

## Minutes of the Financial Stability Oversight Council

Held June 3, 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)  
Mary Jo White, Chair, 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, 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

Jennifer B. McHugh, Senior Advisor to the Director, Division of Investment Management

Commodity Futures Trading Commission

Eric Juzenas, Chief Operating Officer and Senior Counsel

Consumer Financial Protection Bureau

Ron Borzekowski, Senior Economist in Research, Markets, and Regulations

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

Office of Financial Research

Matthew Reed, Chief Counsel

Federal Insurance Office

John Nolan, Deputy Director (Financial Stability)

Louisiana Office of Financial Institutions

James Marion Cooper, Senior Vice President for Policy, 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 Discussion*

- *Maria Perozek, Senior Economist, Federal Reserve*
- *Jose Berrospide, Economist, Federal Reserve*
- *George Sacco, Senior Analyst, FHFA*
- *John Nolan, Deputy Director (Financial Stability), Federal Insurance Office, Treasury*

- *Todd Cohen, Policy Advisor, Treasury*
- *Diane Fraser, Senior Policy Advisor, Office of the Independent Member*
- *Scott G. Alvarez, General Counsel, Federal Reserve*
- *Laurie Schaffer, Associate General Counsel, Federal Reserve*
- *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) proposed designations of nonbank financial companies and consideration of, and a vote on, a resolution approving the proposed designations of an initial set of nonbank financial companies; and (2) consideration of, and a vote on, a resolution approving the minutes of the Council’s meeting on April 25, 2013.

### **1. Nonbank Financial Company Proposed Designations**

The Chairperson introduced the first agenda item, which was proposed designations of an initial set of nonbank financial companies that the Council previously had advanced to stage 3 of the designations process. Amias Gerety, Deputy Assistant Secretary for FSOC at Treasury, provided an overview of the rationale for the proposed designation of each of the nonbank financial companies. 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; Diane Fraser, Senior Policy Advisor in the Office of the Independent Member; Scott Alvarez, General Counsel at the Federal Reserve; and Laurie Schaffer, Associate General Counsel at the Federal Reserve, were available to answer questions. The members of the Council then discussed the proposed designation of each of the nonbank financial companies. Mary Jo White, Chair of the SEC, recused herself from participating in the discussion regarding two of the nonbank financial companies.

The Chairperson then presented to the Council the following resolution approving the proposed designations of an initial set of nonbank financial companies.

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

*WHEREAS, in making a determination under section 113 of the DFA, the Council must take into consideration the following: (A) the extent of the leverage of the company; (B) the extent and*

*nature of the off-balance-sheet exposures of the company; (C) the extent and nature of the transactions and relationships of the company with other significant nonbank financial companies and significant bank holding companies; (D) the importance of the company as a source of credit for households, businesses, and State and local governments and as a source of liquidity for the United States financial system; (E) the importance of the company as a source of credit for low-income, minority, or underserved communities, and the impact that the failure of such company would have on the availability of credit in such communities; (F) the extent to which assets are managed rather than owned by the company, and the extent to which ownership of assets under management is diffuse; (G) the nature, scope, size, scale, concentration, interconnectedness, and mix of the activities of the company; (H) the degree to which the company is already regulated by one or more primary financial regulatory agencies; (I) the amount and nature of the financial assets of the company; (J) the amount and types of the liabilities of the company, including the degree of reliance on short-term funding; and (K) any other risk-related factors that the Council deems appropriate; and*

*WHEREAS, the Council issued a final rule and accompanying interpretive guidance (the “Rule and Guidance”), codified at 12 C.F.R. Part 1310, that describes the criteria and the processes and procedures by which the Council will determine that a nonbank financial company shall be supervised by the Federal Reserve and shall be subject to enhanced prudential standards under the DFA; and*

*WHEREAS, the Rule and Guidance describes a three-stage process that the Council expects to use for evaluating a nonbank financial company prior to a Council vote on a proposed determination; and*

*WHEREAS, the Council has evaluated a set of nonbank financial companies that the Council previously advanced to stage 3, in accordance with the DFA and the Rule and Guidance, including conducting an assessment of all of the considerations set forth in section 113 of the DFA; and*

*WHEREAS, the Council has considered a broad range of information available through existing public and regulatory sources, as well as information collected directly from the set of nonbank financial companies; and*

*WHEREAS, based on the stage 3 evaluations, the staffs of the Council Members and their Agencies recommend that the Council make proposed determinations regarding a set of nonbank financial companies; and*

*WHEREAS, the Council provided the set of nonbank financial companies with notice when the Council deemed its evidentiary record regarding each such nonbank financial company to be complete, in accordance with the Rule and Guidance; and*

*WHEREAS, under the provisions of the DFA and the Rule and Guidance, the Council is required to provide a nonbank financial company written notice of a proposed determination of the Council, including an explanation of the basis of the proposed determination.*

*NOW, THEREFORE, BE IT RESOLVED, that, based on the information, considerations, and analysis set forth in the attached explanations of the basis of the proposed determinations, the Council hereby makes a proposed determination, pursuant to section 113 of the DFA, that material financial distress at any of the set of nonbank financial companies (identified in an attachment hereto) could pose a threat to the financial stability of the United States and that each such nonbank financial company shall be supervised by the Federal Reserve and shall be subject to prudential standards, in accordance with Title I of the DFA.*

*BE IT FURTHER RESOLVED, that the Council hereby approves the attached notice of proposed determination and the explanation of the basis of the proposed determination regarding each such nonbank financial company, and authorizes the notices and explanations to be sent to the set of nonbank financial companies.*

*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 notices and explanations and the attachments thereto.”*

The Chairperson asked for motions approving the proposed designations and the resolution, which were made and seconded. The Council approved the proposed designations and the resolution. The votes on the proposed designations were unanimous with respect American International Group, Inc. and General Electric Capital Corporation, Inc. (GECC), with Chair White recused from the vote on GECC, and the vote was 7 to 2 with respect to another nonbank financial company, with Acting Director DeMarco and Mr. Woodall dissenting and Chair White recused from the vote, and Director Huff noting his disagreement with such proposed designation. As a result, each proposed designation fulfilled the requirement that a proposed designation of a nonbank financial company shall be made by a vote of not fewer than two-thirds of the voting members of the Council then serving, including the affirmative vote of the Chairperson of the Council.

Following the votes, the Chairperson called on Eric Froman, Deputy Assistant General Counsel for FSOC at Treasury. Mr. Froman gave a presentation on, among other things, the statutory deadline for a nonbank financial company subject to a proposed designation to request a hearing, and the process for written and oral hearings under the Council’s hearing procedures. Following the presentation, Council members asked questions and discussed the process for hearings.

2. Resolution Approving the Minutes of the Meeting held on April 25, 2013

*“BE IT RESOLVED, by the Financial Stability Oversight Council (the “Council”), that the minutes attached hereto of the meeting held on April 25, 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.

### 3. Other Business

The Chairperson asked whether there was any other business before the meeting was adjourned. Chair White then provided the Council with an update on the money market mutual fund reform process at the SEC.

The Chairperson adjourned the meeting at approximately 2:50 P.M. (EDT).