

## Minutes of the Financial Stability Oversight Council

Held December 21, 2011

### PRESENT:

Timothy F. Geithner, Secretary of the Treasury and Chairperson of the Financial Stability Oversight Council

Ben Bernanke, Chairman, Board of Governors of the Federal Reserve System (Federal Reserve)

Martin J. Gruenberg, Acting Chairperson, Federal Deposit Insurance Corporation (FDIC)

Mary Schapiro, Chairman, Securities and Exchange Commission (SEC)

Edward DeMarco, Acting Director, Federal Housing Finance Agency (FHFA)

Debbie Matz, Chairman, National Credit Union Administration (NCUA)

John Walsh, Acting Comptroller of the Currency, Office of the Comptroller of the Currency (OCC)

Roy Woodall, Independent Member with Insurance Expertise

Michael McRaith, Director, Federal Insurance Office, Department of the Treasury (non-voting member)

William Haraf, Commissioner, California Department of Financial Institutions (non-voting member)

John Huff, Director, Missouri Department of Insurance, Financial Institutions, and Professional Registration (non-voting member)

### NOT PRESENT:

Gary Gensler, Chairman, Commodity Futures Trading Commission (CFTC)

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

### GUESTS:

#### Department of the Treasury

Neal S. Wolin, Deputy Secretary of the Treasury

Mary J. Miller, Assistant Secretary for Financial Markets

Amias Gerety, Deputy Assistant Secretary for FSOC

Christopher J. Meade, Principal Deputy General Counsel

#### Board of Governors of the Federal Reserve System

Daniel K. Tarullo, Governor, Federal Reserve

#### Federal Deposit Insurance Corporation

Jason Cave, Deputy Director for Monitoring, Office of Complex Financial Institutions

#### Securities and Exchange Commission

Robert Cook, Director, Division of Trading and Markets

#### Commodity Futures Trading Commission

Timothy Karpoff, Counsel to the Chairman

Federal Housing Finance Agency  
Mario Ugoletti, Special Advisor to the Director

National Credit Union Administration  
John Worth, Chief Economist

Office of the Comptroller of the Currency  
James Basham, Associate Director, Legislative and Regulatory Activities Division

Office of the Independent Member with Insurance Expertise  
Amanda Wise

Federal Reserve Bank of New York  
William Dudley, President and Chief Executive Officer

Federal Insurance Office  
John Nolan, Senior Policy Advisor

California Department of Financial Institutions  
Michael Stevens, Senior Vice President and Director of Regulatory Affairs, Conference of State Bank Supervisors

Missouri Department of Insurance, Financial Institutions, and Professional Registration  
Mark Sagat, Government Relations Policy Counsel, National Association of Insurance Commissioners

North Carolina Department of the Secretary of the State, Securities Division  
Joseph Brady, Deputy General Counsel, North American Securities Administrators Association

**PRESENTERS:**

*Advancement of Certain Financial Market Utilities to Stage 2 of the Designation Process*  
• Lance Auer, Deputy Assistant Secretary for Financial Institutions Policy, Treasury

*Assessment Schedule to Fund the Financial Research Fund*  
• Amias Gerety, Deputy Assistant Secretary for FSOC, Treasury

*Report on Prompt Corrective Action*  
• Amias Gerety, Deputy Assistant Secretary for FSOC, Treasury

**Executive Session**

The Chairperson called the executive session of the meeting of the Financial Stability Oversight Council (Council) to order at 1:35 P.M. (EST). The Council convened by teleconference.

The Chairperson turned to the meeting agenda, which had been previously distributed to the members together with copies of the recommendations and other materials. The agenda for the meeting included the following subjects: (1) discussion and vote on advancement of certain financial market utilities (FMUs) from stage 1 to stage 2 of the designation process; (2) consideration of the assessment schedule to fund the Financial Research Fund; and (3) consideration of transmittal to Congress, and publication of, a statutorily required report on prompt corrective action.

#### 1. Advancement of Certain FMUs to Stage 2 of the Designation Process

The Chairperson turned to the first agenda item and called on Lance Auer, Deputy Assistant Secretary for Financial Institutions at the Treasury, to give a presentation on behalf of the FMU Designations Committee (Committee). Mr. Auer stated that the Committee recommended that certain FMUs advance from stage 1 to stage 2 of the designation process under Section 804 of the Dodd-Frank Act, and that the Committee also recommended that the Council authorize the issuance of the notification letters required by 12 C.F.R. § 1320.11 to those FMUs.

The Chairperson asked for a motion approving the following resolution to approve the advancement of an initial set of FMUs to stage 2 of the evaluation process:

*“WHEREAS, section 804 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “DFA”) authorizes the Financial Stability Oversight Council (the “Council”) to designate financial market utilities that the Council determines are, or are likely to become, systemically important; and*

*WHEREAS, under the provisions of the DFA, in making a determination on whether a financial market utility is, or is likely to become, systemically important, the Council must take into consideration the following: (A) the aggregate monetary value of transactions processed by the financial market utility; (B) the aggregate exposure of the financial market utility to its counterparties; (C) the relationship, interdependencies, or other interactions of the financial market utility with other financial market utilities or payment, clearing, or settlement activities; (D) the effect that the failure of or a disruption to the financial market utility would have on critical markets, financial institutions, or the broader financial system; and (E) any other factors that the Council deems appropriate; and*

*WHEREAS, the Council issued a final rule codified in 12 C.F.R. Part 1320 that describes the criteria and the processes and procedures by which the Council will designate financial market utilities as systemically important under the DFA; and*

*WHEREAS, the preamble to the final rule describes a two-stage process that the Council expects to use for evaluating financial market utilities prior to a Council vote on a proposed designation of systemic importance; and*

*WHEREAS, the staffs of the Council Members and their Agencies have evaluated an initial set of financial market utilities under stage 1, which consisted of a largely data-driven process to*

*identify a preliminary set of financial market utilities, whose failure or disruption could potentially threaten the stability of the U.S. financial system; and*

*WHEREAS, based on the stage 1 evaluation, the staffs of the Council Members and their Agencies recommend that the Council approve the advancement of an initial set of financial market utilities from stage 1 to stage 2 of the evaluation process, which will consist of a more in-depth review, with a greater focus on qualitative factors, in addition to institutional and market specific considerations.*

*NOW, THEREFORE, BE IT RESOLVED, that the Council hereby authorizes the advancement of an initial set of financial market utilities (identified in an attachment hereto) to stage 2 of the evaluation process, and authorizes the staffs of the Council Members and their Agencies to begin the stage 2 evaluation process.*

*BE IT FURTHER RESOLVED, that the Council hereby approves the attached notification letters required by the final rule (12 C.F.R. § 1320.11) and authorizes the letters to be sent in January 2012 to the initial set of financial market utilities advancing to stage 2 of the evaluation process.*

*BE IT FURTHER RESOLVED, that the Council hereby delegates authority to the Chairperson, or his designee, to make technical, nonsubstantive, or conforming changes to the text of the attached notification letters.”*

A motion approving the resolution to approve the advancement of an initial set of financial market utilities to stage 2 of the evaluation process was made and seconded. The Council approved the resolution by unanimous vote.

## 2. Assessment Schedule to Fund the Financial Research Fund

The Chairperson then turned to the next item on the agenda, which was the consideration of the assessment schedule to fund the Financial Research Fund. He called on Amias Gerety, Deputy Assistant Secretary for FSOC at the Treasury, to give the presentation. Mr. Gerety noted that under the Dodd-Frank Act, the assessment schedule requires the approval of the FSOC. He described the proposed assessment rule under consideration, which implements Section 155 of the Dodd-Frank Act.

After the presentation, the Chairperson asked for a motion on the resolution to approve the Treasury’s publication of the notice of proposed rulemaking relating to assessments, as follows:

*“WHEREAS, section 155(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “DFA”) requires the Secretary of the Treasury (“Secretary”) to establish, by regulation, and with the approval of the Financial Stability Oversight Council (the “Council”), an assessment schedule, including the assessment base and rates, applicable to bank holding companies with total consolidated assets of \$50,000,000,000 or greater and nonbank financial companies supervised by the Board of Governors of the Federal Reserve System; and*

*WHEREAS, the staff of the Secretary has prepared a notice of proposed rulemaking (“NPR”) that, consistent with the DFA, establishes, by regulation, an assessment schedule, including the assessment base and rates, applicable to bank holding companies with total consolidated assets of \$50,000,000,000 or greater and nonbank financial companies supervised by the Board of Governors of the Federal Reserve System; and*

*WHEREAS, the staffs of the Council Members and their Agencies recommend that the Council approve the proposed assessment schedule so that the Secretary may publish the attached NPR in the Federal Register.*

*NOW, THEREFORE, BE IT RESOLVED, that the Council hereby approves the assessment schedule so that the Secretary, or his designee, may cause the attached NPR to be published in the Federal Register, in a form and manner acceptable to the Secretary, or his designee.*

*BE IT FURTHER RESOLVED, that the Council hereby authorizes the Secretary, or his designee, to make technical, nonsubstantive, or conforming changes to the text of the attached Federal Register document to ensure that the Secretary can issue the attached NPR in the Federal Register, and to take such other actions and issue such other documents incident and related to the foregoing as the Secretary, or his designee, deems necessary or appropriate to fulfill the Secretary’s objectives in connection with its publication.”*

A motion to approve the resolution was made and seconded. The Council approved the resolution by unanimous vote.

### 3. Report on Prompt Corrective Action

The Chairperson then turned to the last item on the agenda, which was the consideration of transmittal to Congress, and the publication of, a statutorily required report on prompt corrective action (PCA). He called on Amias Gerety, Deputy Assistant Secretary for FSOC at the Treasury, to give the presentation.

After the presentation, the Chairperson asked for a motion to approve the following resolution to issue a report regarding the report by the Comptroller General on PCA:

*“WHEREAS, section 202(g)(4) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “DFA”) requires the Financial Stability Oversight Council (the “Council”) to submit a report to Congress regarding the actions taken by the Council in response to a study conducted by the Comptroller General (“GAO”) on prompt corrective action; and*

*WHEREAS, the staffs of the Council Members and their Agencies have prepared a report that, consistent with the DFA, describes the Council’s consideration of the study issued by GAO and related actions the Council has taken in response to the study; and*

*WHEREAS, the staffs of the Council Members and their Agencies recommend that the Council approve the attached report so that the Secretary may transmit it to Congress.*

*NOW, THEREFORE, BE IT RESOLVED, that the Council hereby approves the report so that the Secretary, or his designee, may cause the attached report to be submitted to Congress in accordance with section 202(g)(4) of the DFA and to otherwise make it available to the public as the Secretary deems appropriate, in a form and manner acceptable to the Secretary, or his designee.*

*BE IT FURTHER RESOLVED, that the Council hereby authorizes the Secretary, or his designee, to make technical, nonsubstantive, or conforming changes to the text of the attached report to ensure that the Secretary can transmit the attached report, and to take such other actions and issue such other documents incident and related to the foregoing as the Secretary, or his designee, deems necessary or appropriate to fulfill the Secretary's objectives in connection with its issuance."*

A motion to approve the resolution to issue the report on PCA was made and seconded. The Council then approved the resolution by unanimous vote.

The Chairperson adjourned the meeting at approximately 1:48 P.M. (EST).