BlackRock.

July 27, 2023

Financial Stability Oversight Council
Attn: Eric Froman
1500 Pennsylvania Ave NW, Room 2308
Washington, D.C. 20220

Submitted electronically via https://www.regulations.gov

Re: Authority to Require Supervision and Regulation of Certain Nonbank Financial Companies, FSOC-2023-0002, RIN 4030-[XXXX]

Re: Analytic Framework for Financial Stability Risk Identification, Assessment, and Response, FSOC-2023-0001, RIN 4030-[XXXX]

Dear Mr. Froman:

BlackRock, Inc. (together with its affiliates, BlackRock)[1] appreciates the opportunity to respond to the Financial Stability Oversight Council's (FSOC) recent proposals relating to the analytic framework around and potential changes to the designation process of nonbank financial companies (NBFCs).[2] Both the interpretive guidance and the analytic framework give welcome insight into how the Council intends to identify and address potential risks to financial stability that may arise from NBFCs.

I. <u>Executive Summary</u>

FSOC and its member regulatory agencies have taken significant actions since the Global Financial Crisis (GFC) to strengthen financial markets and reduce systemic risk. As a fiduciary investing on behalf of our clients, we support – and rely upon – robust regulatory regimes that facilitate the responsible operations of capital markets, protect investors, increase transparency and reduce systemic risk. We support regulators' ongoing efforts to look thoughtfully and carefully across financial markets, to address new risks that may be emerging and to devise regulation to address them. And we appreciate that, in its proposed guidance and analytical framework, FSOC has continued to embrace the transparency

---

1 BlackRock is one of the world's leading asset management firms. We manage assets on behalf of institutional and individual clients worldwide, across equity, fixed-income, liquidity, real estate, alternatives and multi-asset strategies. Our client base includes private and government pension plans, endowments, foundations, charities, official institutions, insurers and other financial institutions, as well as individuals around the world. We manage retirement funds on behalf of millions of Americans, including public pension funds in 47 of the 50 states.

2 FSOC, Authority to Require Supervision and Regulation of Certain Nonbank Financial Companies, 88 FR 26234 (Apr. 28, 2023) (the "proposed guidance"); FSOC, Analytic Framework for Financial Stability Risk Identification, Assessment, and Response, 88 FR 26305 (Apr. 28, 2023) (the "proposed analytical framework").

around the designation process that was a core component of its 2019 guidance on NBFCs.

Post-GFC regulatory reform has taken place against the backdrop of significant growth in the US capital markets, which has supported the creation and expansion of businesses and helped millions of people to invest to realize their long-term financial goals. Both banks and non-banks have contributed to this growth, with their relative share of total financial intermediation essentially unchanged – suggesting that both have been important drivers of the economic dynamism that has marked the post-crisis period.[3]

This macro picture obscures important changes within the non-bank sector that demonstrate how regulation has helped to strengthen the resilience of the financial system. Investment funds have nearly tripled in size since 2007 in the US, while the forms of intermediation that sparked much of the market turmoil in 2008 – such as broker-dealers and structured finance vehicles – have plunged, remaining 60% below their 2007 level.[4] Regulatory reform has also significantly altered the investment fund landscape, creating much greater resilience across those products. For example, in response to the 2014 reforms in the US, government money-market funds have largely displaced prime funds.[5]

These nuances in the growth of US capital markets underscore two key considerations for the FSOC and member agencies as they consider future regulation: the heterogeneity of non-bank financial intermediation and the importance of regulating products and activities across the financial system rather than focusing on specific types of market participants.

As FSOC and member agencies consider risk in the non-bank sector, it is important to consider distinctions among non-bank actors, which include investment banks, asset managers, insurers, pension plans, sovereign wealth funds, family offices, clearinghouses, custodians, electronic trading platforms, index providers, rating agencies and others.

We focus our comments in this letter on the asset management industry specifically. The business model and risk profile of traditional, diversified asset managers differ in important ways from those of banks and of many other NBFCs. At BlackRock, the money we manage is not our own: asset managers are agents who invest on behalf of their clients. We are fiduciaries: asset managers are required to act in their clients' best interests and with an undivided duty of loyalty and care. Asset managers do not guarantee investment performance, and their clients' investments cannot draw on government guarantees or support.

---

3 Financial Stability Board data indicate that banks accounted for 24% of total US financial assets in 2008 and 22% at YE 2021; non-bank financial intermediation accounted for 61% in 2008 and 63% at YE 2021. Financial Stability Board, Global Monitoring Report on Non-Bank Financial Intermediation (December 2022) *available at* https://www.fsb.org/wp-content/uploads/P201222.pdf.

4 Financial Stability Board, Global Monitoring Report on Non-Bank Financial Intermediation (December 2022) *available at* https://www.fsb.org/wp-content/uploads/P201222.pdf. Data as of FY 2021.

5 Office of Financial Research, US Money Market Fund Monitor (July 2023) *available at* https://www.financialresearch.gov/money-market-funds/us-mmfs-investments-by-fund-category/.

We appreciate that FSOC's proposed framework continues to recognize the importance of a products- and activities-based approach to regulation.[6] We believe that, in the case of asset managers, this is a much more effective way to address financial stability risks. Numerous US regulators and policymakers have repeatedly recognized the effectiveness and the appropriateness of a products and activities approach with respect to asset managers. Indeed, the SEC and the CFTC have taken significant actions to address risks with respect to products and activities in the decade and a half since the GFC.

There is a risk that applying the macroprudential tools that are traditionally applied to banks could, in the context of asset managers, actually increase systemic risk. Given the highly competitive nature of the asset management industry, it is possible that designating an individual NBFC (or a few of them) might simply shift risk to others – including those with similar products and activities – rather than reduce risk across the financial system.

In its analytical framework, FSOC identifies several areas of potential vulnerabilities that could pose risks to financial stability, including leverage, liquidity and interconnections. On each of these three key issues, we believe it is important that FSOC recognize the diversity among NBFCs' business models and risk profiles, as well as the differences in financial products. We also encourage FSOC to consider the significant work done by market regulators since the GFC, focusing on products and activities, to strengthen risk management around leverage and liquidity and to reduce the likelihood that interconnections could threaten financial stability. Overall, we believe that activities-based regulation is the best approach for mitigating these risks as well as any additional concerns that may arise in the asset management industry.

FSOC proposes to identify the consequences of designation only after such a designation is made. But the lack of clarity around the consequences makes it difficult to assess what risks designation is intended to address and how effective it would be in mitigating them. Understanding what risks designation is meant to address – and how – will help individual NBFCs and the broader market to mitigate them even before designation, thereby enhancing financial stability. In addition, understanding the consequences of designation will also allow FSOC to analyze whether the benefits of imposing prudential standards outweigh the costs associated with their implementation. Therefore it is important that FSOC identify the consequences – before designation.

We look forward to engaging with FSOC and its member agencies on these important topics.

II. <u>The Nature of the Asset Management Industry</u>

The universe of NBFCs is highly heterogeneous, including investment banks, asset managers, insurers, hedge funds, private equity and private credit funds, sovereign wealth funds, pension plans, family offices, cryptocurrencies, clearinghouses, custodians, electronic trading platforms, index providers, rating agencies, mortgage servicers and still

6 Proposed analytical framework at 88 FR 26307.

others. We believe it is important that FSOC ground its regulation of NBFCs in an understanding of the scope and complexity of this market ecosystem.

While FSOC's proposed guidance and framework do not distinguish among different types of NBFCs, we focus our comments here on the implications for the asset management industry specifically. The business model and risk profile of traditional, diversified asset managers such as BlackRock differ in important ways from those of banks and of many other NBFCs. Asset managers are the agents who invest on behalf of their clients; clients are the asset owners who bear the risk of loss and enjoy the returns from their investments. As fiduciaries, asset managers are required to act in their clients' best interests. Asset managers operate and make investment decisions according to the terms of an investment management agreement or the governing documents of the pooled funds of a client's choice. Asset managers do not guarantee investment performance (other than in rare cases), but they do disclose risks of loss, and their clients' investments cannot draw on government guarantees or support.

These important distinctions regarding the lack of guarantees and the disclosure of risks are conveyed to clients in standardized, regulated marketing and account materials and are well-known to other market participants. These structural distinctions help to explain why the asset management industry weathered the GFC and subsequent major market dislocations far better than banks and other types of NBFCs whose balance sheets were directly exposed to falling asset prices and liquidity runs. While the value of client assets was significantly affected by the market declines, this did not lead to the widespread failure of asset managers.

III. Transparency Is a Key Element of the Designation Process

Given the broad and profound impact that designation as systemically important could have on an individual NBFC, we believe that transparency around the process is critical. Transparency allows NBFCs that are subject to the designation process to understand regulators' concerns and to engage effectively. Therefore, we appreciate that FSOC continues to embrace the transparency that was a core component of its 2019 guidance on NBFCs.[7]

It is important that FSOC's analysis rests on – and that each NBFC has a voice in ensuring – accurate and complete information. Accordingly, we appreciate that the proposed guidance maintains expectations for dialogue with NBFCs under consideration for designation. For example, the proposed guidance indicates that NBFCs will be able to submit information to FSOC and will be able meet with the regulators who are leading a Stage 1 analysis. We expect that this will help inform an NBFC's decision as to whether to submit further information to support a Stage 1 and/or Stage 2 review.

We are concerned, however, that the proposed guidance has removed prior language indicating that dialogue and engagement – not simply remedial action – may

---

[7] The 2019 guidance included many procedural improvements that substantially increased FSOC's engagement with NBFCs and their primary regulators during the process and provided much-needed clarity regarding the post-designation "off ramp." 88 FR 26242.

allow an NBFC to avoid designation.[8] Identifying concerns at an early stage in the process could allow an NBFC to resolve concerns of its own accord, ahead of designation, which would be an effective way to mitigate risk.

Accordingly, we ask that FSOC indicate whether the deletion of this language represents a change in its view about the ability, or utility, of an NBFC to take proactive remedial steps to avoid designation. If it does represent a change of view, we believe market participants would benefit from an explanation as to why FSOC would not see such engagement as a positive move to reduce any perceived threat to financial stability.

At the systemic level, transparency around FSOC's concerns and its proposed metrics for measuring potential systemic risk also serves a valuable function: it allows all market participants to take remedial actions to address activities that FSOC sees as potential threats to financial stability without having to wait for FSOC's direct engagement. This too helps to mitigate systemic risks in a timely manner.[9]

IV. <u>The Role of Regulation of Products and Activities in Strengthening the Financial System</u>

We appreciate that the proposal includes a focus on a products- and activities-based approach as it relates to asset management.[10] As FSOC has long recognized, the universe of market participants that fall under the banner of NBFCs is broad and diverse. Given this, we believe that regulation of products offered and activities conducted by *all* market participants is a more effective way to bolster financial stability. The alternative – imposing highly prescriptive requirements or controls on a small set of companies – would not address risk across the financial system.

Regulators Recognize the Importance of a Products- and Activities-Based Approach to the Regulation of Asset Managers

Regulators and policymakers, including current and former FSOC members, have repeatedly recognized the effectiveness and the appropriateness of a products- and activities-based approach for asset management. Comments reflecting many analyses of potential risks in the asset management industry highlight this:

---

8 The 2019 guidance indicated that Stage 1 engagement could address FSOC's concerns, with the result that the NBFC would not be designated. "Through this engagement, the Council will seek to enable the company under review to understand the focus of the Council's analysis, which may enable the company to act to mitigate any risks to financial stability and thereby potentially avoid becoming subject to a Council determination." 2019 guidance at 84 FR 71767. The proposed guidance also describes engagement with FSOC in Stage 1, but it does not explicitly acknowledge that this might allow a company to avoid a designation. Instead, the paragraph simply notes the benefits of engagement: "Through this engagement, the Council seeks to provide the company under review an opportunity to understand the focus of the Council's analysis." Proposed guidance at 88 FR 26242.

9 We stress, however, the importance of maintaining confidentiality around the specifics of any particular assessment, akin to the ways in which banking regulators approach rating banks. A lack of confidentiality during the process could cause other market participants to lose confidence in the NBFC under consideration, which itself could be destabilizing.

10 Proposed analytical framework at 88 FR 26307.

- In 2023, Treasury Secretary Yellen underscored the importance of an activities-based approach, noting that "policymakers should address risks regardless of where they emanate from…similar activities that create comparable financial stability risks should be subject to comparable regulatory scrutiny."[11]
- In 2021 testimony to the Senate Banking Committee, Treasury Secretary Yellen said, "with respect to asset management, rather than focus on designation of companies, I think it's important to focus on an activity…it's not obvious to me that designation is the correct tool."[12]
- In 2019, FSOC released interpretive guidance updating its process for designating nonbank SIFIs, which emphasized a products- and activities-based approach, improved transparency and enhanced the role of the primary regulator.[13]
- In FSOC's 2016 update on its review of asset management, Treasury Secretary Lew reiterated the importance of analysis of products and activities.[14]
- In 2015, Federal Reserve Governor Tarullo emphasized that regulation across products and activities would be best suited to address risks in asset management.[15] This followed FSOC's 2014 directive to analyze products and activities in asset management.[16]

Internationally, the Financial Stability Board (FSB) and the International Organization of Securities Commissions (IOSCO) have conducted their own reviews of asset management over the past decade and have issued similar statements and guidance underscoring the need for and appropriateness of a products- and activities-based approach.[17]

---

11 US Department of the Treasury, Remarks by Secretary of the Treasury Janet L. Yellen at the National Association for Business Economics 39th Annual Economic Policy Conference (Mar. 30, 2023), *available at* https://home.treasury.gov/news/press-releases/jy1376.

12 Testimony of U.S. Treasury Secretary Janet L. Yellen, Banking and Housing Committee Hearing on Quarterly CARES Act Report, U.S. Senate Committee on Banking, Housing and Urban Affairs (Mar. 24, 2021), *available at* https://www.banking.senate.gov/hearings/03/17/2021/the-quarterly-cares-act-report-to-congress.

13 FSOC, Authority To Require Supervision and Regulation of Certain Nonbank Financial Companies, 84 FR 71740 (Dec. 30, 2019) *available at* https://home.treasury.gov/system/files/261/Authority-to-Require-Supervision-and-Regulation-of-Certain-Nonbank-Financial-Companies.pdf.

14 FSOC, Financial Stability Oversight Council Releases Statement on Review of Asset Management Products and Activities (Apr. 18, 2016), *available at* Financial Stability Oversight Council Releases Statement on Review of Asset Management Products and Activities | U.S. Department of the Treasury.

15 Ian Katz, Bloomberg, Tarullo Says Asset-Manager Oversight Should Be Industrywide (Jun. 4, 2015), *available at* https://www.bloomberg.com/news/articles/2015-06-04/tarullo-says-asset-manager-oversight-should-be-industrywide#xj4y7vzkg.

16 FSOC, Financial Stability Oversight Council Releases Request for Comment on Asset Management Products and Activities (Dec. 8, 2014), *available at* https://home.treasury.gov/news/press-releases/jl9723.

17 FSB, FSB publishes Proposed Policy Recommendations to Address Structural Vulnerabilities from Asset Management Activities (Jun. 22, 2016), *available at* https://www.fsb.org/2016/06/fsb-publishes-proposed-policy-recommendations-to-address-structural-vulnerabilities-from-asset-management-activities/.

Recent Products- and Activities-Based Regulation Has Strengthened the Financial System

Since the GFC, US policymakers have implemented a broad set of rules that have reshaped the regulatory environment governing the asset management industry.[18]

The Securities and Exchange Commission (SEC), the asset management industry's primary US financial regulatory agency, has designed and implemented regulations aimed at bolstering investor protections, promoting fair, orderly and efficient markets and facilitating capital formation, while also attempting to address rapidly evolving threats to financial stability. Specifically, the SEC has implemented rules governing liquidity, market structure, transparency, risk management, portfolio construction, investment activities and corporate governance. In its regulations, the SEC has consistently focused on addressing activities and practices that could jeopardize the people, entities, markets and activities that the agency is charged with protecting and overseeing.

In a similar fashion, the Commodity Futures Trading Commission (CFTC) has played a key role in regulating capital markets and NBFCs by promoting the integrity, resilience and vibrancy of the US derivatives and commodities markets, most notably through its critical role in implementing OTC derivatives reforms. Specifically, the CFTC issued final rules in 2012 to implement the clearing mandate, which requires various classes of credit default swaps, interest rate swaps and other derivatives to be cleared by derivatives clearing organizations (DCOs) that are registered with the CFTC. The CFTC, along with prudential regulators, has also implemented margin requirements for uncleared swaps, which has helped reduce counterparty risk and promote market stability.

The SEC and CFTC also conduct joint rulemakings when appropriate. For example, in 2011 the two agencies created new reporting requirements for advisers to private investment funds, commodity pool operators and commodity trading advisers, requiring them to report information that the SEC and CFTC use in their oversight activity and that FSOC and the Office of Financial Research (OFR) use in monitoring risks to the US financial system.

Recent and pending regulation of products and activities further demonstrate the ongoing commitment of the SEC and CFTC to effective regulatory stewardship and their strong focus on promoting US financial stability, especially in response to events such as the market volatility of March 2020, the default of Archegos Capital Management and the trading surrounding GameStop and Robinhood in 2021. Appendix A highlights a selection of recent regulatory reforms that illustrate the SEC's and CFTC's commitment to protecting investors and promoting the stability of the capital markets.

While, in some cases, we disagree with some of the details of these proposed policy solutions, we remain supportive of this focus and of the efforts by the SEC and CFTC to further advance the goals of promoting market discipline and responding to emerging

[18] See BlackRock ViewPoint, "The Decade of Financial Regulatory Reform: 2009 to 2019" (Jan. 2020) for a comprehensive discussion of financial regulation following the GFC, *available at* https://www.blackrock.com/corporate/literature/whitepaper/viewpoint-decade-of-financial-regulatory-reform-2009-to-2019.pdf.

risks to financial stability. We see FSOC's convening authority to facilitate coordination and collaboration among US financial regulatory agencies as critically important to these efforts.

V. Recommendations Regarding the Proposed Analytical Framework

In its proposed analytical framework, FSOC identifies several areas of potential vulnerabilities that could pose risks to financial stability, including leverage, liquidity risk and maturity mismatch, interconnections, operational risks, complexity and opacity, inadequate risk management, concentration and destabilizing activities. FSOC proposes sample metrics that it believes are commonly used to measure these vulnerabilities. FSOC also identifies four possible transmission channels that could spread risk from one entity to the broader market: exposures, asset liquidation, critical function or service and contagion.

With the goal of helping to mitigate these vulnerabilities, we offer several suggestions for improving the proposed metrics and further strengthening regulation across all market participants. We focus our comments here on liquidity, leverage and interconnectedness, though we would be pleased to engage with FSOC on our perspective on ways that other vulnerabilities might apply to asset managers.

As we noted earlier, market regulators have already acted to mitigate many of these risks through a products- and activities-based approach. These rules address disclosure regimes and introduce limits on activities conducted in various types of funds. Given the significant work that has already been done, we strongly recommend that FSOC consider the effect of and the insight provided by this work, particularly regarding leverage and liquidity risk management. Overall, we believe activities-based regulation is the best approach for mitigating these risks and any additional concerns that may arise in the asset management industry.

Leverage

In the proposed analytical framework, FSOC states that "leverage can amplify risks by reducing market participants' ability to satisfy their obligations and by increasing the potential for sudden liquidity strains." FSOC cites relevant leverage-related metrics as including "ratios of assets, risk-weighted assets, debt, derivatives liabilities or exposures, and off-balance sheet obligations to equity."[19]

Because of the diversity among NBFCs and the ways in which they employ leverage (at the firm or product level), it is important that FSOC tailor its assessment of leverage to the relevant attributes and activities of each type of NBFC. For example, leverage is a less significant concern for asset managers, which do not employ significant leverage on their own balance sheets. It is more appropriate to examine how leverage is utilized in specific asset management products and activities. We also encourage FSOC to consider the numerous leverage-related regulatory regimes, including disclosure requirements, that have already been put in place.

---

19 Proposed analytical framework at 88 FR 26307.

As a starting point, we encourage FSOC to consider the framework for assessing leverage in investment funds that IOSCO finalized in 2019,[20] as well as the many rules that the SEC has since implemented and proposed to measure, monitor and mitigate leverage-related risk. One of the most important steps was the adoption in 2020 of SEC Rule 18f-4, which placed conditions on the use of derivatives,[21] allowing registered funds and business development companies to engage in derivative transactions only if they comply with certain conditions. These conditions include the adoption of a derivatives risk-management program and limits on the amount of leverage-related risk the fund may obtain, which is based on value-at-risk (VaR) tests. In addition, the Commission has enhanced disclosure and transparency by adopting new reporting requirements and amendments to Forms N-PORT, N-RN (formerly Form N-LIQUID) and N-CEN regarding borrowing, leverage and derivatives exposures and activities.

We are supportive of efforts to further improve the collection of data about leverage in pooled investment vehicles. We are also supportive of efforts to harmonize the definition of leverage among product types and activities and across global regulatory jurisdictions to improve the utility of regulatory reporting in ways that would facilitate global monitoring of risks. Furthermore, when measuring and assessing leverage, we encourage policymakers to focus on the interactions between leverage and risk.[22]

Liquidity risk and maturity mismatch

The Council notes that a "shortfall of sufficient liquidity to satisfy short-term needs, or reliance on short-term liabilities to finance longer-term assets, can subject market participants to rollover or refinancing risk. These risks may force entities to sell assets rapidly at stressed market prices, which can contribute to broader stresses." The proposed analytic framework provides sample metrics that measure and assess liquidity risks, including the ratio of short-term debt to unencumbered short-term high-quality liquid assets, as well as the liquidity available to meet unexpected reductions in available short-term funding.

We agree with the importance of managing liquidity risk but, as with the assessment of leverage risk metrics, encourage FSOC to consider differences in financial products and in NBFCs' business models. It is important to note that fund investors have equity stakes in the underlying assets, which means that the value of their shares fluctuates with markets. Therefore, with the exception of regulations governing money market funds, and unlike bank deposits, the liquidity required by a fund does not entail the notion of a guaranteed price or value to investors upon exit.

---

20 IOSCO "Recommendations for a Framework Assessing Leverage in Investment Funds: Final Report," Dec. 2019.

21 SEC final rule, Use of Registered Investment Companies and Business Development Companies. According to then-SEC Chair Clayton, this rule "provides both meaningful protections for investors and…the new comprehensive limits on risk will prohibit derivatives use that is inconsistent with the leverage limits imposed by the Investment company Act…". SEC Adopts Regulatory Framework for Derivatives Use by Registered Funds and Business Development Companies, Oct. 28, 2020.

22 BlackRock, Public Comment Letter on IOSCO Report: Leverage, (Feb. 1, 2019), *available at* https://www.iosco.org/library/pubdocs/615/pdf/Blackrock.pdf.

With open-end investment funds (OEFs), it is also important to recognize that concerns about a liquidity mismatch could only arise when funds with frequent redemptions invest in inherently illiquid assets, which could require sales at distressed levels to meet redemptions.[23] Current regulation and limitations on the holdings of illiquid assets in OEFs are focused on preventing such a mismatch.

Alternative structures for holding illiquid assets include closed-end funds, which do not provide periodic liquidity to investors and therefore are optimally structured to hold long-term assets. For example, private credit funds match the term of their loans with the term of the fund, generating a lending framework that does not create the liquidity risks associated with bank lending.[24] In the European Union, new structures are designed to incentivize long-term investment into private assets by retail investors and smaller institutional investors with infrequent redemption windows, comprehensive liquidity management requirements and leverage caps. The UK has recently introduced similar regulation, aimed primarily at defined contribution pension funds.

In the wake of the GFC, policymakers appropriately focused on the need to improve the ability of all types of funds to meet redemption requests during times of stress. We believe that existing rulemakings and regulatory initiatives demonstrate how activities-based regulation can efficiently and effectively promote financial stability in this area and highlight SEC's Investment Company Act Rule 22e-4, as well as regulations drawing on IOSCO's release of recommendations and best practices in 2018.[25] We strongly recommend that FSOC consider the effect of, and the insight provided by, the substantial regulation that has already been implemented regarding liquidity risk management for asset managers.[26]

We also encourage FSOC to consider the ways in which industry innovation has also contributed to the evolution of liquidity risk management over the past decade. Today, best-in-class liquidity risk management starts at the fund-design stage, tailoring the program for a specific fund to the underlying asset class and the characteristics of fund

---

23 Because fund investors have loss-absorbing equity stakes, there is no liquidity mismatch where OEFs invest in securities that price intra-day. It is notable that in March 2020 the number of transactions in high grade and high yield fixed income bonds did not differ markedly from the numbers seen in more stable markets, but the liquidity cost of the transactions increased significantly.

24 The Federal Reserve's May 2023 Financial Stability Report notes that the "financial stability risks from private credit funds appear limited," given that these funds engage in limited liquidity and maturity transformation and that most funds have no borrowings or derivative exposures and that redemption risks are low. See Federal Reserve, Financial Stability Report (May 2023), *available at* https://www.federalreserve.gov/publications/files/financial-stability-report-20230508.pdf.

25 For additional discussion on liquidity risk management, see BlackRock ViewPoint, "Lessons from COVID-19: Liquidity Risk Management Is Central to Open-Ended Funds" (Nov. 2020), *available at* https://www.blackrock.com/corporate/literature/whitepaper/viewpoint-lessons-from-covid-19-liquidity-risk-management-central-open-ended-funds-november-2020.pdf.

26 The Federal Reserve's May 2023 Financial Stability Report considers liquidity risk in certain products, recognizing regulatory reforms that have been implemented to date. See Federal Reserve, Financial Stability Report (May 2023), *available at* https://www.federalreserve.gov/publications/files/financial-stability-report-20230508.pdf.

investors.[27] Fund managers actively manage liquidity risk ex-ante through suitable product structuring, layering liquidity and modelling redemption behavior. In extreme situations, some funds can use ex-post tools such as suspending redemptions or in-kind redemptions.

As FSOC considers the asset management industry today, it should recognize the fact that pooled investment vehicles differ in their structures and fund investment objectives, and FSOC should integrate these implications into the metrics of its analytical framework.

The SEC recently adopted amendments to certain rules governing money market funds (MMFs), which aim to improve the resilience and transparency of these funds and to mitigate the dilution and investor harm that the SEC believes can occur when investors redeem — and remove liquidity — from these funds.[28] In addressing these risks, the SEC adopted new, or modified, rule requirements to target what it sees as vulnerabilities in how each fund type is able to meet liquidity demands during times of market stress (citing the market volatility in March 2020 as evidence of these vulnerabilities). These amendments include increased portfolio liquidity requirements; removal of temporary redemption gates and the regulatory tie between weekly liquid asset threshold and liquidity fees; imposition of a mandatory liquidity redemption fee for institutional prime and institutional tax-exempt MMFs during periods of heightened redemptions; and increased and modified reporting obligations for funds and private fund advisers to increase transparency for regulators. Similarly, the SEC proposed amendments to liquidity risk management requirements for OEFs, which would institute mandatory swing pricing to address similar risk concerns for MMFs. We do have concerns with the SEC's proposal on OEFs and encourage the Commission to work with industry to identify workable solutions to its concerns.[29]

BlackRock has long advocated for industry and regulatory attention to liquidity and dilution concerns with regard to OEFs.[30] We believe that addressing these issues through activities-based regulation that engages all relevant market participants and stakeholders in crafting solutions will provide the highest likelihood of arriving at an efficient and effective resolution that also promotes financial stability.

---

[27] For example, a multi-sector investment grade bond fund will have a different composition than a high yield only fund. Similarly, a fund held in defined contribution plans is likely to have different redemption patterns than a fund distributed on a wealth management platform.

[28] SEC, Money Market Fund Reforms; Form PF Reporting Requirements for Large Liquidity Fund Advisers; Technical Amendments to Form N-CSR and Form N-1A, Rel. No. 33-11211 (Jul. 13, 2023).

[29] BlackRock, Comment Letter on the SEC Proposal on Open-End Fund Liquidity Risk Management Programs and Swing Pricing; Form N-PORT Reporting (Feb. 14, 2013), *available at* blackrock-response-sec-open-end-fund-liquidity-swing-pricing.pdf.

[30] BlackRock Policy Spotlight "Swing pricing - Raising the bar" (Sept. 2021), *available at* https://www.blackrock.com/corporate/literature/whitepaper/spotlight-swing-pricing-raising-the-bar-september-2021.pdf; BlackRock ViewPoint "Lessons from COVID-19: Liquidity Risk Management is Central to Open-Ended Funds" (Nov. 2020), *available at* https://www.blackrock.com/corporate/literature/whitepaper/viewpoint-lessons-from-covid-19-liquidity-risk-management-central-open-ended-funds-november-2020.pdf.

Interconnections

FSOC notes that “[direct] or indirect financial interconnections, such as exposures of creditors, counterparties, investors, and borrowers, can increase the potential negative effect of dislocations or financial distress” and proposes metrics to measure interconnectedness, namely “total assets, off-balance-sheet assets or liabilities, total debt, derivatives exposures, values of securities financing transactions, and the size of potential requirements to post margin or collateral” and potentially metrics related to the concentration of holdings.

We agree that certain interconnections among market participants have the potential to amplify, or in some cases to spark, dislocations or market stress. But as with our comments on leverage and liquidity, we stress again the need for metrics that take into account differing business models as well as existing regulation of both market participants and the overall market structure.

In particular, because many of FSOC’s proposed metrics around interconnections are based on size, it is important to distinguish between size of balance sheet and size of assets under management (AUM). While balance sheet size may be a source of risk for banks and for some types of NBFCs (namely those that employ a significant share of their balance sheet as a central element of their business), this is not the case for asset managers (who typically employ only a small share of their balance sheet in very limited instances). In addition, the nature of asset managers’ business models, as agents rather than as owners or guarantors, means that asset managers’ own capital is not at risk.

Indeed, an assessment of the high-profile failures of several funds in recent years highlights the risks of relying too strongly on size as a proxy for risk. Major problems have occurred at funds that were too small to surface on regulators’ radar screens as systemically important. Appendix B points to many of these cases. Again, we see activities-based regulation and better disclosure to regulators as more helpful in identifying risk than simply a focus on size.

Further, we do not believe that asset managers pose interconnectedness risks akin to those of broker-dealers or central counterparties. Because the fund or the client – not the asset manager – is the counterparty to a trade, fund and client assets can be transferred relatively easily from an asset manager in distress to others with little disruption to markets or asset owners, as has been done several times in recent years.[31] Client assets are held by regulated custodians in segregated accounts rather than on an asset manager’s own balance sheet. These custodians are responsible for ensuring a smooth transition from one manager to another. Critically, asset managers do not guarantee the performance of their funds to other market participants.

---

[31] For example, in 2022, Allianz sold its $120bn fund business to Voya Investment Management. See Voya Financial, Press Release, “Voya Financial announces definitive agreement with Allianz Global Investors” (Jun. 13, 2022), *available at* https://www.voya.com/news/2022/06/voya-financial-announces-definitive-agreement-allianz-global-investors. In recent years, we have also seen closures of Woodford’s flagship fund and several H2O funds without broader systemic risk issues.

In the wake of the GFC, policymakers have implemented numerous regulatory reforms to limit or prevent spillover effects during times of market stress. These include critical steps to move bilateral derivatives trading onto centrally cleared platforms, stricter margin requirements, tighter capital requirements for broker-dealers' exposures to their clients, shortened standard settlement cycles for most securities trades and improved market and regulatory transparency.

VI. The Importance of Identifying and Weighing the Consequences of Designation

It is clear that designating an individual NBFC as systemically important can have significant consequences. It is not clear from the proposal, however, what these consequences would be, whether for the individual NBFC, for the products it offers and the activities it conducts, for financial markets as a whole or for financial stability. The proposal simply references the statutory language requiring a designated NBFC to be subject to supervision and prudential standards by the Federal Reserve's Board of Governors and suggests that the specific consequences will be determined only *after* an NBFC's designation.

Importantly, therefore, the proposal does not require a cost-benefit analysis nor weigh the consequences of designation. FSOC declines to do this on the grounds that cost is not a "risk-related factor"; it also asserts that, even if cost were a "risk-related factor," identifying it ahead of designation would not be feasible. It notes that Federal Reserve regulatory requirements for NBFCs generally "have been determined after the designation."

We do not see this as the appropriate approach and instead believe that FSOC should both specify the prudential standards that would apply to a designated NBFC – ahead of designation – as well as evaluate the costs of these standards. We recognize the potential difficulty of doing this, but we think it is the appropriate approach for two reasons:

First, identifying and weighing the consequences of designation as part of the designation process would ensure that such designations withstand judicial scrutiny. Indeed, the only court that has ruled on FSOC's designation authority has held that the cost of an NBFC designation is an "appropriate" factor for FSOC's determinations and that weighing such costs "is a central part of the administrative process."[32]

Second, even if a full cost-benefit analysis is not required, the proposal does at the very least contemplate that FSOC consider whether designation will promote US financial stability by mitigating the risks that are identified through the designation process.

We believe it is critical to understand what risks designation is designed to mitigate, in order to determine whether designation would in fact bolster financial stability. This is particularly important in light of the differences in business models and risk profiles between banks and many NBFCs – particularly between banks and asset managers. The Federal Reserve's prudential standards for banking (focused on capital, liquidity and

---

[32] MetLife Inc. v. Financial Stability Oversight Council (MetLife), 177 F. Supp. 3d 219, 240 (D.D.C. 2016).

leverage) may not be directly relevant to asset managers and therefore may not be effective in preventing the perceived buildup of systemic risk.[33]

The asset management industry is highly competitive in every sub-sector, and products and services are easily substituted across providers. Given this, we are concerned that designation of an individual NBFC (or a few of them) might in fact be counterproductive: it might simply shift risk to non-designated NBFCs and increase systemic risk rather than reduce risk across the financial system.

A clearer explanation of the consequences of designation will allow a more accurate assessment of the effectiveness of this step in reducing systemic risk. It will also allow a better assessment of the impact on American financial markets, the financing available for American companies and the risks and returns for American investors.

VII. <u>Conclusion</u>

We appreciate the opportunity to comment on FSOC's proposals. We share the Council's goal of making the financial system safer for all market participants, reflecting our belief that the safety of and confidence in markets lie at the heart of individuals' and institutions' decisions to invest for a better future. With the role of nonbank financial intermediation poised to increase further, robust markets are all the more important to the success of the US economy and to millions of individual investors.

If we can provide any further information, please contact the undersigned.

Sincerely,

Mark McCombe
Vice Chairman

Chris Meade
General Counsel

[33] See BlackRock ViewPoint,"Macroprudential Policies and Asset Management" (Feb. 2017), *available at* https://www.blackrock.com/corporate/literature/whitepaper/viewpoint-macroprudential-policies-and-asset-management-february-2017.pdf, in which we discuss why applying macroprudential policies in asset management will not address systemic risk.

Appendix A: Selection of Recent and Pending SEC and CFTC Reforms

SEC Final Rules	
Jul-23	Money Market Fund Reforms; Form PF Reporting Requirements for Large Liquidity Fund Advisers; Technical Amendments to Form N-CSR and Form N-1A
May-23	Amendments to Form PF to Require Event Reporting for Large Hedge Fund Advisers and Private Equity Fund Advisers and to Amend Reporting Requirements for Large Private Equity Fund Advisers
Dec-22	Insider Trading Arrangements and Related Disclosures
Nov-22	Enhanced Reporting of Proxy Votes by Registered Management Investment Companies; Reporting of Executive Compensation Votes by Institutional Investment Managers
Nov-22	Use of Derivatives by Registered Investment Companies and Business Development Companies
Oct-22	Tailored Shareholder Reports for Mutual Funds and Exchange-Traded Funds; Fee Information in Investment Company Advertisements
Dec-20	Investment Adviser Marketing
Dec-20	Market Data Infrastructure
Dec-20	Good Faith Determinations of Fair Value for Investment Companies
Nov-20	Management's Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information
Nov-20	Use of Derivatives by Registered Investment Companies and Business Development Companies
Oct-20	Fund of Fund Arrangements
Mar-20	Updated Disclosure Requirements and Summary Prospectus for Variable Annuity and Variable Life Insurance Contracts
Mar-20	Financial Disclosures about Guarantors and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize a Registrant's Securities
Sep-19	SEC Recordkeeping and Reporting Requirements for Security-Based Swap Dealers, Major Security-Based Swap Participants, and Broker-Dealers
Jun-19	SEC Capital, Margin, and Segregation Requirements for Security-Based Swap Dealers and Major Security-Based Swap Participants and Capital and Segregation Requirements for Broker-Dealers
Jun-19	Form CRS Relationship Summary; Amendments to Form ADV
Jun-19	Regulation Best Interest: Broker-Dealers Standard of Conducts
SEC Proposed Rules	
May-23	Covered Clearing Agency Resilience and Recovery and Wind-Down Plans
Mar-23	Regulation Systems Compliance and Integrity
Mar-23	Cybersecurity Risk Management Rule for Broker-Dealers, Clearing Agencies, Major Security-Based Swap Participants, the Municipal Securities Rulemaking Board, National Securities Associations, National Securities Exchanges, Security-Based Swap Data Repositories, Security-Based Swap Dealers, and Transfer Agents
Mar-23	Regulation S-P: Privacy of Consumer Financial Information and Safeguarding Customer Information

Feb-23	Safeguarding Advisory Client Assets
Jan-23	Prohibition Against Conflicts of Interest in Certain Securitizations
Dec-22	Regulation Best Execution
Dec-22	Order Competition Rule
Dec-22	Regulation NMS: Minimum Pricing Increments, Access Fees, and Transparency of Better Priced Orders
Dec-22	Disclosure of Order Execution Information
Nov-22	Open-End Fund Liquidity Risk Management Programs and Swing Pricing; Form N-PORT Reporting
Oct-22	Outsourcing by Investment Advisers
Sep-22	Standards for Covered Clearing Agencies for U.S. Treasury Securities and Application of the Broker-Dealer Customer Protection Rule With Respect to U.S. Treasury Securities Fund Advisers
Aug-22	Clearing Agency Governance and Conflicts of Interest
May-22	Environmental, Social, and Governance Disclosures for Investment Advisers and Investment Companies
May-22	Investment Company Names
May-22	The Enhancement and Standardization of Climate-Related Disclosures for Investors
Apr-22	Rules Relating to Security-Based Swap Execution and Registration and Regulation of Security-Based Swap Execution Facilities
Mar-22	Further Definition of "As a Part of a Regular Business" in the Definition of Dealer and Government Securities Dealer
Mar-22	Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure
Feb-22	Short Position and Short Activity Reporting by Institutional Investment Managers (Conformed to Federal Register version); Notice of Proposed Amendments to the National Market System Plan Governing the Consolidated Audit Trail for Purposes of Short Sale-related Data Collection
Feb-22	Cybersecurity Risk Management for Investment Advisers, Registered Investment Companies, and Business Development Companies
Feb-22	Private Fund Advisers; Documentation of Registered Investment Adviser Compliance Reviews
Jan-22	Amendments to Exchange Act Rule 3b-16 Regarding the Definition of "Exchange"; Regulation ATS for ATSs That Trade U.S. Government Securities, NMS Stocks, and Other Securities; Regulation SCI for ATSs That Trade U.S. Treasury Securities and Agency Securities
Nov-21	Reporting of Securities Loans
Sep-20	Regulation ATS for ATSs that Trade U.S. Government Securities, NMS Stock, and Other Securities; Regulation SCI for ATSs that Trade U.S. Treasury Securities and Agency Securities; and Electronic Corporate Bond and Municipal Securities Markets
Aug-20	Proposed Amendments to the National Market System Plan Governing the Consolidated Audit Trail to Enhance Data Security
CFTC Final Rules	
Jun-23	Governance Requirements for Derivatives Clearing Organizations

Aug-22	Clearing Requirement Determination Under Section 2(h) of the Commodity Exchange Act for Interest Rate Swaps to Account for the Transition from LIBOR and Other IBORs to Alternative Reference Rates
Apr-21	Bankruptcy Regulations
Feb-21	Swap Execution Facilities
Jan-21	Position Limits for Derivatives
Jan-21	Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants
Jan-21	Electronic Trading Risk Principles
Nov-20	Amendments to Compliance Requirements for Commodity Pool Operators on Form CPO-PQR
Nov-20	Real-Time Public Reporting Requirements
Nov-20	Swap Data Recordkeeping and Reporting Requirements
Nov-20	Certain Swap Data Repository and Data Reporting Requirements
Sept-20	Capital Requirements of Swap Dealers and Major Swap Participants
Sept-20	Cross-Border Application of the Registration Thresholds and Certain Requirements Applicable to Swap Dealers and Major Swap Participants
May-20	Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants
Jan-20	Derivatives Clearing Organization General Provisions and Core Principles
Apr-20	Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participant
CFTC Proposed Rules	
Jun-23	Derivatives Clearing Organizations Recovery and Orderly Wind-down Plans; Information for Resolution Planning
Jun-23	Amendments to Part 17 Large Trader Reporting Requirements
Apr-23	Derivatives Clearing Organization Risk Management Regulations To Account for the Treatment of Separate Accounts by Futures Commission Merchants
Dec-22	Reporting and Information Requirements for Derivatives Clearing Organizations
Sep-22	Form PF; Reporting Requirements for All Filers and Large Hedge Fund Advisers
Sep-22	Form PF; Reporting Requirements for All Filers and Large Hedge Fund Advisers
Aug-22	Governance Requirements for Derivatives Clearing Organizations
Nov-21	Swap Clearing Requirement to Account for the Transition from LIBOR and Other IBORs to Alternative Reference Rates
Nov-20	Portfolio Margining of Uncleared Swaps and Non-Cleared Security-Based Swaps
Feb-20	Swap Execution Facility Requirements and Real-Time Reporting Requirements
Nov-19	Privacy of Consumer Financial Information

Appendix B: Recent Firm and Fund Failures

Name	Event	Date	Outcome	AUM year of event	AUM after event
BNP Paribas Europe Emerging Equity Fund	Fund was suspended for over a year and was then liquidated	Jul-23	Fund was liquidated	€25.5mn (Feb 2021)	Fund liquidated
White Square Capital	Poor performance during GameStop short squeeze	Jun-23	Fund was liquidated	$400mn	Unknown
Odey Asset Management Swan Fund	Allegations of sexual misconduct against the founder	Jun-23	Swan Fund liquidated; 2 other funds gated	£102mn (Sep 2022)	Unknown
Infinity Q Diversified Alpha Fund	Accusations of CIO inflating derivatives positions	Jun-23	Fund was liquidated	$1.73bn (Feb 2021)	Fund liquidated
Ökoworld*	Controversial announcement around covering climate activists' official penalties	Apr-23	Significant fund outflows	Unknown	Unknown
Vanguard Alternative Strategies Fund	Lack of investor interest	Feb-23	Fund was liquidated	$98mn (Feb 2023)	Fund liquidated
26 Invesco ETFs	Lack of investor interest	Jan-23	Funds were liquidated	Combined $1.4bn (Jan 2023)	Funds liquidated
VanEck Russia ETF	Exposure to Russian assets during Russia's invasion of Ukraine	Dec-22	Funds were liquidated	$1.3bn (Jan 2022)	Fund liquidated
Franklin Templeton FTSE Russia ETF	Exposure to Russian assets during Russia's invasion of Ukraine	Dec-22	Redemptions suspended, fund to be liquidated	$22mn (Jan 2022)	Fund to be liquidated
Columbia Threadneedle Investments Property Funds	High redemption requests	Oct-22	Redemption suspension, which was later lifted	$502mn (CT UK Property Fund)	Unknown
Vanguard US Liquidity Factor ETF	Lack of investor interest	Sep-22	Funds were liquidated	$44.2mn (Sep 2022)	Fund liquidated
BlackRock iShares MSCI Russia ETF	Exposure to Russian assets during Russia's invasion of Ukraine	Aug-22	Fund was liquidated	$516mn (Jan 2021)	$1.6mn (Mar 2021)
Melvin Capital	Poor performance during GameStop short squeeze	May-22	Fund wound down after failing to recover from 2021 events	$13bn (Jan 2021)	Fund remains suspended

Janus Henderson Property Fund	Liquidity mismatch	Mar-22	Fund still suspended, in the process of selling the entire portfolio to a single buyer	Unknown	Unknown
BlackRock (Luxembourg) Emerging Europe Fund	Exposure to Russian assets during Russia's invasion of Ukraine	Feb-22	Fund remains suspended	£516mn (Jan 2022)	Fund remains suspended
Swedbank Robur's Östeuropafond and Eastern European Small and Mid-Cap Fund	Exposure to Russian assets during Russia's invasion of Ukraine	Feb-22	Funds were suspended but reopened in March with losses of around 60%	Robur's Osteuropafond - €411m EE Small and Mid Cap -€265mn (Dec 2021)	Robur's Osteuropafond - €166mn EE Small and Mid Cap -€106mn
DWS Xtrackers ETFs	Issues affecting financial markets and greenwashing accusations	Jan-22 & Oct-22	Funds faced heavy outflows but remain operational	€928bn (end 2021)	€821bn (end 2022)
Snow Lake Asia Fund	Key personnel departure and poor performance	Nov-21	Fund was liquidated	Unknown	Unknown
Archegos Capital Management	Failure to meet margin calls	Mar-21	Some banks took heavy losses, including $5.5 bn for Credit Suisse; firm owner later charged with fraud	$36bn (Mar 2021)	Fund shut down
Geode Capital Management Diversified Fund	Poor performance leading to margin calls	Feb-21	Fund was liquidated	Unknown	Unknown
8 H20 Asset Management Funds	Suspended at the request of the AMF due to significant exposures to illiquid assets	Aug-20	7 funds reopened in Oct-2020, H20 Asset Management remains operative	€12.3bn (Jun 2020)	Unknown
Paulson and Co	Weak performance across multiple years led to gradual wind down of outside capital	Jun-20	Conversion of fund from hedge-fund with external investors to family office, with no outside investments	Unknown	Unknown

Jyske Invest European Bond Funds	Redemptions were suspended for 5 modestly-sized European bond funds managed by Jyske Invest. 12 bond and equity funds were liquidated	Mar-20	Assets under management fell by 12.9%	DKK 9.370mn	DKK 8.160mn (-12.9%)
Nordic bond funds	~68 small regional bond funds in Denmark and Sweden, primarily investing in fixed income, were suspended, citing valuation uncertainty in underlying assets	Mar-20		Unknown	Unknown
Aegon Asset Management Income Fund	Aegon Property Income Fund (APIF) and the Feeder Fund were suspended due to uncertainty over valuations in the UK property market and liquidated 18 months later	Mar-20	Fund was liquidated	£380mn (APIF) £150mn (feeder fund)	Fund liquidation
Nordea Global Enhanced Equity Fund*	Nordea's Global Enhanced Equity Fund experienced outflows as a consequence of the SVB collapse and large US tech holdings. Outflows were reported at €75m	Mar-20	Fund continues and recovered performance	Unknown	Unknown
Softbank Vision Fund	Various instances of large losses (ranging from $6bn to $32bn per quarter) due to drop in value of multiple investments	2020 - 2023	Difficulty attracting outside investors for subsequent fund, substantial fall in deal flow	$137bn (FY 2021)	$104bn (FY 2022)
Vinik Asset Management	Fund closed after facing difficulty attracting new capital	Oct-19	Fund was liquidated	Unknown	Unknown
Arrowgrass Capital Partners	Fund was shut down after facing large amount of investor redemptions caused by poor performance	Sep-19	Fund was liquidated	$6.4bn	Unknown
Woodford Equity Income Fund	£3.6bn equity income fund suspended after being unable to meet a redemption request, following multi-year underperformance and an	Jun-19	Fund was liquidated	£3.6bn	Fund liquidation

	increasing concentration in small-cap, unlisted securities				
Amplitude Capital AG	Losses led to investor withdrawals	May-19	Fund was liquidated	$1.75bn	$860bn (Mar 2019)
Rubicon Global Fund	Weak performance led to investor withdrawals	Mar-19	Fund was liquidated	$1bn	~$250mn
Alliance California Municipal Income Fund, Inc.	The fund, primarily investing in US fixed income markets and California municipal securities, was liquidated	Feb-19	Fund was liquidated	Unknown	Unknown
Vanguard Convertible Securities Fund	Mutual fund was liquidated after modest declines and lack of investor interest	Jan-19	Fund was liquidated	$962mn (Jan 2019)	Fund was liquidated
Brenham Capital Management	Fund was liquidated after two years of losses in energy equities	Nov-18	Fund was liquidated	Unknown	$800mn (Nov 2018)
Sentient Investment Management Fund	Hedge fund which used artificial intelligence to trade assets closed after low returns	Sep-18	Fund was liquidated	>$100mn (Sep 2018)	Unknown
Intellectual Ventures Invention Investment Fund II and Invention Development Fund	Private equity funds invested in patents that failed to return; firm generated negative returns across both funds for multiple years, leading to significant losses	Jun-18	Funds sustained heavy losses, with one fund now managed by another firm	$5.5bn (Jan 2018)	Unknown
BP Capital Fund	Energy hedge fund closed after oil positions dropped in value	Jan-18	Fund shut down	Unknown	Fund shut down
Carlson Capital	$1bn in losses across multiple funds over 5 months	Jan-18	Flagship fund lost over 4%, with some funds losing over 20%	$9.1bn (Aug 2017)	$8.2bn (start of 2018)
Abraaj Group	Private equity firm that faced significant turmoil after several LPs began to investigate the firm for fraud. Eventually, multiple executives were charged with fraud, and the fund lost investor confidence	2018 - 2019	Firm went into liquidation, with many funds sold to other managers	~$13.6bn	Unknown