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September 21, 2016

Secretariat of the Financial Stability Board
c/o Bank of International Settlements
CH-4002
Basel, Switzerland

Re: Consultative Document: Proposed Policy Recommendations to Address Structural Vulnerabilities from Asset Management Activities

Dear Sir or Madam:

The Capital Group Companies ("Capital Group") is a global asset management firm with offices in Europe, Asia and the Americas. Through our investment management subsidiaries, we actively manage assets in various collective investment vehicles and institutional client separate accounts globally. We manage the American Funds family of mutual funds, which are U.S. regulated investment companies distributed through financial intermediaries and held by individuals and institutions across different types of accounts.

We appreciate the opportunity to comment on the June 22, 2016 consultative document entitled *Proposed Policy Recommendations to Address Structural Vulnerabilities from Asset Management Activities* ("Consultative Document") published by the Financial Stability Board ("FSB"). We acknowledge the importance of the FSB's role in promoting global financial stability by coordinating national financial authorities and international standard-setting bodies in their efforts to develop strong regulatory, supervisory and other financial sector policies. We recognize that the FSB is evaluating issues relating to the asset management industry from a global perspective, across multiple jurisdictions that regulate asset management products and activities to varying degrees. We also recognize that some of these jurisdictions may not have regulatory frameworks as developed as the U.S. and some countries in Europe, which as noted in the Consultative Document, represent almost one-half and one-third respectively of the global mutual fund industry. We appreciate that the FSB's policy recommendations generally reflect the various existing regulations and proposed rulemakings underway in the U.S. and focus on the same areas of potential risks. Furthermore, we support the FSB's efforts aimed at the establishment of international standards that would allow local securities regulators to respond as appropriate, given the breadth of the existing regulatory framework in their specific jurisdiction.

We agree with the FSB's decision to exclude money market funds from the scope of the Consultative Document, given the considerable recent regulatory reforms in this area. Since most of Capital Group's assets under management are in regulated mutual funds, we primarily focus our responses from this perspective. We do not provide comments on securities lending as our organization does not engage in this activity. Before addressing specific topics raised in the Consultative Document, we offer some general comments regarding the potential for global systemic risks arising from the identified "structural vulnerabilities" associated with asset management activities. Many of these comments emphasize views we have previously submitted in response to earlier requests for comment from the FSB and the Financial Stability Oversight Council ("FSOC").[1]

1. General comments

a. <u>We appreciate the FSB's continued focus on activities-based regulation to address potential risks to the global financial system rather than an entity-based approach of designating individual asset managers and funds as systemically important.</u>

As we stated in our response to the FSB's 2015 Consultation, we believe that activities-based regulation, rather than an entity-focused approach, is a more effective tool to mitigate potential risks to the global financial system. Individual asset managers and investment funds should not be singled out for a higher level of regulatory scrutiny merely because of their status or size, particularly in the absence of empirical evidence that the asset management industry poses any significant threat to global financial stability. Any risks attributable to asset managers or funds, such as those discussed in the Consultative Document, are more appropriately regulated as activities. This form of regulation better reflects the nature of the asset management business, including its structural characteristics, regulatory framework and existing risk mitigants. We note however that in order for activities-based regulation to be effective, it should not only focus on the asset management industry but rather be applied in a tailored manner across all products and markets, taking into consideration the unique characteristics and risk mitigants of the firms engaging in the specified activity. Regulatory efforts that focus on only asset managers and funds will have limited impact in mitigating global systemic risk but could have negative consequences for the capital markets.

We welcome the FSB's comments in the Consultative Document that acknowledge how asset managers and funds are fundamentally different from banks and insurance companies. Importantly, the FSB shows an understanding of how asset managers

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[1] *See* Letters from James Rothenberg, then Chairman of The Capital Group Companies, to Secretariat of the FSB on the Consultative Document (2nd): Assessment of Methodologies for Identifying Non-Bank Non-Insurer Global Systemically Important Financial Institutions (May, 29, 2015, the "2015 Consultation"), and to FSOC on Notice Seeking Comment on Asset Management Products and Activities (FSOC-2014-0001) (March 25, 2015).

operate as agents for their clients and serve in a fiduciary capacity, while investors enjoy the gains and bear the risk of loss of their investments. We agree with the FSB's statement that, "[t]his different structure of the asset management sector offers some important stabilizing features to the global financial system. "[2] We believe that the FSB's own observations support a permanent shift away from any efforts to designate individual asset management firms as non-bank non-insurer global systemically important financial institutions ("NBNI G-SIFIs") or to apply prudential standards to asset management activities.

b. <u>The FSB's proposed policy recommendations should be tested against empirical evidence that the identified asset management "structural vulnerabilities" can cause global systemic risk.</u>

The Consultative Document outlines the FSB's proposed policy recommendations to address residual risks to global financial stability from the following four asset management "structural vulnerabilities": (1) liquidity mismatch between fund investments and redemption terms and conditions for open-end funds; (2) leverage within investment funds; (3) operational risk and challenges in transferring investment mandates in stressed conditions; and (4) securities lending activities of asset managers and investment funds. In response to the FSB's request for comments on whether it has identified the appropriate structural vulnerabilities and related policies, we note that the Consultative Document does not provide empirical evidence supporting a causal link between the structural vulnerabilities and global financial instability. In fact, the FSB observes that historical evidence suggests that non-money market funds "have not created global financial stability concerns, even in recent periods of stress and heightened volatility."[3] We are concerned that the policy recommendations appear to be largely premised on assumptions rather than actual data substantiating structural vulnerabilities that could cause global systemic risk. In addition, we believe that the FSB should provide clear definitions for certain key terms upon which the policy recommendations are premised, such as "structural vulnerability" and "financial stability risks". Finally and importantly, the Consultative Document also relies on broad generalizations, which ignore the heterogeneity of fund investment strategies and the broad diversity of investor needs, risk profiles and investment objectives. We note that mutual fund investors represent millions of individual decision-makers and this diversity reduces the risk of investors redeeming in any significantly concerted manner (i.e., "herding behavior").

Although we appreciate the FSB's efforts to address potential financial stability risks from structural vulnerabilities associated with asset management activities, we believe that the FSB's policy recommendations should be supported by objective evidence and based on an appropriate cost-benefit analysis. We support statements by the International Organization of Securities Commissions (IOSCO) that:

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[2] Consultative Document at p.8.

[3] Consultative Document at pgs.1, 8 and 10.

> "To enhance our understanding of the fund industry, there is a need for further work to which IOSCO and its members are actively contributing. Further empirical examination of the fund sector landscape is warranted, as well as identifying critical data gaps and developing testable hypotheses to provide much needed quantitative estimates of potential impacts. While the case studies focused on liquidity risks, or front-end exposures, the back-end or settlement risks merit further study as well; an examination of these risks could take stock of securities lending activities, use of synthetic leverage, bank lending, and settlement structures."[4]

The analysis should consider any risk mitigants inherent in the nature of the business, existing and proposed regulation, fund portfolio management practices and investor behavior. To the extent the analysis objectively demonstrates that residual risks warrant policy action, the FSB should provide support that any recommendation effectively addresses the risks and that any additional costs do not outweigh the benefits.

We believe that efforts underway by IOSCO and local securities authorities to enhance data collection are critical to the analysis. IOSCO has published a statement outlining its priorities to respond to data gaps within the asset management industry.[5] As part of its work, IOSCO reviewed data currently available to securities regulators and undertook efforts to identify enhanced data that could improve the ability of securities regulators to monitor risks across the industry and better understand industry issues. Within the U.S., the Securities and Exchange Commission ("SEC") has undertaken rulemakings to modernize reporting requirements for mutual funds and registered investment advisers. Among other things, these regulatory changes would require enhanced reporting regarding a fund's use of derivatives, securities lending, portfolio level risk metrics and liquidity risk metrics. We strongly urge the FSB to review and consider new information and public comments relating to IOSCO's examination and the SEC's rulemakings before finalizing any policy recommendations.

Finally, we note that FSB deferred the finalization of its assessment methodologies for NBNI G-SIFIs until completion of the implementation of policy recommendations to address structural vulnerabilities from asset management activities. The FSB has stated that when the time comes to revisit the methodologies, "[t]he focus in the case of asset management, will be on any residual entity-based sources of systemic risk from distress or disorderly failure that cannot be effectively addressed by market-wide activities-based policies."[6] This only underscores the importance of basing the policy recommendations on a thoughtful and comprehensive review of all current and soon-to-be available information.

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[4] International Organization of Securities Commissions, "Securities Markets Risk Outlook 2016" (March 2016) ("IOSCO Market Outlook 2016"), p.81.
[5] International Organization of Securities Commissions, "Statement on IOSCO's Priorities Regarding Data Gaps in the Asset Management Industry" (June 2016).
[6] Consultative Document at p. 2.

c. <u>The FSB should consider the results of IOSCO's fund data enhancement initiative and the SEC's recently proposed regulations before finalizing its policy recommendations.</u>

We support the FSB's approach in relying on IOSCO and local securities regulators to implement the proposed policy recommendations. We believe that IOSCO and local securities regulators have the necessary understanding of the current legal, regulatory, and compliance framework applicable to asset management activities to contribute to the FSB's analysis of global financial stability risks and regulatory mitigants. These local securities regulators generally have a well-developed process for creating regulations tailored to the risk being targeted. In the U.S., this process includes appropriate data collection, a cost-benefit analysis and an open process with public notice and comment, all of which we continue to encourage FSB to consider in its efforts.

As discussed in our previous responses to the FSB and FSOC, asset managers and regulated mutual funds are already subject to extensive and complex regulations designed to protect investors and to maintain and promote fair and orderly markets. Accordingly, local securities regulators and IOSCO, as a global organization of securities regulators, are well-positioned to help the FSB study any issues relating to the asset management industry and develop regulatory responses. Indeed, these regulators are already pursuing enhancements to the existing regulatory framework that mirror many of the recommendations in the Consultative Document. For instance, IOSCO has already undertaken an initiative to address any data gaps related to funds.

As another example, in the U.S., the SEC has proposed a series of rulemakings designed to strengthen the existing regulatory framework for the asset management industry. Today, U.S. registered investment advisers are subject to extensive regulation under the Investment Advisers Act of 1940 ("Advisers Act"), as well as regulations imposed by the U.S. Commodity Futures Trading Commission ("CFTC"), the U.S. Treasury Department, and regulators in other jurisdictions depending on their business models. U.S. mutual funds must comply with numerous requirements under the Investment Company Act of 1940 ("1940 Act"), including requirements relating to liquidity, leverage, capital structure, diversification, concentration of investments, daily fund valuation, custody of fund and client assets and affiliated entity transactions. Moreover, in order to qualify as a regulated investment company under subchapter M of the Internal Revenue Code, mutual funds must comply with certain diversification rules, which further help to restrict exposure of a mutual fund to any particular issuer or industry, thereby reducing the impact of any concentrated market shock. Mutual funds must also comply with strict disclosure requirements regarding their investment objectives, strategies and risks, including the risk that an investor can lose money investing in the fund. Finally, mutual funds are subject to a strict governance standard, with each fund's board of directors acting as a fiduciary in overseeing the mutual fund's operations and ensuring that the asset manager is properly executing the mutual fund's investment strategies in pursuit of the fund's investment objectives.

Against this backdrop, the SEC is actively pursuing a series of proposed regulations that would: (1) enhance reporting requirements for registered investment advisers and mutual funds; (2) require mutual funds to establish written liquidity risk management programs; (3) further regulate the use of derivatives in mutual funds; and (4) require registered investment advisers to adopt business continuity and transition plans. We have submitted our comments to all of these proposed rulemakings, as have many other members of the asset management industry. In addition, the SEC has announced that, pursuant to requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), it is working on additional rulemaking relating to stress testing by large asset managers and large mutual funds.

We believe that the initiatives undertaken by IOSCO and SEC can contribute to a much better understanding of any residual risks in the asset management industry. We are concerned however that the FSB's timeline for finalizing its proposed policy recommendations will not allow it to benefit from the additional data and industry comments gathered from IOSCO and SEC efforts. We urge the FSB to refrain from finalizing its policy recommendations until it has had an opportunity to consider the results of data modernization efforts, as well as the collective impact of existing and proposed regulations in mitigating any perceived residual risks to global stability.

2. Recommendations to Address Issues Relating to Liquidity

a. <u>The structure and regulatory framework of U.S. regulated mutual funds mitigate risks relating to fund liquidity and redemption practices. We support efforts aimed at international regulatory harmonization for jurisdictions that are less developed in this area. However, we are concerned that the proposed policy recommendations relating to these activities are not supported by objective evidence that they pose potential risks to global financial stability.</u>

The Consultative Document sets forth nine policy recommendations to address perceived residual risks associated with fund liquidity mismatch. In the aggregate, these policy recommendations would require IOSCO and/or local securities authorities to: (a) enhance regulatory reporting and investor disclosure requirements regarding fund liquidity profiles, (b) create requirements or provide guidance stating that a fund's investment strategy and portfolio composition should be consistent with the terms governing redemptions, (c) provide greater regulation around the availability and use of risk management tools, including under stressed market conditions, (d) require or provide guidance on stress testing for individual funds and (e) give consideration to system-wide stress testing. The FSB requests comments on whether the scope of the proposed recommendations is appropriate to address risks relating to fund liquidity mismatch.

Although we support the FSB's efforts to develop international regulatory standards, as discussed above, we have not seen adequate objective support for the argument that fund liquidity and redemption practices threaten global financial stability. According to

IOSCO, "Additionally, funds' investments in portfolio assets do not currently represent a large portion of the market for these assets as a whole. The historical case study examination did not produce evidence of contagion or systemic events following fund liquidity stress events outside the money market fund space."[7] This is supported by research from the Investment Company Institute ("ICI"), which observed:

> "In the 17-month period November 2007 to March 2009, equity funds experienced net cash outflows cumulating to $281 billion. These net outflows, however, equaled only 4.1 percent of the assets of equity funds at the beginning of this period (i.e., as of October 2007). The bulk of these net outflows occurred during the worst of the financial crisis, July to December 2008. And yet, over these six months, the net outflows ($205 billion) amounted to just 3.6 percent of equity fund assets.
>
> These net outflows were modest from another perspective: they amounted to very little relative to the overall size of the stock market. For example, in no month during the period from November 2007 to March 2009 did net outflows from equity funds total more than ½ percent of the market value of stocks listed on the New York Stock Exchange and NASDAQ. The largest one-month net outflow from equity mutual funds was in October 2008, when equity mutual funds experienced outflows of $71 billion, equal to 0.44 percent of the $15.9 trillion U.S. stock market capitalization as of September 2008."[8]

As we have commented in the past, mutual funds are able to absorb fund investor redemptions in a way that tends to moderate rather than transmit or amplify market shocks. Within the U.S., in addition to legal requirements that limit exposure to illiquid securities, mutual funds are subject to diversification rules and must segregate existing liquid assets to cover potential forward commitments in order to limit portfolio leverage. Mutual fund boards of directors have a duty to monitor funds' liquidity and pricing practices. Additionally, mutual fund investors are provided disclosures so that they understand they are not guaranteed their money back and that they assume the market risks of their investments. Fund assets are financed completely with investor capital and redemptions are met from the assets of the fund itself. Furthermore, the broad diversity in investor profiles, goals and investment styles reduces the risk of any herding behavior. We also believe that portfolio diversification, forward pricing, NAV pricing that reflects current market prices, as well as the potential and uncertain application of the "fair value" mechanism, mitigate the potential for any "first mover advantage".

In addition to existing regulations, regulators continue to monitor liquidity risk practices and review the need for further regulatory action. For example, in the U.S., the SEC has proposed rulemakings that would require mutual funds to have formal liquidity

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[7] IOSCO Market Outlook 2016 at p.81.

[8] Investment Company Institute, Public Feedback on OFR Study on Asset Management Issues, November 1, 2013, Appendix B (http://www.ici.org/pdf/13_ici_ofr_asset_mgmt.pdf).

management programs and provide more detailed disclosures. In the U.K., the UK Financial Conduct Authority issued a summary of good practices in the management of liquidity by funds operating under Undertakings for Collective Investment in Transferable Securities ("UCITS"). The Hong Kong Securities and Futures Commission also recently conducted a review of the liquidity risk management practices of selected funds and subsequently published guidance based on good practices. For all of the reasons discussed above, and particularly in the absence of evidence of global financial risks arising from fund liquidity mismatch, we do not believe that additional regulations are necessary beyond those currently existing or proposed in jurisdictions with more developed regulatory frameworks, such as the U.S. However, we agree that international standards could be helpful in encouraging greater usage of similar practices across jurisdictions more broadly.

b. <u>Asset managers currently have access to a wide range of liquidity risk management tools for use in both ordinary and stressed market conditions. Liquidity risk management is a dynamic process and should not be subjected to regulation that encourages a "one-size-fits-all" approach.</u>

The FSB requests comments on its proposed policy recommendations relating to the availability and discretionary use by funds of risk management tools, and the need for regulatory direction in the use of "exceptional liquidity risk management tools". Although we believe that asset managers should implement effective liquidity risk management programs, we caution against any approach that might attempt to impose "one-size-fits-all" requirements. Since mutual funds have varying investment objectives and use different investment strategies, liquidity management must remain a dynamic process. It is important to note that funds have historically demonstrated the sufficiency of existing liquidity risk management programs in dealing with stressed market conditions, including the 2008 financial crisis and Brexit, without spillover effects to other funds.

As we discussed in our previous comments to the FSB and FSOC, asset managers already have a wide range of liquidity risk management tools to use in both ordinary and stressed market conditions. Liquidity risk management is an ongoing process. Portfolio managers regularly monitor securities ownership and fund liquidity levels, taking into consideration redemption levels, as well as interest rate and credit spread shocks. They often employ prudent cash management and liquidity programs to use existing cash and liquid security holdings of the fund, as well as cash inflows (e.g., new purchases, dividends and interest income), to meet redemptions. In the U.S., a mutual fund's board of directors has a duty to monitor funds' liquidity and pricing practices. If necessary, mutual funds can extend the time in which they pay redemption proceeds from one to two days, to seven days. They can also establish purchase blocking policies to make it clear to investors that funds are not designed to serve as vehicles for frequent trading. Funds could also obtain lines of credit or establish interfund lending facilities, although as we have mentioned in the past, we do not believe these are used to any substantial degree. As an extreme measure, a U.S. mutual fund could also pay redemptions in kind.

Finally, in an emergency situation, under Section 22(e) of the 1940 Act, a fund could seek SEC relief to temporarily suspend redemptions or postpone the payment of redemptions beyond seven days. In addition to existing tools, the SEC's rulemaking on liquidity management programs would permit (but not require) funds to use "swing pricing" as another option to mitigate liquidity risk. We believe that asset managers should have the flexibility to use the risk management tools they deem appropriate, based on their knowledge of a fund's objective and investment strategies and relevant market conditions.

In response to the FSB's questions around stress testing, we caution that any stress testing requirements should be flexible, focused on a fund's ability to meet redemptions and limited to an individual entity. In other words, we do not believe that bank-like stress testing or system-wide stress testing is appropriate in the context of mutual funds. We further note that the SEC has announced its intention to publish rulemaking relating to stress testing requirements for regulated funds. We urge the FSB to postpone any policy actions relating to stress testing until the SEC has completed its rulemaking in this area.

3. Recommendations to Address Risks Relating to Leverage

<u>We support the FSB's goal of encouraging improved data collection and meaningful monitoring around the use of leverage by funds, particularly in funds not subject to leverage limits or which pose significant leverage-related risks to the financial system. We note that the use of leverage in U.S. mutual funds, which represent one-half of the global mutual fund industry, is currently subject to significant regulation. Moreover, in the U.S., the SEC has proposed regulations that would impose additional restrictions and improve data collection regarding mutual fund use of leverage.</u>

The FSB's policy recommendations related to leverage focus on additional data collection by local regulators and IOSCO, as well as the development by IOSCO of new leverage measures. We agree with the FSB's statement that, "Most jurisdictions have regulatory and supervisory measures that set limits on leverage for certain types of funds, or disclosure and reporting requirements to monitor the risks for investors generated by leverage in individual funds."[9] For example, in the U.S., the use of leverage in mutual funds is limited and subject to provisions in the 1940 Act governing diversification, concentration, investing in certain types of securities-related issuers, valuation, accounting, financial reporting and disclosures. Recent SEC rulemaking would impose further restrictions on fund use of leverage and require certain risk management measures. Fund board oversight and disclosure requirements also ensure that the derivatives are employed in a manner consistent with the fund's investment objectives, policies, and restrictions, its risk profile, and relevant regulatory requirements. Additionally, under the Dodd-Frank Act, several measures were enacted to address counterparty risk, as well as to require recordkeeping and reporting on the use of certain derivative instruments to allow regulators to monitor their usage. Further, exchange-traded and centrally cleared derivatives are subject to specific margin rules and

[9] Consultative Document at p.23.

clearinghouse protocols to protect against potential losses in the event of counterparty failure. Effective in April of 2017, uncleared derivatives, including many foreign exchange instruments, will be subject to margin rules as well. Portfolio management practices, such as ongoing monitoring, internal limits and oversight committees, also help to mitigate risks relating to the use of leverage.

We recognize though that not all jurisdictions have similar regulatory restrictions or practices around the use of leverage. We support the FSB's goal of encouraging improved data collection and meaningful monitoring around the use of leverage by funds, particularly in funds not subject to leverage limits or which pose significant leverage-related risks to the financial system. However, we suggest that additional data requirements be implemented only after a thorough review of the extensive information already available or soon to be available. Importantly, both IOSCO and the SEC are currently pursuing data modernization efforts, including with respect to leverage metrics. As noted by the FSB, financial leverage can arise from a broad range of financial instruments, which can be used in different types of portfolios and for a variety of purposes. We encourage the FSB to defer pursuing further policy work, including the definition of leverage metrics, so that it might benefit from industry comments and additional data gathered from IOSCO and SEC initiatives.

4. Recommendations to Address Operational Risks

Existing regulatory requirements and competitive pressures already require asset managers to have robust operational risk management programs. We are concerned that the proposed policy recommendation relating to operational risks is not supported by objective evidence that these risks can result in global financial instability.

The FSB's policy recommendation relating to operational risks would require asset managers that are "large, complex, and/or provide critical services" to implement comprehensive risk management frameworks, including business continuity plans and transition plans. First, we respond to FSB's specific question on whether the proposed policy should apply more broadly. We are concerned that the focus on large asset managers is reminiscent of the 2015 Consultative Document, which purported to use size as a measure of risk. We believe that sound operational risk management, including business continuity planning, benefits all investors. To the extent FSB develops international standards in this area, we believe they should be applied to all asset managers, regardless of their size.

Second, although we agree that asset managers should be prepared to respond to business disruptions, we are concerned by the underlying premise of the policy recommendation that operational challenges can result in global financial instability. The Consultative Document does not provide adequate data to support this argument and the FSB itself notes that, "[h]istorically, there have not been serious operational incidents during stressed conditions. Thus, it is difficult to assess the potential materiality of such operational difficulties."[10] In fact, we believe that there is evidence to the contrary and that during stressed market conditions, transfers of assets within mutual funds have operated smoothly. As discussed in detail by the ICI's study, *"Orderly Resolution" of Mutual Funds and Their Managers*, many U.S. mutual funds and fund managers are closed or reorganized each year without government intervention or taxpayer assistance, including during times of market stress.[11] In 2009, 870 mutual funds were merged or liquidated while 53 fund sponsors exited the business, all without disrupting U.S. financial stability. History has also shown that even during times of market stress, there are many firms willing and able to take on additional fund assets under management. The ICI references a study by Grail Partners LLC that shows that in 2008, the global merger and acquisition activity in the asset management industry totaled $2 trillion, which increased to $4 trillion in 2009, indicating that the high degree of competition in the fund industry allows fund mergers and acquisitions to occur on a routine basis, without undue disruption to fund investors.[12]

We believe the mutual fund industry is very competitive, funds are highly substitutable and the asset management business is easily transferable because of the agency nature of the business. Any risk to client assets is further mitigated by the fact that assets are not usually held by the asset manager but by a third party custodian bank, subject to prudential regulations. Moreover, in the U.S., the Advisers Act requires each asset manager to establish a reasonable process for responding to emergencies, contingencies and disasters, appropriately scaled to the asset manager's business operations and client commitments, as part of an asset manager's compliance program. As a result, U.S. asset managers generally have reasonable practices around operational risk management. Furthermore, although initially published through guidance, the SEC recently proposed regulations to formalize the requirements around an asset manager's obligations to implement a business continuity and transition plan. Accordingly, we believe that the nature of the asset management industry, as well as existing and proposed regulations relating to operational risks, already satisfy the FSB's policy recommendation.

5. Conclusion

We support the FSB's focus on activities-based regulation and its continued efforts to evaluate the risks of activities within the asset management industry. We also support the FSB's efforts aimed at the establishment of international standards that would allow local securities regulators to respond as appropriate, given the breadth of the existing regulatory framework in their specific jurisdiction. We believe that in jurisdictions such as the U.S., the regulatory framework governing asset managers and mutual funds, the agency nature of the asset management business, investment management practices and market dynamics mitigate any potential for global systemic risks arising from the

[10] Consultative Document at p.31.
[11] Investment Company Institute, "Orderly Resolution of Mutual Funds and Their Managers" (July 15, 2014), p.3.
[12] Id. at footnote 3, p.5.

identified "structural vulnerabilities". We encourage the FSB to continue to work with IOSCO and local securities regulators to collect data and analyze the impact of proposed rulemakings addressing the same activities covered in the Consultative Document. This would allow for a more fulsome analysis on the existence of any residual risks to global financial stability before policy recommendations are finalized.

We truly appreciate the opportunity to comment on the Consultative Document. If you have any questions regarding our comments, please feel free to contact Maria Manotok at (213) 615 0200.

Sincerely,

James P. R

James P. Ryan
Senior Vice President

cc: Hon. Jacob J. Lew, Secretary, U.S. Department of Treasury
Hon. Mary Jo White, Chair, U.S. Securities and Exchange Commission
Hon. Timothy G. Massad, Chairman, U.S. Commodity and Futures Trading Commission
Hon. Janet L. Yellen, Chairman, Board of Governors of the Federal Reserve