At 10:02 a.m. Rich Delmar, Acting Chair, called the meeting to order and welcomed everyone. He then asked for consideration of the June 14, 2022 meeting minutes and asked if the members had any corrections or additions. Hearing none, Mr. Delmar then called for a motion to approve the minutes which was made and seconded. The minutes were approved by unanimous consent.
Mr. James Lisle, FHFA OIG, then gave an update on the CIGFO Working Group (WG) project, *Review of FSOC and Its Member Agencies’ Response to the Executive Order on Climate-Related Financial Risk*. Mr. Lisle reminded the group of the project’s objectives and stated that the WG has extended the period under review up through June 30, 2022. Mr. Lisle explained that the WG has completed field work and then discussed the preliminary results. The WG will be sharing the results with the Financial Stability Oversight Council (FSOC) and will begin drafting the report for review by working group members within the next month.

Mr. Lisle then gave an update on the draft audit resolution policy. Mr. Lisle acknowledged the significant assistance the Board/CFPB OIG has provided. Based on the comments received from the CIGFO members, it was determined that a two-policy approach might be best so as to clearly delineate between the pre-issuance process for obtaining a management response and issuing a final report and the post-issuance resolution and follow-up process. These two policies have been sent to the CIGFO members for review. Some members have already responded with comments on these two policies and it is clear that the group has some additional edits and clarifications to consider. The group will reach out to those members that responded with comments and suggested edits to resolve any final issues. The group would then like to send out a set of final draft policies for member review before proceeding to the next step.

Ms. Amy Altemus then discussed the recent Treasury report: *Crypto-Assets, Implications for Consumers, Investors, and Businesses* and a recent news article that discussed the report. The report made three recommendations regarding such assets. First, the report notes that frauds, thefts, and scams in crypto-assets are estimated to have resulted in billions of dollars of loss and have caused material harm to consumers, investors, and markets. The report recommends that both U.S. regulatory and law enforcement agencies monitor the crypto-asset sector for unlawful activity, aggressively pursue investigations, and bring appropriate legal action. The report also identified consumer, investor, and market protection as particular areas of concern. Second, the report notes that many U.S. regulatory agencies have already issued guidance or statements related to market participants and that this should continue because it benefits consumers and investors of crypto-assets by reducing uncertainty and raising standards of conduct. The report recommends that the regulators continue to use existing authorities to issue supervisory guidance and rules, and to work collaboratively to promote consistent and comprehensive oversight to address risks. As the report points out, crypto-assets implicate the jurisdictions of federal and state law enforcement authorities which should be coordinated as much as possible for the best results. In fact, the Department of Justice has generated a report entitled, *The Role of Law Enforcement In Detecting, Investigating, and Prosecuting Criminal Activity related to Digital Assets*, which identifies potential offenses as well as law enforcement initiatives. Third, the report suggests that the extensive risks in the crypto-asset markets, including frauds, thefts, scams, and similar practices, should be addressed in part by consumer education initiatives, and specifically suggests that U.S. authorities work both individually and through the Financial Literacy and Education Commission to ensure...
that trustworthy information on crypto-assets is readily available to the public and other stakeholders.

Ms. Altemus explained that this Treasury report is one of a series that Treasury and other agencies released Friday (September 16, 2022) in response to Executive Order 14067, *Ensuring Responsible Development of Digital Assets*. The other reports, including the Department of Justice report, include a framework for planning for the new digital asset world and focus on threats crypto poses to combating illicit finance. Yesterday (September 20, 2022), Treasury issued a request for comment in the Federal Register inviting comments on digital-asset related illicit finance and national security risks as well as an action plan, entitled, “*Action Plan to Address Illicit Financing Risks of Digital Assets*”. This is at 87 FR 57556.

Ms. Altemus pointed out the article observed that, while White House officials may have originally intended for this effort to harness the potential of crypto-assets while mitigating risks, the “subsequent implosion of several high-profile crypto projects”, and the ensuing effect upon the markets and the public, has deepened policymakers’ scrutiny of a sector that largely lacks federal oversight.

Ms. Altemus reminded the members that as in prior updates, there continues to be discussion between the CFTC and SEC on how to characterize many of these digital assets and that until there is some resolution on that front, any further prudential regulation recommended in the Treasury report may be sparse.

Acting Chair Delmar then disclosed that in a recent conversation with Treasury General Counsel, it was mentioned that FSOC is considering rethinking the designation of Non-Bank Financial Institutions and will provide updates as appropriate.

A motion was made and seconded to adjourn and was approved by all.

The meeting adjourned at 10:31 a.m.