

## Minutes of the Financial Stability Oversight Council

Held June 24, 2014

### PRESENT:

Jacob J. Lew, Secretary of the Treasury and Chairperson of the Financial Stability Oversight Council (Council)  
Janet Yellen, Chair, 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)  
Timothy Massad, Chairman, Commodity Futures Trading Commission (CFTC)  
Richard Cordray, Director, Consumer Financial Protection Bureau (CFPB)  
Melvin Watt, Director, Federal Housing Finance Agency (FHFA)  
Thomas J. Curry, Comptroller of the Currency, Office of the Comptroller of the Currency (OCC)  
Debbie Matz, Chairman, National Credit Union Administration (NCUA)  
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 Huff, Director, Missouri Department of Insurance, Financial Institutions, and Professional Registration (non-voting member) (by telephone)  
David Massey, Deputy Securities Administrator, North Carolina Department of the Secretary of State, Securities Division (non-voting member)

### GUESTS:

#### Department of the Treasury

Sarah Bloom Raskin, Deputy Secretary  
Christopher J. Meade, General Counsel  
Patrick Pinschmidt, Executive Director of the Council

#### Board of Governors of the Federal Reserve System

Daniel K. Tarullo, Governor

#### Federal Deposit Insurance Corporation

Jason Cave, Special Advisor to the Chairman for Supervisory Matters

#### Securities and Exchange Commission

Lona Nallengara, Chief of Staff

#### Commodity Futures Trading Commission

Lawranne Stewart, Special Counsel

Consumer Financial Protection Bureau  
Ron Borzekowski, Deputy Assistant 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

Office of Financial Research  
Patricia Mosser, Deputy Director for Research and Analysis

Federal Insurance Office  
John Nolan, Deputy Director (Financial Stability)

Louisiana Office of Financial Institutions  
Margaret Liu, Senior Vice President & Deputy General Counsel, 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:

*Short-term Wholesale Funding Markets*

- *Mark Van Der Weide, Deputy Director, Division of Banking Supervision and Regulation, Federal Reserve*
- *Susan McLaughlin, Senior Vice President, Federal Reserve Bank of New York*

*Macro-economic and Market Developments Update*

- *Richard Berner, Director, Office of Financial Research*
- *Matthew Rutherford, Assistant Secretary for Financial Markets, Treasury*
- *Darrin Benhart, Deputy Comptroller for Credit and Market Risk, Office of the Comptroller of the Currency*

## Executive Session

The Chairperson called the executive session of the meeting of the Council to order at approximately 2:06 P.M. (EDT). He started by welcoming the new Chairman of the CFTC, Timothy Massad, to the Council. He then outlined the meeting agenda, which had previously been distributed to the members together with copies of the resolution and other materials. The agenda included the following subjects: (1) a presentation on short-term wholesale funding markets; (2) an update on macro-economic and market developments, and (3) consideration of, and a vote on, a resolution approving the minutes of the Council's meeting on May 7, 2014.

### 1. Short-term Wholesale Funding Markets

The Chairperson introduced the first agenda item, a presentation on risks in short-term wholesale funding markets. He introduced Mark Van Der Weide, Deputy Director of the Division of Banking Supervision and Regulation at the Federal Reserve, and Susan McLaughlin, Senior Vice President at the Federal Reserve Bank of New York. Mr. Van Der Weide discussed certain reforms to date, including increased bank capital requirements, reduction of liquidity risk in the banking system, and efforts to reduce structural risks in the market through tri-party repo reforms. With respect to tri-party repo reforms, he noted that although much has been accomplished, significant risks remain for potential fire sales of collateral held by lenders in the event of a large dealer default. He then discussed regulatory options to reduce residual risks by discouraging reliance on short-term wholesale funding and reducing lenders' incentives to run. Ms. McLaughlin then discussed global and national initiatives to collect data to monitor securities financing transactions. After the presentation, members of the Council asked questions and had a discussion about topics including the global nature of the risks identified, the potential timing for implementing regulatory reforms, and proposed money market mutual fund reforms.

### 2. Macro-economic and Market Developments Update

The Chairperson introduced the next agenda item, a macro-economic and market developments update. The Chairperson introduced Richard Berner, Director of the OFR, who provided an update on macro-economic and market developments, including an overview of recent developments in interest rates, emerging markets, and municipal markets. Following that presentation, Matthew Rutherford, Assistant Secretary for Financial Markets at Treasury, provided a brief update on municipal market issues. Darrin Benhart, Deputy Comptroller for Credit and Market Risk at the OCC, then discussed U.S. syndicated leveraged loan markets. He noted that large corporate leverage ratios continue to climb while the credit quality of new issuance continues to decline. He also presented on corporate loan origination and investor trends. The members of the Council asked questions and had a discussion.

### 3. Resolution Approving the Minutes of the Meeting held on May 7, 2014

*“BE IT RESOLVED, by the Financial Stability Oversight Council (the “Council”), that the minutes attached hereto of the meeting held on May 7, 2014 of the Council are hereby approved.”*

Sarah Bloom Raskin, Deputy Secretary of the Treasury, presented the resolution approving the minutes because the Chairperson had to briefly leave the meeting. She asked for a motion to approve the resolution, which was made and seconded. The Council approved the resolution by unanimous vote.

Deputy Secretary Raskin adjourned the meeting at approximately 3:13 P.M. (EDT).