The meeting was called to order at 10:04 a.m. by Chairman Eric Thorson.

The meeting began with Chairman Thorson thanking everyone for attending, and the introduction of two substitutes to the meeting: Tony Ogden, Deputy IG, Federal Reserve Board, and Roderick Fillinger, General Counsel, Special Inspector General for Troubled Asset Relief.

Thorson reminded Council members of the fact that on February 2, 2012, Secretary Geithner announced that by the end of this calendar year the FSOC intends to designate some nonbank firms as systemically important to the financial system. This will require those institutions to comply with new prudential standards outlined by the Federal Reserve Board. FSOC will make such designations after it publishes its nonbank firm designation rulemaking on April 3, 2012.
Thorson also let Council members know that, in effort to ensure the transparency of CIGFO proceedings, the newly redesigned Treasury OIG website will include a page dedicated to the activities of the Council. This information on the site will include governance documents, meeting minutes, and other relevant information.

Finally, the Chairman reminded members that CIGFO Annual Report documents are due to Susan Marshall, Treasury OIG, by Monday, April 2, 2012.

Thorson called for consideration of the minutes from the December 8, 2011 CIGFO meeting and asked if Council members had any corrections or additions to the minutes. Thorson motioned for approval of the draft, and DeSarno seconded the motion. The minutes were approved as drafted.

Next, Jeff Dye, Auditor Manager, Treasury OIG, briefed the Council on his office’s evaluation of the stand up of the Office of Financial Research (OFR). Dye described the Treasury OIG audit staff review of current Treasury activities, planning documentation and the results of management interviews. Treasury OIG would like to issue a final OFR audit report May 2012.

Dye also discussed the Treasury OIG activities in response to Senator Hatch’s request for information on the Treasury Department’s cash projection models and FSOC agency contingency plans for use during the absence of an increase in the debt limit. Dye stated that, if Treasury cannot provide certain documents, like agency contingency plans, CIGFO members may be asked to assist with the document collection process. Treasury OIG anticipates responding to the Committee in July/August 2012.

Jon Rymer presented the Council with a status report on the CIGFO Working Group review of the FSOC policies and plans to protect sensitive and proprietary information. FDIC Assistant Manager, Peggy Wolf, discussed the Working Group’s objective, scope, and audit approach, as well as trend data. Finally, Wolf outlined Working Group member responsibilities, and reporting deadlines.

After the presentation, Rymer told the Council that the Working Group effort was already showing signs of making an impact on government. For example, the FSOC is now taking the issue of information security more seriously by including FSOC agency Chief Information Officers in their discussions. He also said that the timeline for completing this work is very compressed which means that meeting deadlines is critical to finishing the report by June 2012.

FRB representative, Tony Ogden, presented the Council with an overview on the Federal Reserve Board’s Comprehensive Capital Analysis and Review (CCAR) 2012. Emphasizing that CCAR is used by the FRB to evaluate banks’ capital adequacy and planning, Ogden described the history of the CCAR or stress test process. Additionally, he discussed the most recent stress test results, and the FRB CCAR computational error which occurred during the
process. The FRB publicly announced and subsequently issued charts showing the error and its impact on stress test results, which were minimal.

DeSarno asked how the 2012 results compare to previous stress test results. Jason Derr, Senior Attorney, OIG FRB said the results cannot be easily compared to other tests because the approach in compiling the data sets were different. For example, in 2011, the public stress test results were very high level, but the 2012 test provided individual institution specific results. According to Derr, this is the first time this type of information has been made public, and in the future all stress test results will likely be this detailed.

Montoya asked whether the recent foreclosure settlement with the banks had an impact on the CCAR results. Derr said the CCAR report did not specifically indicate that the settlement had an impact on the results.

Thorson requested that Linick provide the Council with the latest information on the proposed CIGFO letter to FSOC commenting on the FY2011 FSOC Annual Report. Linick outlined how the process began and discussed the presentation on the issue at the last meeting. He said that after his office sent a proposed letter to Council members he received three types of comments as follows: 1) scrap the letter, 2) send the letter as drafted, and 3) reconsider sending the letter at this time because it is not timely.

Council members agreed to focus on the next FSOC Annual Report which is expected to be published July 2012. Once it is released CIGFO Council members will have 60 days to draft a comment letter on it to FSOC.

Montoya asked how this process would work, and Chairman Thorson described a Council review process whereby each member would be able to comment on the content of the proposed letter.

Rymer wanted to know if FHFA IG Linick was proposing that the Council accept the current letter as drafted, and Linick said, no, the next letter would be based on the FY2012 FSOC Annual Report.

Chairman Thorson agreed the new letter should be based on the new report.

Fillinger stated that SIGTARP thought there might be the need for a Working Group to be established on the review and comment on the second FSOC Annual Report. Thorson replied that the Council would definitely look into that possibility, if warranted.

A discussion followed on what types of information should be included in such a letter. Rymer said the there seems to be some philosophical differences between Council members on CIGFO’s role. He stated his belief that the Council is responsible for determining whether FSOC is complying with the law, and if not, reporting on compliance gaps. He said he is uncomfortable telling FSOC what their mandate should be.
Linick responded to Rymer’s comment by saying that the issue here is the need for CIGFO to comment on what FSOC stated it planned to do, and subsequently whether the Council achieved those objectives. Linick also stated that he agrees that CIGFO should not be telling FSOC what its mandate should be, but, rather, should examine whether FSOC’s Annual Report complies with the requirements in Dodd Frank. Thorson stated that the CIGFO should not advocate policies.

FHFA Deputy IG Stephens noted that Rymer had a good point about the philosophical divide among Council members. He said the Council could operate by completing checklists or it can provide FSOC with the knowledge gained by CIGFO members over decades of experience. Stephens expanded on this argument by saying there are common issues CIGFO members have focused on over the years that can could educate and assist FSOC members.

Thorson complimented all of the Council members for their participation in the meeting and thanked the presenters for appearing before the CIGFO.

No additional issues were discussed.

The meeting adjourned at 11:04 a.m.