

VIDEO

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# Focus on Funds: ICI Provides Valuable Input in Global Financial Stability Dialogue

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ICI has been sharing insights on the high-yield bond fund market with key financial regulators around the world. ICI Global Managing Director Dan Waters details these efforts in the June 24, 2016, edition of *Focus on Funds*.

### Transcript

**Stephanie Ortvals-Tibbs, ICI Director, Media Relations:** There is a vigorous global conversation going on about asset management and financial stability, led by a number of key players with the Financial Stability Board. With the FSB continuing to act in this space, ICI Global has been out there, engaged with the top leadership of the organization, as ICI Global Managing Director Dan Waters recently explained to me.

**Dan Waters, Managing Director, ICI Global:** I, and colleagues, have been travelling around the world meeting with very senior representatives—or even the principals from the FSB itself—in Japan, in Hong Kong, in Singapore, in Sydney, in Berlin, in Paris—and today, in London, talking to them about the research that we’ve done in this area.

**Ortvals-Tibbs:** So we’ve been working to inform the debate with data?

**Waters:** Yes. This a debate that is very rich in speculation and conjecture, and it’s one of the things that we’ve really struggling with—trying to move that into the world of examining, in detail, how do the markets behave? How do investors behave, how do our funds behave? We’ve done a very interesting piece of work that [ICI Chief Economist] Brian Reid and his team have led, looking at liquidity issues in high-yield bonds. This is a U.S. focused study because the U.S. data is good, but it looks at a very stressed time just around the end of last year, going into the New Year—the Third Avenue Focused Credit Fund was closed in the middle of all that. It was a very stressed time for markets.

The narrative that’s been out there would have suggested panic, fire sales, herding, rush

for the exits, that whole narrative we've been hearing really ever since the financial crisis—that was kind of what the commentators were expecting. But the data does not show it—it didn't happen, because in fact, markets don't behave like that.

**Ortbals-Tibbs:** ICI Global is so well-known for its data analysis. It sounds like what you've been doing is trying to take that all around the world to regulators who might not be as familiar with it or with the asset management industry.

**Waters:** Absolutely. And that's been a challenge from the start, Stephanie. Central bankers are very good at the jobs that they do, but it hasn't been within their scope of responsibility to understand, or even look at, asset management in detail. So there has been a long period of getting to know each other and us bringing forward the learning and experience and knowledge we've had, and then, as you say, globalizing it.

## Additional Resources

- [ICI's Financial Stability Resource Center](#)
- [Focus on Funds: First-Quarter Bond Fund Flows in the United States and Europe](#)
- [ICI Viewpoints: High-Yield Bond Mutual Fund Flows: Some Perspective](#)
- [ICI Viewpoints: New Research by the New York Fed Confirms Bond Funds Don't Pose Systemic Risk](#)

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