Webinar: Public Comment Period Launch

SYSTEMIC RISK IN ASSET MANAGEMENT

April 1, 2021
Submitting Questions

The moderator and speakers will address as many questions as possible during the webinar.

We’ll have a Q+A session at the end, time permitting.

The slides and a recording of the webinar will be shared with all registrants.

Microphones are muted. **Please type in your question and click “send.”**
Speakers

Anton Gorodniuk
Lead Analyst

Marvin Smith
Director of Stakeholder Outreach
Agenda

1. Project Background and Objectives
2. Why was the Project Approved?
3. Summary of Proposed Changes
4. How was the Exposure Draft Developed?
5. What is the Basis for Proposed Changes to the Standard?
6. Feedback Requested
Systemic Risk in Asset Management: Standard-setting Project
Review of the project goals and phases

Goal: Address concerns with global applicability, relevance, and decision-usefulness of accounting metrics. Assess completeness and relevance of the disclosure topic’s scope to ensure the standard appropriately reflects sustainability issues faced by companies in the industry and provides useful information to investors.

Project Phases

- Research and Consultation
- Exposure Draft Development
- Public Comment Period
- Standards Update
Why was the Project Approved?

RESPONSE TO MARKET FEEDBACK

Companies raised concerns

- The topic description advocates impacts that are not relevant to the industry
- The metrics are not aligned with the regulators – cost effectiveness and usefulness
- The metrics are not applicable to non-U.S. companies

RESPONSE TO REGULATORY ACTIONS

Regulatory changes

- The FSOC revises its entity-based approach to an activities-based approach
- The U.S. SEC rescinds requirement to report liquidity classification of open-end funds
Summary of Proposed Changes

Remove the Systemic Risk Management disclosure topic and four associated accounting metrics:

- **FN-AC-550a.1.** Percentage of open-end fund assets under management by category of liquidity classification
- **FN-AC-550a.2.** Description of approach to incorporation of liquidity risk management programs into portfolio strategy and redemption risk management
- **FN-AC-550a.3.** Total exposure to securities financing transactions
- **FN-AC-550a.4.** Net exposure to written credit derivatives
How was the Exposure Draft Developed?

Corporate Profile
- Risk Officers
- Enterprise Risk Managers
- Liquidity Risk Managers
- Public Policy

Investors Profile
- Credit analysts
- Portfolio managers
- Equity analysts

SMEs Profile
- Academic (Finance & Economics)
- Consultants
What is the Basis for Proposed Changes to the Standard?

Objective of the prudential regulators:
- Ensure financial safety and stability of institutions and the broader financial system

Objective of SASB:
- Facilitate disclosure of useful information to investors

• Different metrics might be needed to meet these objectives – hard to align
What is the Basis for Proposed Changes to the Standard?

OUTCOMES OF THE CONSULTATION

- The Systemic Risk Management disclosure topic, as currently framed, may not reflect the sustainability impacts created by operations and business activities of asset management companies.

- No actionable recommendations provided for accounting metrics that would measure performance on the Systemic Risk Management disclosure topic in either its current or alternative forms.

*Enterprise Risk Management*
Feedback Requested

Do you support the proposed removal of the accounting metric FN-AC-550a.1. Percentage of open-ended fund assets under management by category of liquidity classification? Please explain why or why not.

Do you support the proposed removal of the Systemic Risk Management disclosure topic as currently covered in the standard? Please explain your rationale.

Do you believe that the social impacts associated with enterprise risk management are reasonably likely to be financially material to a typical financial institution in the Asset Management & Custody Activities industry? Please explain your rationale.
Call to action

We encourage you to share your comments using the form on the project page or by emailing comments with the subject “Systemic Risk in Asset Management Exposure Draft” to comments@sasb.org.

All comments will be published on SASB website shortly after they are received.

The 90-day public comment period will remain open through June 15, 2021.
Accounting for a Sustainable Future