

Nothing But the Facts: FSB-IOSCO Proposal for SIFI Designation

The Financial Stability Board (“FSB”) is an international group of regulators from the G-20 nations that monitors and makes recommendations to the G-20 about the global financial system. The U.S. has three representatives on the FSB: the Chair of the Securities and Exchange Commission, the Undersecretary for International Affairs from the Department of the Treasury, and a Governor of the Federal Reserve System. The FSB recently issued a proposal with the International Organization of Securities Commissions (“IOSCO”) that would implement a framework for designating certain non-bank non-insurers as global systemically important financial institutions (“G-SIFIs”).¹

This Nothing But the Facts statement by the Committee on Capital Markets Regulation focuses on the framework as it applies to asset managers. As proposed, the FSB-IOSCO materiality threshold for designation as a SIFI would be \$1 trillion in assets under management (“AUM”).² Based on the most recent publicly available data, there are 15 asset managers that meet this threshold. There are another 5 asset managers with over \$800 billion in total AUM that could potentially be subject to designation if their AUM were to sufficiently increase.

However, the FSB proposal exempts asset managers that are affiliated with a bank or insurer that has either been designated as a global systemically important bank (“G-SIB”) or a global systemically important insurer (“G-SII”), as these asset managers are already subject to a G-SIB or G-SII framework on a consolidated basis.³

We find that each of the 6 foreign-based managers with AUM over \$1 trillion are affiliated with a G-SIB or G-SII and are therefore exempt from the proposal. However, there are 7 U.S. asset managers with assets over \$800 billion that are *not* affiliated with a G-SIB or G-SII (highlighted in the below chart). The result is that G-SIFI designations for asset managers would only apply to U.S. institutions, raising the question as to whether this should be a matter for only U.S. regulators rather than for the FSB.

The Financial Stability Oversight Council has indicated that, instead of designating individual asset managers as systemically important, they may adopt a products and activities-based approach to identify and address risks related to the asset management industry as a whole. However, the FSB has exempted sovereign wealth funds and pension funds from their proposal;⁴ this raises the question of whether exempting these investors is inconsistent with U.S. regulatory efforts to address the risks posed by products and services that might be used by these investors.

¹ FSB-IOSCO Consultative Document (2nd) *Assessment Methodologies for Non-Bank Non-Insure Global Systemically Important Financial Institutions*, 4 March 2015.

² FSB-IOSCO Consultation at 51.

³ FSB-IOSCO Consultation at 10.

⁴ FSB-IOSCO Consultation at 5.

Rank	Manager	Nationality	Assets (\$ millions)
1	BlackRock	US	\$4,651,895
2	Vanguard Group	US	\$3,000,000
3	State Street Global	US	\$2,448,000
4	Fidelity Investments	US	\$1,980,000
5	Allianz Global Investors	Germany	\$1,952,462
6	J.P. Morgan Chase	US	\$1,744,000
7	BNP Paribas	France	\$1,717,000
8	Bank of New York Mellon	US	\$1,710,000
9	AXA Group	France	\$1,383,780
10	Capital Group	US	\$1,366,084
11	Deutsche Bank	Germany	\$1,260,000
12	Goldman Sachs Group	US	\$1,180,000
13	Prudential Financial	US	\$1,180,000
14	Amundi	France	\$1,100,000
15	UBS	Switzerland	\$1,032,000
16	HSBC Holdings	UK	\$954,000
17	Northern Trust Asset Management	US	\$934,000
18	Wellington Management	US	\$892,000
19	Natixis Global Asset Management	France	\$890,000
20	Franklin Templeton	US	\$880,100

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Founded in 2006, the Committee on Capital Markets Regulation is dedicated to enhancing the competitiveness of U.S. capital markets and ensuring the stability of the U.S. financial system. Our membership includes thirty-seven leaders drawn from the finance, investment, business, law, accounting, and academic communities. The Committee is chaired jointly by R. Glenn Hubbard (Dean, Columbia Business School) and John L. Thornton (Chairman, The Brookings Institution) and directed by Hal S. Scott (Nomura Professor and Director of the Program on International Financial Systems, Harvard Law School). The Committee is an independent and nonpartisan 501(c)(3) research organization, financed by contributions from individuals, foundations, and corporations.