

U.S. DEPARTMENT OF THE TREASURY

Press Center

Financial Stability Oversight Council Makes First Nonbank Financial Company Designations to Address Potential Threats to Financial Stability

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***Council Names Two Companies for
Consolidated Supervision and Enhanced Prudential Standards***

WASHINGTON – The Financial Stability Oversight Council (Council) today announced that it had voted to designate two nonbank financial companies to address potential threats to financial stability. This is the Council's first use of its authority under Title I of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) to subject a nonbank financial company to consolidated supervision and enhanced prudential standards.

The nonbank financial companies subject to final designations by the Council are:

- American International Group, Inc. (AIG)
- General Electric Capital Corporation, Inc. (GECC)

"Today, the Council has taken a decisive step to address threats to U.S. financial stability and create a safer and more resilient financial system," said Treasury Secretary Jacob J. Lew, Chairperson of the Council. "These designations will help protect the financial system and broader economy from the types of risks that contributed to the financial crisis. The Council will continue to review additional companies in the designations process, to address remaining threats to financial stability."

The Council's designation of these nonbank financial companies subjects them to supervision by the Board of Governors of the Federal Reserve System (Board of Governors) and to enhanced prudential standards. Consistent with the statutory standard for designations by the Council, the Council determined that material financial distress at these companies – if it were to occur – could pose a threat to U.S. financial stability. This does not constitute a determination that the company is currently experiencing material financial distress. The Council's authority to make these designations is an important tool to mitigate risks posed by these companies, fill gaps in their overall supervision, and provide enhanced standards under which they must operate. The decisions announced today constitute the initial set of companies to be subject to final designations by the Council. Under a separate authority, in July 2012 the Council designated eight systemically important financial market utilities for enhanced risk-management standards.

The basis for each company's designation is available at www.fsoc.gov.

The Dodd-Frank Act sets forth the standard for the Council's designation of a nonbank financial company and requires the Council to take into account 10 specific considerations when evaluating those companies. To further inform the public of the Council's framework and processes for assessing nonbank financial companies, the Council issued a rule and interpretive guidance, beginning with the release of an advance notice of proposed rulemaking at its very first meeting in October 2010. The vote announced today follows the comprehensive process laid out in the Council's rule and guidance.

The Council generally assesses nonbank financial companies in a thorough, three-stage process. In Stage 1, the Council applies uniform quantitative thresholds to identify nonbank financial companies for further evaluation. In Stage 2, the Council analyzes the nonbank financial companies identified in Stage 1 using a broad range of information available to the Council primarily through existing public and regulatory sources. In Stage 3, the Council contacts each nonbank financial company that the Council believes merits further review to collect information directly from the company that was not otherwise available in the prior stages. Each nonbank financial company that is reviewed in Stage 3 is notified that it is under consideration and is provided an opportunity to submit written materials related to the Council's consideration of the company for a proposed designation.

Each of these nonbank financial companies subject to a Council designation received a letter on June 3, 2013, informing it that the Council had made a proposed designation and providing it with an explanation of the basis of the Council's proposed designation. Each company had 30 days to request a hearing to contest the Council's proposed designation, but neither AIG nor GECC requested such a hearing. The Council also voted on July 8 to grant the request by a nonbank financial company for a written and oral hearing to contest the Council's June 3 proposed designation. The Council will hold any hearing within 30 days after receiving the request from the company.

Further information on the process for the Council's nonbank financial company designations and the Council's resolutions and basis for its designations is available at www.fsoc.gov.

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