

**Andrés Portilla**  
Managing Director  
Regulatory Affairs



June 15, 2021

Ms. Janine Guillot  
Chief Executive Officer  
Sustainability Accounting Standards Board (SASB)  
1045 Sansome Street, Suite 450  
San Francisco, CA 94111

**Re: Proposed Changes to the SASB Asset Management & Custody Activities Standard**  
Submitted via <https://www.sasb.org/standards/process/active-projects/systemic-risk-in-asset-management/>

Dear Ms. Guillot:

The Institute of International Finance (IIF)<sup>1</sup> and its member firms welcome the opportunity to comment on the Proposed Changes to the SASB Asset Management & Custody Activities Standard issued by SASB on March 16, 2021. For the reasons outlined below, we support the proposed removal of the Systemic Risk Management disclosure topic and the four associated accounting metrics until a holistic review supported by conclusive evidence can be conducted, to better align in a global consistent and coordinated manner the disclosure topic and any associated metrics. The review should consider the extent to which the asset management and custody industry poses any potential systemic risk to the financial system and, if such risk exists, whether it could give rise to any significant and widespread negative social impacts.

We agree with the view expressed by corporate issuers that the current narrative of the Systemic Risk Management disclosure topic is not aligned with the current regulatory narrative around systemic risk in the asset management industry. As SASB notes, the regulatory narrative around systemic risk has shifted decidedly in favor of an activities-based approach to non-bank systemic risk. An activities-based approach to systemic risk permits the consistent treatment of activities across sectors, reducing fragmentation, providing a level playing field for financial market participants and promoting system-wide financial stability. It also allows for the application of targeted measures to carefully defined and empirically identified risks of a discrete activity.

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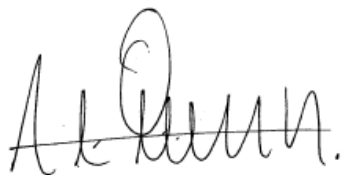
<sup>1</sup> The Institute of International Finance is the global association of the financial industry, with more than 450 members from more than 70 countries. Its mission is to support the financial industry in the prudent management of risks; to develop sound industry practices; and to advocate for regulatory, financial and economic policies that are in the broad interests of its members and foster global financial stability and sustainable economic growth. IIF members include commercial and investment banks, asset managers, insurance companies, sovereign wealth funds, hedge funds, central banks, and development banks.

We also agree that the metrics specified in the standard do not provide the most decision-useful information to investors and should be revised. It is in line with our view that for those disclosure to be value-additive to investors, the extent of duplicative disclosure requirements with existing requirements (e.g., Financial Accounting Standards Board and Governmental Accounting Standards Board) should be minimized. In lieu of metrics FN-AC-550a.1 and FN-AC-550a.2, we would favor a more flexible and qualitative disclosure of an asset manager's liquidity risk management in the context of its overall enterprise risk management framework. In lieu of metrics FN-AC-550a.3 and FN-AC-550a.4, we would similarly favor a flexible and qualitative disclosure of significant and material interconnections among an asset manager and other financial firms that could give rise to financial stability concerns. A more flexible and qualitative approach would be implementable on a globally consistent basis, unlike a strict quantitative metric that may not align with the regulatory framework in different jurisdictions. Moreover, a qualitative approach would better provide any link to the sustainability issue of possible significant and widespread negative social impacts arising from poor management of liquidity risk or significant and material interconnections that could give rise to financial stability concerns.

The Systemic Risk Management disclosure topic is mapped to the Systemic Risk Management General Issue Category under Leadership & Governance. SASB considers systemic risk a sustainability issue because of the widespread social impacts that may occur when certain industries go through periods of operating disruption or experience widespread shocks with the risk of collapse. We question whether the activities of asset managers could pose risks of a sufficiently high probability and magnitude to give rise to significant and widespread negative social impacts. At a minimum, further study, review and stakeholder input are needed to assess the potential for asset management activities to give rise to potential social sustainability issues. While certain clients of an asset manager could be impacted negatively by poor liquidity risk management or a failure to effectively manage interconnections with other financial firms, whether these shortcomings would have a broad societal impact needs to be further explored.

We appreciate SASB's extensive stakeholder consultation to date on the Systemic Risk Management disclosure topic and related metrics and the opportunity to comment on the Proposed Changes to the SASB Asset Management & Custody Activities Standard. We welcome further dialogue with SASB staff as these issues continue to be discussed.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Andrés Portilla', written in a cursive style.

Andrés Portilla  
Managing Director  
Regulatory Affairs  
Institute of International Finance