Communication Between Federal Reserve Officials and
Members of the Treasury Borrowing Advisory Committee (TBAC)
April 30, 2012

Participants: Chairman Bernanke, Vice Chair Yellen, Governor Tarullo, Governor Bloom-Raskin; Mike Leahy, Jim Clouse, Andrew Levin, William English, Brian Gross, William Nelson (Federal Reserve Board); Brian Sack, Josh Frost, Matthew Raskin, Jennifer Brett, Paul Skibniewski, Andrew Hull, Sean Savage (Federal Reserve Bank of New York); and Won Chung, Tammy Didier, Xiaopeng Zhang and Guo Zhu (U.S. Treasury)

Curtis Arledge (BNY Mellon); Richard Axilrod (Moore Capital Management); Ian Banwell (Roundtable IMC); Jason Cummins (Brevan Howard); Dana Emery (Dodge&Cox); Walter J. Muller (Bank of America); Ruth Porat (Morgan Stanley); Stephen Rodosky (PIMCO); Stuart Spodek (Blackrock); Richard Tang (RBS); Ashok Varadhan (Goldman Sachs); Stephen Walsh (Western Asset Management); Matthew Zames (JP Morgan)

Summary: Representatives of the TBAC briefed Board members on their assessment of financial stability and on the current outlook for the U.S. banking system. TBAC representatives briefly offered their views on selected issues associated with section 165(e) of the Dodd-Frank Act. Section 165(e) requires the Board of Governors to establish single counterparty credit limits for bank holding companies with consolidated assets exceeding $50 billion. The Board's proposed rule for implementing section 165 of the Dodd Frank Act was published for public comment in the Federal Register in December 2011. The TBAC representatives expressed concerns about a number of aspects of the proposed rule. They were concerned that counterparty credit limits would apply to exposures to central clearing counterparties (CCPs) and noted that other parts of the Dodd-Frank Act require clearing of certain derivatives transactions through CCPs. In addition, TBAC representatives were concerned about the proposed treatment of exposures to foreign governments. Finally, TBAC representatives raised questions about the proposed methodology to calculate counterparty credit exposures for transactions such as credit default swaps and securities lending. TBAC representatives noted that implementing the rules as currently proposed would adversely affect liquidity across a number of important financial markets.