

Minutes of the Financial Stability Oversight Council

July 28, 2017

PRESENT:

Steven T. Mnuchin, 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)
Jay Clayton, Chairman, Securities and Exchange Commission (SEC) (by telephone)
J. Christopher Giancarlo, Acting Chairman, Commodity Futures Trading Commission (CFTC)
Richard Cordray, Director, Consumer Financial Protection Bureau (CFPB)
Melvin Watt, Director, Federal Housing Finance Agency (FHFA)
Keith Noreika, Acting Comptroller of the Currency, Office of the Comptroller of the Currency (OCC)
J. Mark McWatters, Chairman, National Credit Union Administration (NCUA)
S. Roy Woodall, Independent Member with Insurance Expertise
Richard Berner, Director, Office of Financial Research (OFR), Department of the Treasury (non-voting member)
Ray Grace, Commissioner, North Carolina Office of the Commissioner of Banks (non-voting member)
Peter Hartt, Director, Insurance Division, New Jersey Department of Banking & Insurance (non-voting member)
Melanie Lubin, Securities Commissioner, Maryland Office of the Attorney General, Securities Division (non-voting member)

GUESTS:

Department of the Treasury (Treasury)

Andrew Baukol, Acting Deputy Secretary
Craig Phillips, Counselor to the Secretary
Brian Callanan, Acting General Counsel
David Lebryk, Fiscal Assistant Secretary
Bimal Patel, Deputy Assistant Secretary for the Council
Eric Froman, Principal Deputy Assistant General Counsel (Banking and Finance) and Executive Director of the Council (by telephone)
Stephen Milligan, Attorney-Advisor

Board of Governors of the Federal Reserve System

Jerome H. Powell, Governor
Andreas Lehnert, Director, Division of Financial Stability

Federal Deposit Insurance Corporation

Jason Cave, Special Advisor to the Chairman for Supervisory Matters

Securities and Exchange Commission

Michael Piwowar, Commissioner
Richard Grant, Co-Chief of Staff

Commodity Futures Trading Commission

Richard Danker, Special Advisor

Consumer Financial Protection Bureau

Ron Borzekowski, Assistant Director for Research

Federal Housing Finance Agency

George Sacco, Senior Analyst

Comptroller of the Currency

Grace Dailey, Senior Deputy Comptroller for Bank Supervision Policy and Chief National Bank Examiner

National Credit Union Administration

Ralph Monaco, Chief Economist

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 (by telephone)

Office of Financial Research

Stacey Schreft, Deputy Director for Research and Analysis

Federal Insurance Office

Steven Seitz, Deputy Director

North Carolina Office of the Commissioner of Banks

Michael Stevens, Senior Vice President, Conference of State Bank Supervisors

Maryland Office of the Attorney General, Securities Division

Christopher Staley, Counsel, North American Securities Administrators Association

PRESENTERS:

Volcker Rule

- *Craig Phillips, Counselor to the Secretary, Treasury*
- *Bimal Patel, Deputy Assistant Secretary for the Council, Treasury*

Update on Annual Reevaluation of Nonbank Financial Company Designation

- *Bimal Patel, Deputy Assistant Secretary for the Council, Treasury*
- *Stephen Ledbetter, Director of Policy, Office of the Financial Stability Oversight Council, Treasury*
- *Eric Froman, Principal Deputy Assistant General Counsel (Banking and Finance) and Executive Director of the Council, Treasury (available for questions)*

MetLife Litigation

- *Brian Callanan, Acting General Counsel, Treasury*
- *Jesse Panuccio, Principal Deputy Associate Attorney General, Department of Justice*
- *Chad Readler, Acting Assistant Attorney General for the Civil Division, Department of Justice*
- *Eric Froman, Principal Deputy Assistant General Counsel (Banking and Finance) and Executive Director of the Council, Treasury (available for questions)*

Executive Session

The Chairperson called the executive session of the meeting of the Council to order at approximately 3:35 P.M.

He began by outlining the meeting agenda, which had previously been distributed to the members together with other materials. The agenda for the meeting included the following subjects: (1) consideration of, and a vote on, a resolution approving the minutes of the Council's meeting on May 8, 2017; (2) a discussion about the recommendations regarding the Volcker Rule in Treasury's June 2017 report issued pursuant to Executive Order 13772, "Core Principles for Regulating the United States Financial System"; (3) an update on the annual reevaluation of the designation of a nonbank financial company; and (4) a discussion regarding the pending litigation brought by MetLife against the Council.

1. Resolution Approving the Minutes of the Meeting Held on May 8, 2017

"BE IT RESOLVED, by the Financial Stability Oversight Council (the "Council"), that the minutes attached hereto of the meeting held on May 8, 2017, 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.

2. Volcker Rule

The Chairperson then introduced the next agenda item, a discussion about the recommendations regarding the Volcker Rule in Treasury's June 2017 report prepared pursuant to the presidential executive order on core principles for regulating the U.S. financial system, issued February 3, 2017. The Chairperson introduced Craig Phillips, Counselor to the Secretary at Treasury, and Bimal Patel, Deputy Assistant Secretary for the Council at Treasury. Mr. Phillips gave a brief overview of Treasury's recommendations in the report. Jerome Powell, Governor of the Federal

Reserve, then described potential reforms to simplify the Volcker Rule, including changes that could be made by amending the agencies' regulations implementing the Volcker Rule. Council members then asked questions and had a discussion, including regarding potential ways to simplify the Volcker Rule and streamline its requirements for smaller banking organizations. Council members also discussed the timing and manner in which potential amendments to the regulations implementing the Volcker Rule could proceed, including the OCC's expectation to issue a notice seeking public comment on the regulations implementing the Volcker Rule.

3. Update on Annual Reevaluation of Nonbank Financial Company Designation

The Chairperson then introduced the next agenda item, an update on the annual reevaluation of a nonbank financial company that the Council had previously designated under section 113 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The Chairperson introduced Bimal Patel, Deputy Assistant Secretary for the Council at Treasury, and Stephen Ledbetter, Director of Policy in the Office of the Financial Stability Oversight Council at Treasury. Chairman Clayton recused himself from participating in the discussion, and Michael Piwowar, SEC Commissioner, participated in the discussion.

Mr. Patel then described the current staff analysis with respect to the three transmission channels through which the Council assesses the potential for material financial distress at a nonbank financial company to pose a threat to financial stability. Together with Mr. Ledbetter, he described factors relating to the exposures of customers, counterparties, and other market participants to the company, and the potential for forced asset liquidations by the company.

Council members then asked questions and had a discussion, including regarding the Council's process for conducting annual reevaluations, potential exposure and asset liquidation risks identified in the preliminary analysis, potential mitigants to the identified risks, and the company's resolvability.

4. MetLife Litigation

The Chairperson then introduced the next agenda item, a discussion regarding the pending litigation brought by MetLife against the Council relating to the Council's final determination regarding the company. The Chairperson introduced Brian Callanan, Acting General Counsel at Treasury; Jesse Panuccio, Principal Deputy Associate Attorney General at the Department of Justice, and Chad Readler, Acting Assistant Attorney General for the Civil Division at the Department of Justice. Chairman Clayton recused himself from participating in the discussion, and Commissioner Piwowar participated in the discussion. Mr. Callanan described the litigation, including the district court's decision and a pending motion by MetLife to hold the appeal in abeyance pending the Secretary of the Treasury's issuance of a report on the Council's designation processes pursuant to a presidential memorandum issued on April 21, 2017. Mr. Readler offered additional comments on the same subject. Council members then asked questions and had a discussion regarding the litigation.

The Chairperson adjourned the meeting at approximately 5:32 P.M.