

Council of Inspectors General on Financial Oversight Meeting

December 8, 2011

Main Treasury

Room 4436

Minutes (Approved 3/30/12)

Council Members Present

The Honorable Eric M. Thorson, IG, Department of the Treasury, Chair
Mark Bialek, IG, Board of Governors of the Federal Reserve
Roy Lavik, IG, Commodity Futures Trading Commission
Michael Stephens, Deputy Principal IG, Federal Housing Finance Agency
The Honorable David A. Montoya, U.S. Department of Housing and Urban
Development
The Honorable Jon T. Rymer, IG, Federal Deposit Insurance Corporation
William DeSarno, IG, National Credit Union Administration
H. David Kotz, IG, Securities and Exchange Commission

Others Attending

Tricia Hollis, AIGM, U.S. Department of Treasury, IG
Susan Marshall, Executive Director, Council of Inspectors General on Financial
Oversight

Guests

Amias Gerety, Deputy Assistant Secretary for the Financial Stability Oversight Council
Kevin Walek, Assistant Director, Division of Swap Dealer and Intermediary Oversight,
Commodity Futures Trading Commission
Leslee Bollea, Senior Analyst, Federal Deposit Insurance Corporation
Russell Rau, Deputy Inspector General for Audits, FHFA
Frank Rokosz, Deputy Assistant IG for Audit, HUD

The meeting was called to order at 10:05 a.m. by Chairman Eric Thorson.

Thorson called for consideration of the minutes from the July 20 meeting. National Credit Union Administration IG DeSarno motioned for approval of the minutes which was seconded by Commodity Futures Trading Commission IG, Roy Lavik. The minutes were approved.

Amias Gerety, FSOC, briefed the Council on recent and future activities of the Financial Stability Oversight Council. First, he discussed the proposed rule on designating non-banking institutions as systemically important to financial stability. Next, Gerety talked about four key FSOC oversight activities: 1) monitoring domestic and international financial risk, 2) strengthening coordination among Federal regulators 3) completing rulemakings; and 4) meeting with third parties on possible ideas for data requirements for measuring financial risk.

Next, Kevin Walek, Assistant Director, Division of Swap Dealer and Intermediary Oversight discussed the recent approval of the CFTC/SEC rule requiring investment advisors to private funds to periodically report data to the SEC. The Financial Stability Oversight Council will use this information to monitor private fund assets.

Walek noted that the new rule requires SEC and CFTC registered advisors with \$150 million or more in private fund assets under management to periodically file a new form. Walek said his greatest concern with the rule is the ability of the regulators to maintain data confidentiality.

Chairman Thorson called on the FHFA OIG to discuss whether the Council should respond to the Financial Stability Oversight Council Annual Report. The FHFA Principal Deputy IG Michael Stephens provided CIGFO members with a copy of the, "FHFA Compendium of Federal Single Family Mortgage Programs and Related Activities," dated November 2011. He also gave a presentation to the Council on issues of concern regarding the 2011 FSOC Annual Report. The presentation covered those areas in the FSOC Annual Report where CIGFO could make comments. In particular, the Principal Deputy IG provided the Council with a "Summary and Recommendations" slide stating that the Council could engage FSOC concerning future plans to reduce vulnerability to fraud and abuse in the U.S. financial system and establish ethical principles and standards, as well as identify challenges that potentially warrant additional consideration in the next annual FSOC report. Such challenges could include a discussion of foreclosed properties and government support of housing finance.

The FRB IG and SEC IG asked questions about the topics covered in the presentation and asked for additional details about them. Chairman Thorson asked the Principal Deputy IG Stephens what action he was asking the Council to take with regard to the FSOC Annual Report. He asked that CIGFO members digest the report, and discuss ideas later. The FRB IG asked the Council if a letter to the FSOC would be appropriate. Chairman Thorson noted that the Council could explore that idea. The SEC IG and HUD IG said there could more information that could be included in a communication to the FSOC. Chairman Thorson agreed to talk to the FHFA IG at a later date about these issues.

Chairman Thorson called on FDIC IG Rymer to discuss his proposal to establish a working group to examine the controls the FSOC and its member agencies use to ensure that the information it collects is sufficiently protected, and precluded from premature release.

Rymer said this working group would determine whether FSOC and its member agencies have policies and plans in place to ensure there are appropriate safeguards to protect sensitive and proprietary information. Working Group results would be provided to FSOC and the FSOC member agencies.

FRB IG Bialek said this proposal was a good idea in light of the fact that individual FSOC policies may not be completely sufficient to ensure the proper handling of sensitive financial data.

Rymer replied that this is a critical issue because the information the FSOC is handling is more sensitive than bank examination information.

Chairman Thorson called for a vote on the Rymer working group proposal. FHFA Principal Deputy IG Stephens motioned for a vote; FRB IG Bialek seconded the motion, which resulted in a unanimous approval vote on the proposal.

The meeting was adjourned at 11:25 a.m.