May 28, 2015

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

Re: Consultative Document (2nd); Assessment Methodologies for Identifying Non-Bank Non-Insurer Global Systemically Important Financial Institutions

Dear Sirs/Madams:

Invesco Ltd. ("Invesco") is grateful for the opportunity to provide comment on the March 4, 2015 consultative document entitled Assessment Methodologies for Identifying Non-Bank Non-Insurer Global Systemically Important Financial Institutions ("Second Consultation") published by the Financial Stability Board ("FSB") and the International Organization of Securities Commissioners ("IOSCO").1 Invesco is a leading independent global investment manager with approximately $811.7 billion in assets under management ("AUM") as of April 30, 2015. In light of Invesco’s 70 years of global industry experience, dedication to the interests of our investors for whom we manage money and comprehensive range of investment capabilities, we seek to provide meaningful commentary regarding the investment fund and asset management assessment methodologies set forth in the consultation for possible future designation of non-bank non-insurer ("NBNI") global systemically important financial institutions ("G-SIFIs").

Given Invesco’s size and the size of its individual funds, as well as other factors relevant to the Second Consultation’s designation standards, Invesco and its funds are unlikely to be designated in the near-term as a NBNI G-SIFIs under the standards proposed in the Second Consultation. However, the implications of a possible future designation of any asset manager or registered fund as a NBNI G-SIFI are very significant to Invesco and to other asset managers. Such a designation would almost certainly have a material adverse impact on the regulatory regime and nature of completion across the global asset management industry. It would likely also have unknown and unintended long-term consequences, especially given the stark differences between the regulatory approach being undertaken with respect to bank and insurance G-SIFIs and the existing regulatory regime applicable to asset managers and their asset management activities and products. Invesco joins other commentators in respectfully urging that FSB/IOSCO abandon the attempt to set arbitrary materiality/size thresholds as an appropriate G-SIFI assessment methodology for asset management entities and follow the lead of the U.S. regulators in examining the global asset management industry from a products and activities perspective.2

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1 FSB/IOSCO, Consultative Document (2nd); Assessment Methodologies for Identifying Non-Bank Non Insurer Global Systemically Important Financial Institutions, (March 4, 2015).
Summary Background Information Regarding Invesco

As a global company focused solely on investment management, Invesco is well positioned to understand the asset management industry and its inherent risks. Invesco delivers a comprehensive and highly diverse array of investment asset classes via highly diversified distribution channels to retail and institutional clients in more than 100 countries from investment management centers in North America, Europe and Asia-Pacific.3

Our investment management services are provided through a wide range of product types. We advise open-end funds (mutual funds), closed-end funds and exchange-traded funds available to the public under various regulatory schemes in the jurisdictions in which we operate (collectively, “registered funds”). We likewise advise collective trusts, various private funds and separate accounts.

Invesco is a significant provider of retail investment solutions (retail AUM of $534.6 billion at March 31, 2015) to clients in all major global markets, primarily through registered funds. We offer a diverse array of retail products within all of the major asset classes, which are primarily distributed through third-party financial intermediaries, including traditional broker-dealers, retirement platforms, financial advisors, fund “supermarkets,” banks, insurance companies and trust companies. We provide investment solutions to institutional investors globally (with $252.7 billion in AUM as of March 31, 2015). Our institutional client base likewise is highly diversified and includes major public entities, corporations, unions, non-profit organizations, endowments, foundations, pension funds, financial institutions, sovereign wealth funds and other government entities.

Public Policy Considerations

It is not an over-simplification to observe that historically financial crises which have adversely impacted, or have been perceived to threaten adverse impacts on, global financial stability have had at their root cause in one (and in most cases both) of the following two factors: (1) balance sheet exposure and (2) a high degree of leverage. The business model of diversified mainstream asset managers such as Invesco, and that of the vast majority of sponsors of registered funds, is antithetical to those two root cause factors. Companies like Invesco do not take any meaningful balance sheet risk with respect to the investment products they sponsor and manage. The majority of Invesco’s AUM is in registered funds. Registered funds (including mutual funds offering daily redemptions subject to the requirements of the U.S. Investment Company Act of 1940, the European Union’s Undertaking for Collective Investment in

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3 As a publicly-listed company (NYSE: IVZ), Invesco files reports with the U.S. Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934, as amended. For a description of Invesco’s business, including its investment capabilities and products and its distribution channels, please see Invesco’s 2014 Annual Report on Form 10-K filed with the SEC on February 20, 2015 (SEC File No. 1-13908) (in particular the material therein under the caption “Item 1: Business”).
Transferable Securities [UCITS] and similar regulatory schemes in other jurisdictions) operate under well-tested regulatory regimes which, among other features designed to limit risk, substantially limit leverage.

There is neither historical precedent nor any empirical data to support the notion that diversified mainstream asset managers such as Invesco, or the products managed by such firms, have either the balance sheet exposure or the degree of leverage that could pose risks to the financial systems of the G-20 countries or the global financial system. The Second Consultation (like its predecessor) seems to ignore the critical, fundamental difference between an asset manager and those companies—securities firms (such as Bear Stearns and Lehman), banks (such as Washington Mutual and Wachovia) and government-sponsored enterprises (such as Fannie Mae and Freddie Mac) — that failed or were near failure during the most recent financial crisis and required one form or another of government bailout. In those companies, and other similar companies that became troubled, losses and potential losses were borne by the institutions themselves, leading to a loss of capital and to liquidity problems as counterparties worried about the companies’ solvency and their ability to fulfil contractual obligations and continue operations. The fundamental difference is that for asset managers, loss is borne by the highly diversified bases of clients served by the asset managers, and not by the asset managers themselves. Asset managers’ capital is not at risk, and therefore, not subject to impairment.

Moreover, the financial stability of the global economy is grounded to a significant degree in the robustness of global capital markets. Capital markets provide for a process of capital formation and allocation which support the vibrancy of the global economy and global capital flows. The asset management industry is a crucial player on the “buy side” of our capital markets, providing vital benefits to the process of capital formation that supports economic growth. Asset managers act as agents for their clients, hired to manage and oversee investors’ financial assets through pooled investments or separate accounts. Rather than centralize risks, as banks do, asset managers leave risk-taking to the end-investors. Invesco believes that global regulators should be very wary of adversely impacting the vibrancy of capital markets by overly intrusive regulations that might be promulgated to address potential problems which are purely speculative in nature and which are unsupported by history and empirical data.

The Second Consultation notes that the “NBNI G-SIFI methodologies will thus rely on detailed analysis conducted primarily by national authorities.” Invesco believes that the far more constructive approach would be to allow national regulatory authorities for asset managers, such as the SEC in the United States, to conduct this detailed analysis based on a firm foundation of empirical data prior to establishing any assessment methodologies. Using the U.S. as the example, the SEC, as the nation’s primary securities and capital markets regulator, should play the lead role in the process of gathering and studying data to assess whether products or activities sponsored by the asset management industry might potentially adversely impact global financial stability. The SEC, as the primary regulator of all entities that could potentially be designated under the Second Consultation as a NBNI G-SIFI, has the

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4 Second Consultative Document at 1.
greatest understanding of the asset management industry and is best positioned to understand and balance the potential benefits and detriments of potential designations on the health of capital markets, the capital formation process and the protection of capital markets investors.

In the wake of the financial crisis the SEC has enacted significant reforms to address systemic risk concerns associated with the one category of registered funds – money market funds ("MMFs") – that experienced distress during the crisis. Under the leadership of SEC Chair White, the SEC has already initiated studying the potential need for additional requirements on several of the topics identified as impact factors in the Second Consultation. On May 20, 2015, the SEC proposed new regulations to expand the information reported by registered investment companies and investment advisors that will increase transparency and enhance the SEC's ability to monitor risk exposures in registered funds' portfolios. Chair White has also announced that the SEC is developing additional recommendations to enhance the management and disclosure of liquidity risks by registered funds, additional measures regarding the use of derivatives and leverage by funds and new requirements for stress testing by large investment advisors and large funds. Each of these initiatives addresses elements of systemic risk concerns identified in the Second Consultation and global regulators would be prudent to review this valuable new empirical data before finalizing any assessment methodologies.

Rather than gathering additional industry and market information and proposing additional regulations on the basis of such empirical data, the Second Consultation continues to recommend an ill-conceived, arbitrary materiality/size threshold methodology for assessing asset manager entities. Given the substitutability of asset management products and activities and the intense competitive nature of the industry, it appears likely that a G-SIFI designated fund or manager (with the accompanied additional capital and regulatory costs) would be placed in an unfair and inappropriate competitive disadvantage vis-a-vis non-designated competitors. As such, a G-SIFI designation could be ineffective, as assets may shift quickly from a designated fund or manager to one which was not so designated. A broad, market-wide approach to the regulation of asset manager products and activities, as is currently the case for U.S. asset managers and capital markets, is decisively fairer and more effective than any selective designation of individual entities based on an indiscriminate size threshold.

FSB/ISOCO should abandon their focus on individual asset managers and funds and align their review of potential systemic risks presented by asset managers with the approach being followed by the SEC. This established, logical approach begins with the collection of essential information and data on relevant industry risk issues, proceeds with a comprehensive analysis of potential regulatory remedies by the industry’s primary regulator and follows for public comment and review with recommendations designed to address in the most effective manner identified risk issues. This thorough, fact-based and

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transparent process concludes with the adoption by the primary regulatory of any necessary new regulations.

Invesco is a member of various associations which themselves are submitting comment letters on the Second Consultation addressing in more detail public policy consideration similar to those expressed herein. These associations include the Investment Company Institute (ICI) and the Securities Industry and Financial Markets Association (SIFMA). Invesco endorses the public policy considerations expressed in each of the ICI and SIFMA letters and believe that our overall experience as a global asset manager is consistent with the observations made in each of these two letters in support of those public policy considerations.

Conclusion

There is neither historical precedent nor empirical data to support a theory that diversified, highly regulated mainstream asset managers such as Invesco pose risks to the financial systems of the G-20 countries or the global financial system. Invesco respectfully recommends that FSB/ISOCO abandon its attempt to set arbitrary materiality/size thresholds as an appropriate NBNI G-SIFI assessment methodology for asset management entities and follow the lead of the U.S. regulators in examining the global asset management industry from a products and activities perspective. Invesco believes that before global regulators establish assessment methodologies for designating any asset managers or their funds as NBNI G-SIFIs they should engage national authorities with current primary responsibility for the regulation of these entities (such as the SEC) first to gather more data and study it to assess whether there are any credible underlying risks which could justify such a regulatory response. Regulators should be very wary of adversely impacting the vibrancy of capital markets and capital formation with overly intrusive regulations that seek to address potential theoretical problems unsupported by history or empirical data. For U.S. asset managers and their funds, the SEC should play the lead role in the process of gathering and studying data to assess whether products or activities sponsored by the asset management industry might potentially adversely impact financial stability.

Thank you for the opportunity to submit this letter and for your consideration of these comments regarding the Second Consultation. Questions regarding these comments may be directed to the undersigned in the first instance.

Sincerely,
Invesco Ltd.

By: Kevin M Carome
Senior Managing Director and General Counsel