

FSOC Decision on Prudential Reinforces Need for Reform of the SIFI Designation Process

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Congress should pass bipartisan legislation to enhance FSOC's ability to mitigate systemic risk

Washington, DC; October 17, 2018—Investment Company Institute (ICI) President and CEO Paul Schott Stevens issued the following statement on the vote by the Financial Stability Oversight Council (FSOC) to remove Prudential Financial's systemically important financial institution (SIFI) designation:

"FSOC's decision to de-designate Prudential serves as a reminder of the important work that remains to reform how the Council operates, and to improve its ability to identify and mitigate potential risk to US financial stability.

"Despite decisions to de-designate individual nonbank entities, regulated funds and their managers continue to live under the threat of inappropriate SIFI designation, which would impose onerous and ill-suited bank-style regulations and penalties on funds and their shareholders, despite a historical record and other evidence showing that regulated funds and their managers do not pose risk to the financial system.

"FSOC can—and should—play an important role in examining areas of potential risk to our financial system, but its past approach has been misguided. We support the FSOC reforms recommended by Treasury last fall, but firmly believe that a legislative solution is necessary. There is bipartisan legislation pending in the Congress to reform the SIFI designation process, and I hope Congress will act swiftly to approve it."