

Congress of the United States
Washington, DC 20515

June 15, 2012

The Honorable Timothy Geithner
Chairman
Financial Stability Oversight Council
1500 Pennsylvania Avenue NW
Washington, DC 20220

Dear Chairman Geithner:

We are writing with respect to the Financial Stability Oversight Council's ("FSOC") evaluation of asset management companies as systemically important financial institutions ("SIFIs"). We understand that the FSOC and the Office of Financial Research ("OFR") are still analyzing the extent to which such firms might pose a systemic risk, and to this end, are currently conducting a comprehensive study on the asset management industry.¹ We applaud this initiative as we believe it is essential that regulators are as deliberate and thoughtful as possible prior to rendering decisions on policy matters regarding asset managers, such as pension fund and mutual fund managers, which are critical to the functioning of the U.S. economy.

In light of this, we urge the OFR to proceed with its study of the asset management industry in a comprehensive, thorough and transparent manner, and, importantly, to provide adequate time for public review and comment on the study's findings before the FSOC moves any further in the designation process. We also strongly recommend the FSOC and OFR, when evaluating the possible systemic risk that asset managers may pose, take into consideration the impact of those regulations, such as Title VII of the Dodd-Frank Act, that will apply to asset managers and that are designed specifically to reduce systemic risk. Additionally, we request that the FSOC refrain from taking action on asset management firms until the study is completed and sufficient time has been given for the public to digest the study's conclusions. The information received in this report should inform policymakers, and it will be helpful in providing counsel and guidance as the FSOC undertakes its own deliberations on whether asset managers should be extended SIFI status, and the type of regulation that might follow in the future.

We appreciate the steps undertaken by the FSOC to resolve the uncertainty surrounding the non-bank SIFI designation process, the most recent iteration of which was the FSOC's approval of the final rule (the "Final Rule") in April. We are mindful that the FSOC "may develop additional guidance regarding potential metrics and thresholds relevant to determinations regarding asset managers, as appropriate." If the FSOC decides to produce such guidance, we believe it is important that it be developed and published well in advance of designating an asset management company as a SIFI. As the FSOC and the OFR continue to develop standards applicable to the asset management industry, we also encourage them to fully utilize the resources of the recently announced Financial Research Advisory Committee and reach out to relevant industry participants and independent trade groups for input and feedback on its study.

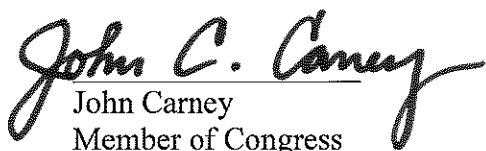
¹ 77 Fed. Reg. 21637, 21644 (Apr. 11, 2012).

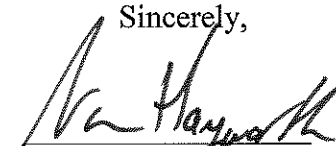
Conducting an asset management industry systemic risk study will presumably also assist the Federal Reserve Board in determining the appropriate method of regulating asset management firms, if any are designated as SIFIs. As cited in the Final Rule: "the analysis is considering...whether these threats can be mitigated by subjecting such companies to Board of Governors supervision and prudential standards, or whether they are better addressed through other regulatory measures." We encourage this type of deliberation and study, and hope the analysis fully examines the ramifications and potential costs associated with subjecting asset managers to prudential regulation.


Again, we wholeheartedly support the FSOC's and OFR's efforts to provide a study on asset managers, which include managers of pension fund and mutual fund assets. We strongly encourage the FSOC and OFR to conduct a comprehensive study, which includes input from experts within the asset management industry, and to publish its findings in a report for public review before any asset management firms are designated for supplemental supervision.

We thank you for your attention to this matter.


Sincerely,



John Carney
Member of Congress

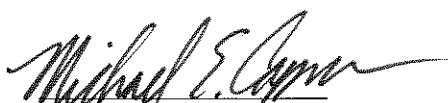

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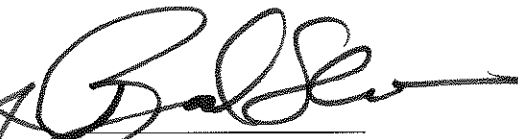

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