

Minutes of the Financial Stability Oversight Council

Held December 3, 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, Chairperson, Federal Deposit Insurance Corporation (FDIC)

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

Gary Gensler, Chairman, Commodity Futures Trading Commission (CFTC)

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)
(*participating by phone*)

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 S. Wolin, Deputy Secretary

Mary J. Miller, Under Secretary for Domestic Finance

Amias Gerety, Deputy Assistant Secretary for the Financial Stability Oversight Council

Christopher J. Meade, Acting General Counsel

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, Deputy Director, Office of Complex Financial Institutions

Securities and Exchange Commission

Elisse Walter, Commissioner

John Moffett Ramsay, Deputy Director, Division of Trading and Markets

Commodity Futures Trading Commission

Eric Juzenas, Chief Operating Officer and Senior Counsel

Consumer Financial Protection Bureau

Ashwin Vasani, Senior Advisor, Office of the Director

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

Chris Ledoux, Senior Advisor

Federal Reserve Bank of New York

William Dudley, President and Chief Executive Officer (*participating by phone*)

Federal Insurance Office

John Nolan, Senior Policy Advisor

Louisiana Office of Financial Institutions

Margaret Liu, Senior Vice President, Conference of State Bank Supervisors

Missouri Department of Insurance, Financial Institutions, and Professional Registration

Elise Liebers, Senior Director, Financial Regulatory Affairs-International Policy and Market Surveillance, 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:

Macro-environment Overview: Preliminary Observations and Issues from Tropical Storm Sandy

- *Leigh Williams, Director, Office of Critical Infrastructure Protection and Compliance Policy, Treasury*
- *Wayne Pacine, Interagency Project Manager, Federal Reserve*
- *Lola Judge, Senior Vice President and Chief Operational Risk Officer, Federal Reserve Bank of New York*
- *David Taylor, Associate Director, Division of Market Oversight, CFTC*
- *David Shillman, Associate Director, Division of Trading and Markets, SEC*

Living Wills Update

- *Barbara Bouchard, Senior Associate Director, Federal Reserve*
- *Jim Wigand, Director, Office of Complex Financial Institutions, FDIC*

Treatment of Foreign Banking Organizations Under Enhanced Prudential Standards

- *Mark Van Der Weide, Senior Associate Director, Division of Banking Supervision and Regulation, Federal Reserve*
- *Molly Mahar, Senior Supervisory Financial Analyst, Division of Banking Supervision and Regulation, Federal Reserve*

London Interbank Offered Rate (LIBOR) Update

- *Gary Gensler, Chairman, CFTC*

International Association of Insurance Supervisors (IAIS) Update

- *Michael McRaith, Director, Federal Insurance Office, Treasury*
- *Elise Liebers, Senior Director, Financial and Regulatory Affairs, National Association of Insurance Commissioners*
- *Lael Brainard, Under Secretary for International Affairs, Treasury*

Executive Session

The Chairperson called the executive session of the meeting of the Financial Stability Oversight Council (Council) to order at approximately 1:03 P.M. (EST).

The Chairperson began by outlining the meeting agenda, which had been previously distributed to the members together with copies of the resolution and other materials. The agenda for the meeting included the following subjects: (1) preliminary observations and issues from Tropical Storm Sandy; (2) an update on living wills; (3) the treatment of foreign banking organizations under enhanced prudential standards; (4) an update on LIBOR; (5) an update on the work of the IAIS; and (6) consideration of, and a vote on, a resolution approving the minutes from the Council's meeting on November 13, 2012.

1. Macro-environment Overview: Preliminary Observations and Issues from Tropical Storm Sandy

The Chairperson turned to the first agenda item and asked Leigh Williams, Director of the Office of Critical Infrastructure Protection and Compliance Policy at Treasury, to give the presentation. Wayne Pacine, Interagency Project Manager at the Federal Reserve; Lola Judge, Senior Vice President and Chief Operational Risk Officer at the Federal Reserve Bank of New York; David Taylor, Associate Director of the Division of Market Oversight at the CFTC; and David Shillman, Associate Director of the Division of Trading and Markets at the SEC, were also present. Mr. Williams discussed the financial sector's performance during Tropical Storm Sandy. He stated that individual organizations and the financial sector as a whole performed well during the storm, particularly given the magnitude of the event. He noted that the issues regarding financial sector performance fell into four general categories: (1) planning and testing; (2) incident management; (3) people; and (4) dependence on other sectors. After the presentation, members of the Council asked questions and had a discussion.

2. Living Wills Update

The Chairperson then called on Barbara Bouchard, Senior Associate Director at the Federal Reserve, and Jim Wigand, Director of the Office of Complex Financial Institutions at the FDIC, to provide an update on living wills. Title I of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) requires all bank holding companies (including foreign banks or companies that are treated as bank holding companies pursuant to the International Banking Act of 1978) with total consolidated assets of \$50 billion or more and nonbank financial companies supervised by the Federal Reserve to periodically submit plans for rapid and orderly resolution of the company under the U.S. Bankruptcy Code in the event of material financial distress or failure; these resolution plans are commonly referred to as “living wills.” The Federal Reserve and the FDIC published implementing regulations for living wills in November 2011. Nine of the largest bank holding companies submitted living wills to the Federal Reserve and the FDIC in July 2012, and an additional two bank holding companies submitted living wills in October 2012. The presenters provided background on living wills, explained the process for reviewing them, and discussed the next steps in the review process. After the presentation, members of the Council asked questions and had a discussion.

3. Treatment of Foreign Banking Organizations Under Enhanced Prudential Standards

The Chairperson next addressed the agenda item regarding the treatment of foreign banking organizations under enhanced prudential standards. He asked Mark Van Der Weide, Senior Associate Director of the Division of Banking Supervision and Regulation at the Federal Reserve, and Molly Mahar, Senior Supervisory Financial Analyst in the Division of Banking Supervision and Regulation at the Federal Reserve, to give the presentation. Sections 165 and 166 of the Dodd-Frank Act require the Federal Reserve to adopt enhanced prudential standards and early remediation requirements for bank holding companies, including foreign banks or companies that are treated as bank holding companies pursuant to the International Banking Act of 1978, with total consolidated assets of at least \$50 billion. Mr. Van Der Weide and Ms. Mahar discussed the proposed approach of the Federal Reserve staff to enhanced prudential standards for such foreign banks or companies. After the presentation, members of the Council asked questions and had a discussion.

4. Update on LIBOR

The Chairperson turned to the next agenda item and called on Gary Gensler, Chairman of the CFTC, to provide the update on LIBOR. Chairman Gensler provided an overview of current global regulatory initiatives to reform LIBOR and more generally to review benchmark rates. These global initiatives include the Wheatley Review and efforts by the International Organization of Securities Commissions and the European Commission, among others. Members of the Council discussed alternative benchmarks to LIBOR, including transaction-based benchmarks, as well as transition issues. The Council members also discussed the question of U.S. enforcement agencies sharing information discovered during the course of investigations that could have implications for financial stability. They also discussed other circumstances in which markets rely on actions of private associations, institutions, or other self-regulatory organizations.

5. IAIS Update

The Chairperson addressed the next item on the agenda and called on Michael McRaith, Director of the Federal Insurance Office at Treasury, to provide an update on the work of the IAIS. Lael Brainard, Under Secretary for International Affairs at Treasury, was involved in the presentation. Elise Liebers, Senior Director for Financial Regulatory Affairs-International Policy and Market Surveillance at the National Association of Insurance Commissioners, was also present. Mr. McRaith provided an overview of the IAIS process for identifying global systemically important insurers. He further explained the timeline for designation of global systemically important insurers and noted that the IAIS released its proposed policy measures for global systemically important insurers in October. After the presentation, members of the Council asked questions and had a discussion.

6. Resolution Approving the Minutes of the Meeting held on November 13, 2012

“BE IT RESOLVED, by the Financial Stability Oversight Council (the “Council”), that the minutes attached hereto of the meeting held on November 13, 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 3:11 P.M. (EST).