

## VIDEO

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# Focus on Funds: New Directions in the Global Financial Stability Dialogue

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## New Directions in the Global Financial Stability Dialogue

Key global financial bodies are changing how they approach mutual funds and financial market stability. ICI Global Managing Director Dan Waters provides details in the November 11, 2016, edition of *Focus on Funds*.

### Transcript

**Stephanie Ortballs-Tibbs, Media Relations Director, ICI:** One of the most important issues on the policy agenda for global asset managers has been the interest the Financial Stability Board has taken in the work of global asset managers in the capital markets. Questions around financial stability have dominated the policy agenda for several years, and along the way ICI has played a leading role in forming the dialogue. Recently I caught up with ICI Global Managing Director Dan Waters to get an update on the work of the FSB and ICI Global.

**Dan Waters, ICI Global Managing Director:** They've been looking at asset management. It's been a long time that they've been looking. They spent a lot of time on G-SIFIs—global systemically important financial institutions. That work has been parked, very helpfully. They're looking now at vulnerabilities in activities of asset managers across the market, which is probably a bit of a more sensible place to start. They published a consultation on that in the autumn. We have commented on that.

The good news about that is that the direction of travel is that IOSCO is taking forward those recommendations. I would also say that the underlying narrative of some of that justification that they've advanced still continues to grate—it still asserts that asset management is somehow systemically important or vulnerable to shocks and a number of things like that that we don't think the evidence supports at all. But the fact that IOSCO is going to take forward the work is better, because IOSCO is composed of the regulators of capital markets—they understand our business, they are the regulators of our business.

**Ortbals-Tibbs:** This becomes a much more informed process, it seems, as this continues, and ICI Global has played a pretty crucial role in that, because you've submitted a lot of data, you've submitted a lot of comment over the years. Looking at it, can you see the

progress that ICI Global hopefully was able to call for in this debate at this point?

**Waters:** You know you really can, Stephanie. When I talked to key members of the board of IOSCO, they have personally thanked me and thanked ICI for providing the data, the analysis, the arguments to deploy in discussion with bank regulators and central banks who sort of came to the table with a banking perspective and kind of needed to be put right about the differences between asset management and banking. That I know has been enormously helpful, and when you see the direction of travel that IOSCO is taking forward the work, you think, “This is good.”

**Ortbals-Tibbs:** And so then as you continue to follow along with what they do, what will you be watching for from your vantage point on behalf of these global asset managers?

**Waters:** We’ll be looking out to see what IOSCO comes forward with. They’re doing some work already on some aspects of this. The good news about that is that IOSCO is good at consulting. They’re quite transparent. They do surveys to get data to inform their thinking. So that whole discussion process will be very important going forward.

We’re also keeping our eye on a couple of other recommendations that didn’t get referred to IOSCO. There’s one in particular about the idea of doing system-wide stress testing. Again, it’s a banking idea. It kind of works in a world of banks where the business model is pretty much the same. In the world of asset management, where there’s *huge* heterogeneity, this idea is misguided. So we’re really concerned about that, we’ll be watching that very closely.

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