

## READOUT: Financial Stability Oversight Council Meeting on June 16, 2023

June 16, 2023

**WASHINGTON** – Today, U.S. Secretary of the Treasury Janet L. Yellen convened a meeting of the Financial Stability Oversight Council (Council) in executive session at the U.S. Department of the Treasury (Treasury).

During the meeting, the Council received updates from staff of the Board of Governors of the Federal Reserve System (Federal Reserve Board) on financial stability vulnerabilities and on the transition away from LIBOR. Council members discussed the ability of market participants to manage their interest rate risk and liquidity risk in the current economic environment. The Council will continue to facilitate the sharing of information and analysis among regulators regarding financial vulnerabilities as part of its monitoring of system-wide risks. The Council also discussed the upcoming June 30, 2023, cessation date for U.S. dollar LIBOR. This deadline has been anticipated for some time, and the Council expects firms to be operationally prepared and to communicate with customers and counterparties about the change to avoid market disruptions.

The Council also received an update from staff of the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation on potential risks in the commercial real estate (CRE) market. Exposure to CRE loans at depository institutions has been increasing, with higher levels of concentration at smaller institutions. While delinquency rates remain low, vacancy rates have been increasing, particularly in the office sector. Regulators are taking steps to emphasize risk management and examine exposures to CRE loans at their regulated institutions.

In addition, the Council received an update from the federal banking regulators on developments in the banking sector and their assessment of current conditions. The regulators noted that they continue to monitor conditions in the sector closely. Several Council members noted that the U.S. banking system is well capitalized and has significant liquidity to help withstand headwinds in the current environment, reflecting the important regulatory reforms undertaken since the global financial crisis.

Council members discussed extending the public comment period for an additional 30 days for the Council's proposed analytic framework for financial stability risk identification, assessment,

and response, and the Council's proposed interpretive guidance regarding nonbank financial company determinations. The public comment periods for the two proposals will be extended to July 27, 2023.

The Council also voted to approve the minutes of its previous meeting on April 21, 2023. In attendance at the Council meeting at Treasury or virtually were the following members:

- Janet L. Yellen, Secretary of the Treasury (Chairperson of the Council)
- Jerome H. Powell, Chair, Board of Governors of the Federal Reserve System
- Michael J. Hsu, Acting Comptroller of the Currency (virtual)
- Gregg Gelzinis, Advisor to the Director, Consumer Financial Protection Bureau (acting pursuant to delegated authority)
- Gary Gensler, Chair, Securities and Exchange Commission
- Martin Gruenberg, Chairman, Federal Deposit Insurance Corporation\*
- Rostin Behnam, Chairman, Commodity Futures Trading Commission (virtual)
- Sandra L. Thompson, Director, Federal Housing Finance Agency
- Todd M. Harper, Chairman, National Credit Union Administration
- Thomas Workman, Independent Member with Insurance Expertise
- James Martin, Acting Director, Office of Financial Research (non-voting member) (virtual)
- Steven Seitz, Director, Federal Insurance Office (non-voting member)
- Elizabeth K. Dwyer, Superintendent of Financial Services, Rhode Island Department of Business Regulation (non-voting member) (virtual)
- Adrienne A. Harris, Superintendent, New York State Department of Financial Services (non-voting member)
- Melanie Lubin, Securities Commissioner, Office of the Attorney General of Maryland, Securities Division (non-voting member)
- Additional information regarding the Council, its work, and the recently approved meeting minutes is available at <http://www.fsoc.gov>.

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