INVESTMENT ADVISER ASSOCIATION

November 1, 2013

Contacts:
SIFMA: Liz Pierce, 212.313.1173, lpierce@sifma.org
IAA: David Tittsworth, 202.293.4222 david.tittsworth@invesmentadviser.org

SIFMA AMG and IAA Express Concerns with OFR Study on Asset Managers; Seek Withdrawal of the Study

New York, NY and Washington, DC, November 1, 2013—SIFMA's Asset Management Group (AMG), together with the Investment Adviser Association (IAA), today submitted comments to the Securities and Exchange Commission (SEC) regarding the study entitled "Asset Management and Financial Stability" (the "Study") published by the Office of Financial Research of the Treasury Department ("OFR") and commissioned by the Financial Stability Oversight Council (the "FSOC").

SIFMA AMG and the IAA share the FSOC and OFR's goal of promoting a sound financial system. In their letter, the Groups recognize the need for the FSOC and OFR to consider the role of asset managers in the broader financial system and what regulatory efforts may be necessary to promote financial stability. However, SIFMA and the IAA note that effective regulation can only come from careful analysis of the industry. The Groups are concerned that the Study does not accurately characterize the role of asset managers and the factors that link asset managers and investment products to potential financial market distress. Further, SIFMA and the IAA believe that it is particularly important for asset managers to be involved meaningfully in the research and analysis OFR conducts, which has not happened to date.

SIFMA and the IAA strongly recommend that the Study be withdrawn by OFR. The Groups believe that OFR should evaluate all available data before making any recommendations or requesting any further data from industry participants. In particular, the Groups believe that it is important that the FSOC and OFR collaborate with the SEC and industry participants to better understand the asset management industry based on currently available information.

"It is imperative that the Study be formally withdrawn and is not used as the foundation of any regulatory initiative," said Timothy Cameron, managing director and head of SIFMA's Asset Management Group. "We appreciate the opportunity to provide important clarifications and corrections to the OFR Study regarding how our industry functions."

"We are very concerned that the OFR report fails to identify fundamental differences between the asset management industry and other financial services providers," said IAA Executive Director David Tittsworth. "We welcome the SEC's decision to solicit comments on the report and look forward to correcting the record on these important issues."

SIFMA and the IAA's concerns about the Study fall into the following five categories:

- The Study does not provide an accurate or comprehensive description of the asset management industry.
- The Study contains a number of unsupported conclusions and overly broad assertions – including mischaracterization of the role of asset managers, exaggeration of the risks associated with asset manager failure and overstatement of the risk of widespread redemption – that lead to an inaccurate view of the industry and would not promote sound policy.

- The Study does not sufficiently account for existing regulation, including rules implemented since the financial crisis, that regulate investment advisers, funds and other investment vehicles, and the securities, derivatives and other investment instruments in which asset managers' clients invest.
- OFR appears to have used only a fraction of available data in its research and, consequently, additional analysis is necessary to provide the FSOC a comprehensive view of the industry and its relevance to the financial stability of the United States.
- The Study fails to address the fundamental questions a regulator must consider to evaluate the asset management industry and design and implement any additional regulation to address possible sources of risk that may arise from the industry, and cannot serve as the foundation for informed policy discussions.

-30-

The IAA is a not-for-profit association that represents the interests of investment adviser firms registered with the SEC. Founded in 1937, the IAA's membership consists of more than 500 firms that collectively manage in excess of $11 trillion for a wide variety of individual and institutional investors, including pension plans, trusts, investment companies, private funds, endowments, foundations, and corporations. For more information, please visit www.investmentadviser.org.