

Minutes of the Financial Stability Oversight Board Meeting June 25, 2009

A meeting of the Financial Stability Oversight Board (“Board”) was held at 5:00 p.m. (EDT) on Thursday, June 25, 2009, at the offices of the Department of the Treasury (“Treasury”).

MEMBERS PRESENT:

Mr. Bernanke, Chairperson
Mr. Geithner
Mr. Donovan
Ms. Schapiro
Mr. Lockhart

STAFF PRESENT:

Mr. Fallon, General Counsel
Mr. Gonzalez, Secretary

AGENCY OFFICIALS PRESENT:

Mr. Allison, Counselor to the Secretary and Assistant Secretary of the Treasury for Financial Stability, Department of the Treasury

Mr. Wheeler, Deputy Assistant Secretary for Federal Finance, Department of the Treasury

Mr. Madison, Nominee for General Counsel, Department of the Treasury

Mr. Albrecht, Counselor to the General Counsel, Department of the Treasury

Mr. Feinberg, Special Master for Executive Compensation under the Troubled Asset Relief Program, Department of the Treasury

Mr. Miller, Director of Investments, Office of Financial Stability, Department of the Treasury

Ms. Abdelrazek, Senior Advisor to the Counselor to the Secretary and Assistant Secretary of the Treasury for Financial Stability, Department of the Treasury

Ms. Aveil, Special Assistant to the Secretary, Department of the Treasury

Ms. Liang, Associate Director, Division of Research & Statistics, Board of Governors of the Federal Reserve System

Mr. Apgar, Senior Advisor to the Secretary, Department of Housing and Urban Development

Mr. Delfin, Special Counsel to the Chairman, Securities and Exchange Commission

Mr. DeMarco, Chief Operating Officer and Deputy Director for Housing Mission and Goals, Federal Housing Finance Agency

Chairperson Bernanke called the meeting to order at approximately 5:05 p.m. (EDT).

The Board first considered draft minutes for the meeting of the Board held on May 28, 2009, which had been circulated in advance of the meeting. Upon a motion duly made and seconded, the Members unanimously voted to approve the minutes of the meeting,

subject to such technical revisions as may be received from the Members.

Using prepared materials, officials from the Department of the Treasury (“Treasury”) then provided an update on the programs established by Treasury under the Troubled Asset Relief Program (“TARP”). Discussion during the meeting focused on the executive compensation and corporate governance regulations recently issued by Treasury under the TARP; the Capital Purchase Program (“CPP”); the Public-Private Investment Partnership (“PPIP”) program; and developments in the financial and housing markets. Materials and updates concerning the other programs established by Treasury under the TARP, including the aggregate level and distribution of commitments and disbursements under the TARP, repayments of TARP funds, and the level of resources that remain available under the TARP, was included in the materials prepared for the meeting. During this discussion, Members also raised and discussed various matters with respect to the development and ongoing implementation of other policies and programs under the TARP.

Using prepared materials, Mr. Feinberg and other Treasury officials briefed the Members on the role and functions of the Office of the Special Master for Executive Compensation and the key aspects of the interim final rule on executive compensation and corporate governance (the “interim final rule”), which Treasury had announced on June 10, 2009, to help ensure that public funds provided to TARP recipients are directed towards the public interest and not toward inappropriate private gain. As part of this discussion, Members and officials reviewed and discussed the

standards for executive compensation set forth in the interim final rule, including the provisions: designed to prevent senior executive officers (“SEOs”) from taking unnecessary and excessive risks that threaten the value of the recipient of TARP funds; requiring the recovery of any bonus, retention award, or incentive compensation paid to a SEO or any of the next twenty most highly-compensated employees based on materially inaccurate statements of earnings, revenues, gains, or other criteria; and prohibiting golden parachute payments to SEOs and other highly compensated employees. As part of this discussion, Treasury officials reviewed and discussed with the Members the process established by the Office of the Special Master to review payments and compensation plans for the SEOs and other highly compensated employees of TARP recipients that have received exceptional assistance. Members also discussed key aspects of the accompanying rules on corporate governance and disclosure set forth in Treasury’s interim final rule, which provide for: the establishment of a compensation committee of independent directors to meet semi-annually to review employee compensation plans and the risks posed by these plans to the TARP recipient; the adoption of an excessive or luxury expenditures policy; the disclosure of perquisites offered to SEOs and certain highly compensated employees; the disclosures related to compensation consultant engagements; and the applicability of the federal securities rules and regulations regarding the submission of a non-binding resolution on SEO compensation to shareholders.

Using prepared materials, Treasury officials then provided the Members with an update on the CPP.

Officials and Members reviewed and discussed, among other things, the number of applications received and approved by Treasury under the program; the amount of funds requested, disbursed and repaid to Treasury; and the key terms and timing of the re-opening and expansion of the CPP, which Treasury had announced on May 13, 2009, to support small and community banks.

As part of this discussion, Members and officials also discussed the manner in which warrants acquired by Treasury under the CPP would be valued and sold, as well as the treatment of redemptions and dividend proceeds received by Treasury for TARP and federal budgeting purposes.

Using prepared materials, Treasury officials then provided the Members with an update on the legacy securities component of the PPIP program, under which Treasury will partner with approved asset managers who will raise private capital for public-private investment funds (“PPIFs”) to invest in legacy commercial mortgage-backed securities and residential mortgage-backed securities. As part of this discussion, Members and officials reviewed the progress Treasury has made in reviewing the 104 fund manager applications that were submitted to Treasury prior to the applications deadline for the program, which Treasury had extended to April 24, 2009, to better accommodate increased interest in the program, and the potential timing of commencement of the program.

Members and officials then engaged in a roundtable discussion regarding the current state of the U.S. housing and financial markets, during

which officials from the Federal Reserve and the Federal Housing Finance Agency presented certain data to the Members, including data related to corporate bond spreads, stock prices, credit default swap spreads for selected financial institutions, debt growth among household and nonfinancial businesses, conditions in the commercial paper and asset-backed securities markets, issues financed under the Term Asset-backed Securities Loan Facility (“TALF”), and data related to credit demand and standards drawn from the Federal Reserve’s Senior Loan Officer Opinion Survey. As part of this discussion, Members and officials also discussed current financial market developments and the potential for loan losses on small and medium sized banking organizations. In considering the state of the housing and housing finance markets, Members and officials reviewed, among other things, data related to mortgage rates, delinquencies and housing prices. During this discussion, Members also discussed potential modifications to the refinancing initiative introduced by Fannie Mae and Freddie Mac for borrowers with high loan-to-value ratios, as well as liquidity issues in the market for mortgage lending.

Following this discussion, Treasury officials provided an update regarding the Home Affordable Modification Program (“HAMP”). As part of this discussion, Members and officials reviewed and discussed the number of first-lien mortgage loans that had been or are expected to be modified under the program and the amount of funds requested and disbursed from TARP in support of the program.

Members and officials then engaged in a discussion regarding the

Board's quarterly report to Congress for the quarter ending June 30, 2009, that will be issued by the Board pursuant to section 104(g) of the EESA. Members and officials discussed, among other things, the timing and potential contents of the report.

The meeting was adjourned at approximately 6:05 p.m. (EDT).

[Electronically Signed]

Jason A. Gonzalez
Secretary