

VIDEO

May 30, 2014

Focus on Funds: Regulation and Retirement Top GMM Agenda

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The May 30, 2014, edition of Focus on Funds highlights comments by SEC Chair Mary Jo White, former British Prime Minister Tony Blair, and global fund leaders at this year's General Membership Meeting.

Transcript

Stephanie Ortbals-Tibbs, Director, ICI Media Relations: Welcome to Focus on Funds, the Investment Company Institute's weekly roundup of industry news, ICI activities, and research findings.

This week we continue reporting from ICI's General Membership Meeting, beginning with comments by former British Prime Minister Tony Blair. In a wide-ranging discussion at the meeting, Blair touched upon his own concerns about growing global regulation of the financial markets and possible unintended consequences.

Tony Blair, Former Prime Minister, Great Britain and Northern Ireland: There are two things that cause me concern moving forward. The first is that, I think certainly so far as Europe's concerned, we haven't yet understood the depth of the reform that's necessary. The fact is, if you take the aging of the European population — whereas in the 1980s the average age was in the early 30s and in a few years' time it will be in the early 40s — and that makes a massive difference. So the idea you can possibly not reform your pension age in those circumstances is bizarre, really. I would feel a lot more comfortable Europe will see itself through this crisis if we have an even greater emphasis on those reforms around pensions: welfare, cost of doing business, taxation, and so on.

And the second thing is, I have an instinctive anxiety about the weight and nature of regulation in the financial sector. I do think we have to understand that a thriving financial sector is part of a healthy economy, and if we're not careful, I think we will flatten some of that with what we've done.

Stephanie Ortbals-Tibbs: The challenges and opportunities that come with global regulation and global growth for the fund industry were picked up further in a panel involving many of the industry's leaders.

Pen Wah Choy, Harvest Global Investments Limited: We have to remember that the household savings rate [in developing markets], which you put up on the slide earlier, is so much larger than the developed markets. But at the same time, the mutual fund industry and the products available to these investors are not at the level of sophistication as what you have in the developed markets.

Greg Johnson, Franklin Resources, Inc.: To me, the unique opportunity for a global asset manager is we see firsthand every system in the world. Everyone in the world is wrestling with this question, right. We know we're living longer, healthcare is better, governments are uncertain how are we going to deal with this. They know defined benefit is probably not going work, so it's some form of defined contribution...should it be mandatory? Those are the kinds of questions you can draw from...This is the critical piece for our business. Now the hard part is, we have to come in as an advocate...and really try to have a voice at the table in shaping the next generation of retirement plans because they have to be put in place.

Stephanie Ortvals-Tibbs: SEC Chair Mary Jo White also appeared at the GMM, and in her discussion with ICI President and CEO Paul Schott Stevens, raised her own concerns about the current discussion of asset managers and systemic risk.

Paul Schott Stevens, ICI President and CEO: Money market funds were the elephant in the room last year. This year there's an even bigger one. And that's the designation or prospective designation of mutual funds as systemically important financial institutions. Now, I understand the process you're engaged in, whether it's international or domestic, so I understand its complexities. It would be wrong to underestimate the degree of consternation that this has caused for our industry. From our perspective, since 1940, the SEC's regulation of mutual funds has been one of its great success stories. And U.S. stock and bond funds — put the money market fund issue aside — but U.S. stock and bond funds weathered the crisis better than almost any other part of the financial system. So, "why us, why now"?

Mary Jo White, Chair, U.S. Securities and Exchange Commission: [laughter] Well, let me start with, I guess, FSOC....

Paul Schott Stevens: That's a big wind-up...but you got it...

Mary Jo White: I know, I know. You want me to just say, "amen" after that [laughter]. They don't allow me to say that, so I didn't say that!...What I would say generically also is that I think it is enormously important for FSOC, before it takes, frankly, any decision of any kind, to make certain that it has the requisite expertise brought to bear on those issues.

Stephanie Ortvals-Tibbs: That's this week in funds. See you next week.

Additional Resources

- [Highlights from ICI's 2014 General Membership Meeting](#)