Government Publishes Study of Systemic Risks in Asset Management

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On September 30, the US Treasury's Office of Financial Research published a study (Study) commissioned by the Financial Stability Oversight Council (FSOC) that explores possible ways in which asset management firms and their activities might pose, amplify or transmit threats to financial stability. The Study, which is entitled "Asset Management and Financial Stability", is the first concrete step taken by FSOC towards considering whether large asset managers should be subjected to enhanced prudential standards and supervision under Section 113 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Study concludes that (i) the asset management industry has some unique vulnerabilities to financial shocks, (ii) asset managers can transmit risks across the financial system, and (iii) there are some significant data gaps that impede effective macroprudential analysis and oversight of asset management firms and activities.

The Study is available here.

The chairperson of the Securities and Exchange Commission is a member of FSOC, but the SEC was not otherwise involved in commissioning or writing the Study. Nevertheless, the SEC has made a request for public "feedback" on the Study via a website that will be open until November 1, 2013.

The SEC request for feedback is available here. No request for comments or feedback has been made by FSOC.

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