

U.S. DEPARTMENT OF THE TREASURY

Press Center



Financial Stability Oversight Council (FSOC) Announces Nonbank Financial Company Designation to Address Potential Threats to Financial Stability

9/20/2013

Council Names Prudential for Consolidated Supervision and Enhanced Prudential Standards

WASHINGTON – The Financial Stability Oversight Council (Council) today announced that it had voted to designate a nonbank financial company to address potential threats to financial stability. The Council used its authority under Title I of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) to subject a nonbank financial company to consolidated supervision and enhanced prudential standards.

The nonbank financial company subject to final designation by the Council is Prudential Financial, Inc.

“The Council has taken another important step to address threats to U.S. financial stability and the broader economy,” said Treasury Secretary Jacob J. Lew, Chairperson of the Council. “The Council will continue to use critical new tools it has to monitor and address threats to U.S. financial stability and protect the broader economy from the types of risk that contributed to the financial crisis.”

The Council’s designation of a nonbank financial company subjects it to supervision by the Board of Governors of the Federal Reserve System (Board of Governors) and to enhanced prudential standards. Consistent with the statutory standard for designations by the Council, the Council determined that material financial distress at this company – if it were to occur – could pose a threat to U.S. financial stability. This does not constitute a determination that the company is currently experiencing material financial distress. The Council’s authority to make designations is an important tool to mitigate risks posed by those companies, fill gaps in their overall supervision, and provide enhanced standards under which they must operate. The decision announced today constitutes the third company that has been subject to final designation by the Council. In July 2013, the Council designated American International Group, Inc. and General Electric Capital Corporation, Inc. for consolidated supervision and enhanced prudential standards. Under a separate authority, in July 2012 the Council designated eight systemically important financial market utilities for enhanced risk-management standards.

The basis for the company’s designation announced today is available at www.fsoc.gov.

The Dodd-Frank Act sets forth the standard for the Council’s designation of a nonbank financial company and requires the Council to take into account 10 specific considerations when evaluating those companies. To further inform the public of the Council’s framework and processes for assessing nonbank financial companies, the Council issued a rule and interpretive guidance, beginning with the release of an advance notice of proposed rulemaking at its very first meeting in October 2010. The vote announced today follows the comprehensive process laid out in the Council’s rule and guidance.

The Council generally assesses nonbank financial companies in a thorough, three-stage process. In Stage 1, the Council applies uniform quantitative thresholds to identify nonbank financial companies for further evaluation. In Stage 2, the Council analyzes the nonbank financial companies identified in Stage 1 using a broad range of information available to the Council primarily through existing public and regulatory sources. In Stage 3, the Council contacts each nonbank financial company that the Council believes merits further review to collect information directly from the company that was not otherwise available in the prior stages. Each nonbank financial company that is reviewed in Stage 3 is notified that it is under consideration and is provided an opportunity to submit written materials related to the Council’s consideration of the company for a proposed designation.

Prudential received a letter on June 3, 2013, informing it that the Council had made a proposed designation and providing it with an explanation of the basis of the Council’s proposed designation. The company requested a hearing to contest the Council’s proposed designation. The Council granted the request and held an oral hearing on July 23.

Further information on the process for the Council’s nonbank financial company designations and the Council’s resolutions and basis for its designations is available at www.fsoc.gov.

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