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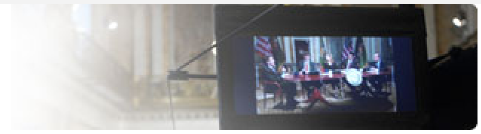

Financial Stability Oversight Council Releases Fifth Annual Report

5/19/2015

Council Votes to Further Enhance Transparency and Governance

WASHINGTON – The Financial Stability Oversight Council (Council) today unanimously approved its 2015 annual report, which was developed collaboratively by the members of the Council and their agencies and staffs. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Council reports annually to Congress on a range of issues, including significant financial market and regulatory developments, potential emerging threats to the financial stability of the United States, and the activities of the Council. The report also makes recommendations to promote market discipline; maintain investor confidence; and enhance the integrity, efficiency, competitiveness, and stability of U.S. financial markets.

This annual report, which is the Council's fifth, provides a consolidated and unified view of the key challenges facing our financial system and offers a road map of the Council's key priorities for the upcoming year.

"The Council is a critical mechanism to bring the financial regulatory community together to identify potential risks to the U.S. financial system, and it is our best opportunity to guard against future financial crises," said Treasury Secretary Jacob J. Lew. "This year's annual report highlights the most important issues we face today, and I look forward to continuing to work with members of the Council to address vulnerabilities and promote resiliency in the financial system."

The Council's findings are organized around the following 11 themes that warrant continued attention and, in many cases, further action from the Council's members:

- Financial sector companies and government agencies must continue to mitigate risks posed by cyberattacks, including through strong collaboration and information sharing, improvements in technology infrastructure, and appropriate planning for, responding to, and recovering from cyber incidents.
- Supervisors, regulators, and firm management should continue to closely monitor and assess reach-for-yield behaviors as well as the risks from potential severe interest rate shocks, as the historically long, low-yield environment continues to encourage greater risk-taking.
- Market participants and regulators should continue to monitor how changes in financial market structure stemming from a confluence of factors resulting from technology, regulation, and competition may affect the provision of liquidity and market functioning.
- Regulators should continue to evaluate whether existing rules and standards are sufficiently robust to mitigate the potential risk that central counterparties could transmit credit and liquidity problems among financial institutions and markets during periods of market stress.
- Market participants and regulators should be vigilant to potential foreign shocks that could disrupt financial stability in the United States.
- Regulators and supervisors must remain vigilant to the potential risks that could arise from the development of new financial products or services and the migration of activities to less-regulated or unregulated sectors.
- While domestic banking firms' reliance on repo and intraday credit exposures borne by agent banks has decreased substantially since the financial crisis, the risk of fire sales of collateral deployed in repo transactions remains.
- The full implementation of the orderly liquidation authority and the phasing-in of enhanced prudential standards in the coming years should help reduce remaining perceptions of government support for large, complex, interconnected financial institutions.
- Substantial progress has been made toward reform of benchmark interest rates such as LIBOR. U.S. regulators continue to work with foreign regulators and official-sector bodies in their assessment of market practices for these and other financial benchmarks, including swap rates and foreign exchange rates.
- Core challenges to housing finance reform persist. Legislation addressing the conservatorship of Fannie Mae and Freddie Mac and clarifying the future role of the federal and state governments in mortgage markets would help reduce uncertainty in the mortgage market and better enable market participants to make long-term investment decisions.
- Although regulators now collect significantly more data on financial markets and institutions, critical gaps remain in the scope and quality of available data. Additionally, challenges remain among regulators in the sharing of data that may enhance risk identification and monitoring efforts.

In addition, the Council voted to approve charters for five interagency staff committees of the Council: the Systemic Risk Committee, the Data Committee, the Financial Market Utilities Committee, the Nonbank Financial Companies Designations Committee, and the Regulation and Resolution Committee. These charters provide greater public transparency into the roles and functions of the Council's committee structure and create additional accountability for how the Council conducts its business. All of the Council's staff committees now have dedicated charters or bylaws.

The annual report and the committee charters are available at www.fsoc.gov.

In attendance at the Council meeting, in person or by phone, were:

- Jacob J. Lew, Secretary of the Department of the Treasury (Chairperson of the Council)
- Janet L. Yellen, Chair of the Board of Governors of the Federal Reserve System
- Thomas Curry, Comptroller of the Currency
- Richard Cordray, Director of the Consumer Financial Protection Bureau
- Mary Jo White, Chair of the Securities and Exchange Commission
- Martin J. Gruenberg, Chairman of the Federal Deposit Insurance Corporation
- Timothy G. Massad, Chairman of the Commodity Futures Trading Commission
- Melvin L. Watt, Director of the Federal Housing Finance Agency
- Debbie Matz, Chairman of the National Credit Union Administration
- S. Roy Woodall, Jr., Independent Member with Insurance Expertise
- Richard Berner, Director of the Office of Financial Research (non-voting member)
- Michael T. McRaith, Director of the Federal Insurance Office (non-voting member)
- Adam Hamm, Commissioner, North Dakota Insurance Department (non-voting member)
- John Ducrest, Commissioner, Louisiana Office of Financial Institutions (non-voting member)

- David Massey, Deputy Securities Administrator, North Carolina Department of the Secretary of State, Securities Division (non-voting member)

For more information about each member agency's financial reform implementation efforts, please follow the links below.

Board of Governors of the Federal Reserve System

Commodity Futures Trading Commission

Consumer Financial Protection Bureau

Federal Deposit Insurance Corporation

Federal Housing Finance Agency

National Credit Union Administration

Office of the Comptroller of the Currency

Securities and Exchange Commission

Treasury Department

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