

Minutes of the Financial Stability Oversight Council

Held February 28, 2013

PRESENT:

Jacob J. Lew, Secretary of the Treasury and Chairperson of the Financial Stability Oversight Council (Council)
Ben Bernanke, Chairman, Board of Governors of the Federal Reserve System (Federal Reserve)
Martin J. Gruenberg, Chairperson, Federal Deposit Insurance Corporation (FDIC)
Elisse Walter, 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)
Roy Woodall, Independent Member with Insurance Expertise
Richard Berner, Director, Office of Financial Research, Department of the Treasury (non-voting 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)
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 FSOC
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 for Complex Financial Institutions Monitoring

Securities and Exchange Commission

Sara Cortes, Counsel to the Chairman

Commodity Futures Trading Commission

Dan Berkovitz, General Counsel

Consumer Financial Protection Bureau

Ashwin Vasan, Senior Advisor

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*)

Office of Financial Research

Matthew Reed, Chief Counsel

Federal Insurance Office

John Nolan, Senior Policy Advisor

Louisiana Office of Financial Institutions

Mike Stevens, Senior Executive Vice President, Conference of State Bank Supervisors

Missouri Department of Insurance, Financial Institutions, and Professional Registration

Mark Sagat, Counsel and Manager, Financial Policy and Legislation, National Association of Insurance Commissioners

North Carolina Department of the Secretary of the State, Securities Division

Joseph Brady, General Counsel, North American Securities Administrators Association

PRESENTERS:

Macro-environment Overview: Fixed Income Asset Valuation

- *Tobias Adrian, Vice President and Function Head, Capital Markets Function, Federal Reserve Bank of New York*
- *Trent Reasons, Senior Policy Advisor, Treasury*
- *Nellie Liang, Director, Office of Financial Stability Policy and Research, Federal Reserve*

The Council's Annual Report

- *Tobias Adrian, Vice President and Function Head, Capital Markets Function, Federal Reserve Bank of New York*
- *Trent Reasons, Senior Policy Advisor, Treasury*

Nonbank Financial Company Designations Stage 3 Analysis Update

- *Maria Perozek, Senior Economist, Federal Reserve*
- *Jose Berrospide, Economist, Federal Reserve*
- *George Sacco, Senior Analyst, FHFA*
- *John Nolan, Senior Advisor, Federal Insurance Office, Treasury*
- *Todd Cohen, Policy Advisor, Treasury*
- *Diane Fraser, Senior Policy Advisor, Office of the Independent Member*
- *Patrick Pinschmidt, Executive Director of the Council, Treasury*

Money Market Mutual Fund Reform Update

- *Elisse Walter, Chairman, SEC*
- *Matt Rutherford, Assistant Secretary for Financial Markets, Treasury*
- *Eric Froman, Deputy Assistant General Counsel for FSOC, Treasury*
- *Craig Lewis, Chief Economist and Director of the Division of Risk, Strategy, and Financial Innovation, SEC*

Executive Session

The Chairperson called the executive session of the meeting of the Financial Stability Oversight Council to order at approximately 1:10 P.M. (EST). He began by welcoming everyone to the meeting and noting the critical role played by the Council in enhancing coordination among regulators and moving financial reform implementation forward. He added that the Council had made significant progress in promoting market stability, including by taking actions to identify risks and increase oversight, and that he was looking forward to working with the members of the Council to continue this progress.

The Chairperson then outlined 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) an update on fixed income asset valuation; (2) the Council's annual report; (3) an update on nonbank financial company designations stage 3 analysis; (4) an update on money market mutual fund reform; and (5) consideration of, and a vote on, a resolution approving the minutes of the Council's meeting on January 31, 2013.

1. Macro-environment Overview: Fixed Income Asset Valuation

The Chairperson turned to the first agenda item regarding fixed income asset valuation and called on Tobias Adrian, Vice President and Function Head, Capital Markets Function at the Federal Reserve Bank of New York; Trent Reasons, Senior Policy Advisor at Treasury; and Nellie Liang, Director of the Office of Financial Stability Policy and Research at the Federal Reserve, to give the presentation. The presenters discussed the current environment of low Treasury and corporate bond yields and low interest rates and their financial stability

implications. After the presentation, members of the Council asked questions and had a discussion.

2. The Council's Annual Report

The Chairperson then introduced the agenda item regarding an update on the Council's 2013 annual report and asked Tobias Adrian, Vice President and Function Head, Capital Markets Function at the Federal Reserve Bank of New York, and Trent Reasons, Senior Policy Advisor at Treasury, to give the presentation. Mr. Adrian and Mr. Reasons stated that the Council's 2013 annual report is currently under development and that there has been broad collaboration by the staffs of all Council members and member agencies. They also outlined the proposed timeline for preparation of the report, as well as some proposed recommendations, emerging threats, and other topics to be included in the report. After the presentation, members of the Council asked questions and had a discussion.

3. Nonbank Financial Company Designations Stage 3 Analysis Update

The Chairperson next addressed the agenda item regarding an update on the ongoing analysis of a subset of nonbank financial companies that the Council previously had advanced to stage 3 of the designations process. He asked Maria Perozek, Senior Economist at Federal Reserve; Jose Berrospide, Economist at the Federal Reserve; and George Sacco, Senior Analyst at the FHFA, to give the presentations. John Nolan, Senior Advisor in the Federal Insurance Office at Treasury; Todd Cohen, Policy Advisor at Treasury; Diane Fraser, Senior Policy Advisor in the Office of the Independent Member; and Patrick Pinschmidt, Executive Director of the Council at Treasury, were available to answer questions. After the presentations, members of the Council asked questions and had a discussion.

4. Money Market Mutual Fund Reform Update

The Chairperson then asked Elisse Walter, Chairman of the SEC, to provide an update on money market mutual fund (MMF) reform. Matt Rutherford, Assistant Secretary for Financial Markets at Treasury; Eric Froman, Deputy Assistant General Counsel for FSOC at Treasury; and Craig Lewis, Chief Economist and Director of the Division of Risk, Strategy, and Financial Innovation at the SEC, also participated in the presentation. Pursuant to the authority under Section 120 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Council published proposed recommendations regarding MMF reform in the Federal Register for public comment on November 19, 2012. The comment period for the proposed recommendations closed on February 15, 2013. Chairman Walter discussed the SEC staff's November 2012 study relating to the impact of the SEC's 2010 MMF reforms and further work regarding MMF reform. Mr. Rutherford and Mr. Froman provided an overview of the approximately 150 comments received on the Council's proposed recommendations. Mr. Lewis provided further detail on the SEC staff study. After the presentation, members of the Council asked questions and had a discussion.

5. Resolution Approving the Minutes of the Meeting held on January 31, 2013

“BE IT RESOLVED, by the Financial Stability Oversight Council (the “Council”), that the minutes attached hereto of the meeting held on January 31, 2013 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 3:01 P.M. (EST).