

Conference Call Between Staff of the Prudential Regulators (Farm Credit Administration, Federal Deposit Insurance Corporation, Federal Housing Finance Agency, Federal Reserve Board, and the Office of the Comptroller of the Currency) and the U.S. Commodity Futures Trading Commission, William Harrington and Richard Michalek.

Participants: Elizabeth MacDonald (Federal Reserve Board)

Jeremy Edelstein, J.C. Floyd, Richard Katz, Tim Nerdahl (Farm Credit Administration)

Jacob Doyle, Thomas Hearn, Bob Hendricks (Federal Deposit Insurance Corporation)

Peggy Balsawer, Bob Collender, Chris Dickerson, James Jordan, Julie Paller, Joseph Thomas (Federal Housing Finance Agency)

Jamey Basham, Laura Gardy, Carl Kaminski, Ang Middleton, Kurt Wilhelm (Office of the Comptroller of the Currency)

Paul Schlichting, Stephen Kane, David Aron, Francis Kuo, Rafael Martinez (U.S. Commodity Futures Trading Commission)

William Harrington (individual) and Richard Michalek (RJM Consulting)

Summary: Staff of the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the Farm Credit Administration and the Office of the Comptroller of the Currency (the “Prudential Regulators”) and the U.S. Commodity Futures Trading Commission (together with the Prudential Regulators, the “Agencies”), discussed with William Harrington and Richard Michalek issues related to the proposed rule issued on margin requirements for covered swap entities under Title VII of the Dodd-Frank Act. Mr. Harrington and Mr. Michalek expressed approval of the proposal’s inclusion of asset-backed securities (ABS) issuers as financial end users, and asserted that ABS issuers in all sectors should post full margin against their swap contracts, also expressing the view that ABS issuers should not be permitted to post ABS as margin. Mr. Harrington, Mr. Michalek and the agencies also discussed potential sources of systemic instability from ABS issuances, and discussed whether margin requirements for ABS issuers would mitigate systemic risk. The Agencies, Mr. Harrington and Mr. Michalek also discussed whether ABS issuers can make margin payments and the sources of such payments.