

MEMO# 31759

May 14, 2019

ICI Files Comment Letter on FSOC Proposal to Reform Nonbank SIFI Designation Process

[31759]

May 14, 2019 TO: ICI Members

Investment Company Directors SUBJECTS: Systemic Risk RE: ICI Files Comment Letter on FSOC Proposal to Reform Nonbank SIFI Designation Process

As we reported previously, the Financial Stability Oversight Council (FSOC) issued a proposal in March to replace existing interpretive guidance on evaluation of nonbank financial companies for possible designation as systemically important financial institutions (SIFIs).[\[1\]](#) The proposal responds to recommendations in a November 2017 Treasury Department report[\[2\]](#) and reflects years-long advocacy efforts by ICI, members, and others.

On May 13, ICI filed a comment letter strongly supporting the proposal,[\[3\]](#) including its major elements:

- prioritizing an activities-based approach to identifying potential risks to US financial stability, whereby the Council will (1) monitor markets and (2) work with primary regulators to address potential risks to financial stability;
- reserving SIFI designation for use in rare circumstances; and
- enhancing the nonbank SIFI designation process by providing for
 - more analytical rigor and attention to actual experience;
 - evaluation of benefits and costs and assessment of the likelihood of a company's material financial distress;
 - earlier and more extensive engagement with a company under review for possible designation;
 - enhanced engagement with the company's primary financial regulatory agency;
 - a clear "off-ramp" for designated companies; and
 - greater transparency and accountability.

In the letter, ICI makes general observations about the proposed reforms, stressing their benefits, before commenting on specific aspects of the proposal and offering recommendations for further improvements. The letter urges prompt adoption of the proposal.

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endnotes

[1] See ICI Memorandum 31676, dated March 25, 2019.

[2] See ICI Memorandum 30963, dated Dec. 8, 2017.

[3] The letter is available at https://www.ici.org/pdf/19_ltr_fsoc.pdf. Highlights from the letter are featured in ICI's press release, available at https://www.ici.org/pressroom/news/19_news_fsocltr.

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