

## Minutes of the Financial Stability Oversight Council

Held April 4, 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  
Christopher J. Meade, Acting General Counsel  
Amias Gerety, Deputy Assistant Secretary for FSOC  
Patrick Pinschmidt, Executive Director of the Council

#### 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  
Eric Juzenas, Chief Operating Officer and Senior 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  
Diane Fraser, Senior Policy Advisor

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

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:

*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*

#### *The Council's Annual Report*

- *Tobias Adrian, Vice President and Function Head, Capital Markets Function, Federal Reserve Bank of New York*

#### *Amendments to the Council's Hearing Procedures*

- *Eric Froman, Deputy Assistant General Counsel for FSOC, Treasury*

### **Executive Session**

The Chairperson called the executive session of the meeting of the Financial Stability Oversight Council to order at approximately 1:06 P.M. (EDT). He then outlined the meeting agenda, which had been previously distributed to the members together with copies of the resolutions and other materials. The agenda for the meeting included the following subjects: (1) an update on nonbank financial company designations stage 3 analysis; (2) the Council's annual report; (3) consideration of, and a vote on, a resolution approving amendments to the Council's hearing procedures; and (4) consideration of, and a vote on, a resolution approving the minutes of the Council's meeting on February 28, 2013.

#### 1. Nonbank Financial Company Designations Stage 3 Analysis Update

The Chairperson first introduced the agenda item regarding an update on the ongoing analysis of the nonbank financial companies that the Council previously had advanced to stage 3 of the designations process. Maria Perozek, Senior Economist at Federal Reserve; Jose Berrospide, Economist at the Federal Reserve; George Sacco, Senior Analyst at the FHFA; John Nolan, Senior Advisor in the Federal Insurance Office at Treasury; Todd Cohen, Policy Advisor at Treasury; and Diane Fraser, Senior Policy Advisor in the Office of the Independent Member, were available to answer questions. The members of the Council discussed the nonbank financial companies that the Council previously had advanced to stage 3 of the designations process.

#### 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, to give the presentation. Mr. Adrian provided an update on the status of the report. After the presentation, members of the Council had a discussion.

#### 3. Amendments to the Council's Hearing Procedures

The Chairperson turned to the next agenda item, regarding proposed amendments to the Council's hearing procedures and a Federal Register notice responding to public comments on the hearing procedures. Eric Froman, Deputy Assistant General Counsel for FSOC at Treasury, was available to answer questions. The Council initially approved hearing procedures on May 22, 2012 for hearings conducted by the Council under Title I and Title VIII of the Dodd-

Frank Wall Street Reform and Consumer Protection Act. The Council had requested public comment on those procedures. Four comments were received, to which the staffs of the Council members and their agencies prepared a response in a Federal Register notice for approval and issuance by the Council. The Chairperson presented to the Council the following resolution approving the adoption of amendments to the hearing procedures to govern hearings requested by a nonbank financial company, financial market utility, or financial institution engaged in a payment, clearing, or settlement activity that is the subject of a proposed determination or designation.

*“WHEREAS, section 113 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “DFA”) gives the Council authority to require that a nonbank financial company be supervised by the Board of Governors of the Federal Reserve System and be subject to prudential standards if the Council determines that material financial distress at the company, or the nature, scope, size, scale, concentration, interconnectedness, or mix of the activities of the company, could pose a threat to the financial stability of the United States; and*

*WHEREAS, section 804 of the DFA gives the Council authority to designate a financial market utility or a payment, clearing, or settlement activity that the Council determines is, or likely to become, systemically important; and*

*WHEREAS, a nonbank financial company, a financial market utility, or a financial institution engaged in a payment, clearing, or settlement activity is permitted to request a hearing before the Council to contest the Council’s proposed determination or designation, or emergency waiver or modification, pursuant to section 113 or section 804 of the DFA; and*

*WHEREAS, if a nonbank financial company, a financial market utility, or a financial institution engaged in payment, clearing, or settlement activity (“Petitioner”) requests a hearing, the Council intends to provide a fair and expeditious hearing in accordance with procedures known in advance to the Petitioner; and*

*WHEREAS, on May 22, 2012, the Council approved the adoption of hearing procedures to be applied in proceedings conducted under Title I and Title VIII of the DFA (“Initial Hearing Procedures”) and the issuance of a notice of availability and request for comments that was published in the Federal Register on May 30, 2012; and*

*WHEREAS, in response to the public comments received on the Initial Hearing Procedures, the staffs of the Council Members and their Agencies have prepared (1) the attached amended form of the Initial Hearing Procedures (“Council Hearing Procedures”) and (2) the attached notice of availability and response to comments (“Notice”) to be published in the Federal Register; and*

*WHEREAS, the staffs of the Council Members and their Agencies recommend that the Council approve and (1) adopt the attached Council Hearing Procedures to be applied in proceedings conducted under Title I and Title VIII of the DFA, and (2) issue the attached Notice to be published in the Federal Register.*

*NOW, THEREFORE, BE IT RESOLVED, that the Council hereby approves the adoption of the Council Hearing Procedures and the issuance of the Notice, and authorizes the Chairperson, or his designee, to cause the attached Council Hearing Procedures to be published on the Council's website and to cause the attached Notice to be published in the Federal Register, in a form and manner acceptable to the Chairperson, or his designee, and to otherwise make them available to the public as the Chairperson deems appropriate.*

*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 Notice regarding the Council Hearing Procedures to ensure that the Council can issue and publish this document in the Federal Register, and to take such other actions and issue such other documents incident and related to the foregoing as may be deemed necessary or appropriate to fulfill the Council's objectives in connection with its publication."*

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 Meeting held on February 28, 2013

*"BE IT RESOLVED, by the Financial Stability Oversight Council (the "Council"), that the minutes attached hereto of the meeting held on February 28, 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 adjourned the meeting at approximately 2:30 P.M. (EDT).