of Staff

Commodity Futures Trading Commission

Lawranne Stewart, Special Counsel

Consumer Financial Protection Bureau
Meredith Fuchs, Acting Deputy Director

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

Comptroller of the Currency
Jonathan Fink, Special Counsel to the Comptroller

National Credit Union Administration
Ralph Monaco, Chief Economist

Office of the Independent Member with Insurance Expertise
Chris Ledoux, Senior Policy Advisor

Federal Reserve Bank of New York
William Dudley, President and Chief Executive Officer

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

Federal Insurance Office
Steven Seitz, Deputy Director (Financial Stability)

Louisiana Office of Financial Institutions
Michael Stevens, Senior Executive Vice President, Conference of State Bank Supervisors

North Dakota Insurance Department
Mark Sagat, Counsel and Manager, 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:

Update on Annual Reevaluation of Nonbank Financial Company Designation

- *Steven Seitz, Deputy Director (Financial Stability), Federal Insurance Office, Treasury*
- *Eric Froman, Deputy Assistant General Counsel for the Council (available for questions)*

Executive Session

Sarah Bloom Raskin, Deputy Secretary of the Treasury, called the executive session of the meeting of the Council to order at approximately 1:35 P.M. (EST). The meeting was conducted by telephone. Deputy Secretary Raskin noted that the Chairperson of the Council was unable to participate in the meeting due to official travel. She then outlined the meeting agenda, which had

previously been distributed to the members together with copies of the resolutions and other materials. The agenda for the meeting included the following subjects: (1) the annual reevaluation of a previously designated nonbank financial company, Prudential Financial, Inc. (Prudential), and (2) consideration of, and a vote on, a resolution approving the minutes of the Council's meeting on November 2, 2015.

1. Annual Reevaluation of Designated Nonbank Financial Company

Deputy Secretary Raskin introduced the first agenda item, the annual reevaluation of a nonbank financial company, Prudential, that the Council had designated in 2013 under section 113 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. She said that the Council would vote on this annual reevaluation by notational vote, rather than voting during the meeting. Deputy Secretary Raskin also noted that Mary Jo White, Chair of the SEC, recused herself from participating in the discussion and vote. She then introduced Steven Seitz, Deputy Director (Financial Stability) of the Federal Insurance Office. Mr. Seitz explained that under the Dodd-Frank Act, the Council is required annually to reevaluate each previous designation and rescind a designation if the Council determines that the company no longer meets the statutory standards. He noted that annual reevaluations focus on material changes with respect to the companies or the markets in which they operate. Mr. Seitz also noted that staff had met with Prudential and had consulted with a number of the company's state and federal regulators during the annual reevaluation. He then presented on the analysis and conclusions related to Prudential, including staff's review of information submitted by the company to the Council during the annual reevaluation. He described changes related to Prudential over the previous year and since the company's designation in September 2013. Based on the analysis, and in light of the standard for designations under section 113, staff recommended that the Council not rescind its final determination with respect to Prudential. Members of the Council then asked questions and had a discussion, including with respect to the company's filing of its initial resolution plan with the Federal Reserve and FDIC in June 2014. During the discussion, Adam Hamm, Commissioner of the North Dakota Insurance Department, noted his disagreement with any Council vote to maintain the designation of Prudential. Michael McRaith, Director of the Federal Insurance Office, expressed his agreement with and support for the staff analysis and recommendation that the designation not be rescinded. Deputy Secretary Raskin said that if the Council votes not to rescind the designation, the Council would send the company a detailed written analysis to help the company understand the basis for the Council's decision, in accordance with the supplemental procedures relating to nonbank financial company designations that the Council adopted in February 2015.

2. Resolution Approving the Minutes of the Meeting held on November 2, 2015

“BE IT RESOLVED, by the Financial Stability Oversight Council (the “Council”), that the minutes attached hereto of the meeting held on November 2, 2015 of the Council are hereby approved.”

Deputy Secretary Raskin asked for a motion to approve the resolution, which was made and seconded. The Council approved the resolution by unanimous vote.

3. Other Business

Deputy Secretary Raskin then asked whether there was any other business before the Council adjourned for the open session. Patrick Pinschmidt, Deputy Assistant Secretary and Executive Director of the Council at Treasury, provided a brief update on the interagency staff evaluation of potential financial stability risks arising from asset management products and activities. Mr. Pinschmidt said that staff were evaluating six areas as part of their work: liquidity and redemption risk; leverage; securities lending; data and disclosure; operational risks of service provider concentrations; and resolvability and transition planning. He noted that the focus is on analyzing the materiality of potential financial stability risks, considering how those risks may be mitigated by existing or proposed regulation, and considering whether there are any remaining risks to financial stability that the Council may want to address. He said that interagency staff meetings regarding these issues are ongoing and that there will be a discussion of the staff analysis at the next Council meeting to enable the Council to provide a public update on the analysis in the spring.

Deputy Secretary Raskin adjourned the meeting at approximately 2:03 P.M. (EST).