

# Gaining Clarity Around Money Mkt Reform

## Probability Of Radical Outcome(s) Declining

### ■ Industry Overview

- **Looking for insights** — We hosted a conference call on 9/6 with two industry consultants in an effort to assess likely outcomes and next steps for money market reform, a topic with uncertainties following the SEC Chairman's recent announcement and subsequent statements from Commissioner Aguilar and Commissioners Paredes & Gallagher. Overall, the discussion reinforced radical money market reform seems less likely and/or well pushed out, a view that is out of consensus versus more strident believers that looming reform presents deep structural challenges for industry players.
- **Key takeaway(s)** — 1) Probability of radical reform declining – both among FSOC and SEC, we believe; 2) use of SIFI designation unlikely; 3) probability increasing for FSOC to ultimately remand money market reform back to the SEC for further analysis, implying more measured change given “roadmap” provided by Gallagher & Paredes – see also our 9/4 report, [SEC Discourse Waters Down Bear Thesis](#); 4) any material movement on reform not likely until 2013 or even 2014 given upcoming election + length of time for additional study; and, 5) industry volumes could rebound in 2013 as temporary unlimited FDIC insurance coverage expires at YE12.
- **Probability of radical reform declining** — As: 1) FSOC has no authority for legally binding rule writing; 2) future course of action for FSOC particularly challenging reflecting: a) difficulties around using industry, firm, and/or fund-level SIFI designation(s); b) a Treasury official testified not looking to include AUM as part of SIFI considerations; c) “path of least resistance” is for FSOC to remand reform back to SEC, avoiding political and legal boundaries, we believe; and, 3) if sent back to SEC, board-led redemption gates are now most likely outcome post Gallagher and Paredes statement versus capital buffers and/or floating NAV, according to one consultant.
- **SIFI designations unlikely for industry, firms, and/or funds** — As: 1) most non-bank firms do not meet all SIFI specifications under Section 113 of Dodd Frank (DF); 2) difficult to designate entire industry; 3) MMMFs not intended target of financial utility under Title VIII of DF; and, 4) stiff legal response expected.
- **Timing likely pushed out** — Given: 1) upcoming Presidential election; 2) lack of consensus among regulators; and, 3) necessary additional analysis around costs and benefits and/or reform alternatives.
- **Milestones to watch** — The first possible action may be a notice by FSOC regarding money markets by YE12 – though regulators are not likely to provide material changes (if any) until next year and election could potentially influence political motivations of various constituents.
- **Beneficiaries in our coverage universe** — We see Buy-rated FII; followed by SCHW; Buy-rated LM and IVZ; and ultimately BLK benefitting the most if radical reform does not come about as the overhang on money market players is removed, franchise risks are reduced, and disintermediation concerns fade for the sub-sector.

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# Getting Clarity Around Money Market Reform

## Investment Summary

On Thursday, September 6<sup>th</sup>, 2012, we hosted a conference call with investors titled “Money Market Reform, What Now?” with two senior industry consultants (replay 1-888-203-1112; passcode 1247129). Our participants included Mr. Scott Talbott, JP, CPA, and Senior Vice President of Public Policy at The Financial Services Roundtable, a legislative and regulatory advocacy group based in Washington DC working on behalf of financial services firms; and a senior member of a boutique government affairs firm with significant experience in legislative and other activities affecting market structure, mutual funds, HF’s, and PE firms.

Our call with the consultants was conducted in an effort to assess likely outcomes and next steps for money market mutual fund (MMMF) reform, a topic with uncertainties following SEC Chairman’s recent announcement and subsequent statements from Commissioner Aguilar and Commissioners Paredes & Gallagher – see also our 8/24, [Money Market Reform Risk\(s\) Evaporate\(s\) - Upgrade FII To Buy; Also Raise Targets On SCHW, IVZ, LM + BLK](#), and 9/4 note, [SEC Discourse Waters Down Bear Thesis](#).

Overall, the discussion reinforced radical money market reform seems either less likely and/or well pushed out, a view that is out of consensus versus more strident believers that looming reform presents deep structural challenges for industry players. In turn, we see Buy-rated FII; followed by SCHW; Buy-rated LM and IVZ; and ultimately BLK benefitting the most should radical reform measures fade – the latter a reasonable conclusion, we believe, when factoring practical, legal, and political issues involved.

## Key Takeaways

We note the following broad takeaways:

The likelihood of radical reform appears to be declining for both FSOC – given no rule writing authority and concern over legal first impression; and the SEC - when considering the “roadmap” provided by recent Gallagher + Paredes statement

1. **Probability of radical reform declining:** The consultants raised several points suggesting future reform measures are difficult now that responsibility sits with the Financial Stability Oversight Council (FSOC) following SEC Chairman Schapiro acknowledging the regulator does not have the necessary votes to bring forth capital buffer and/or floating rate NAVs proposals.

First, the FSOC does not have authority to put through legally binding rule writing, and thus enact the more onerous measures such as capital buffers and floating NAVs on 1940 Act Investment Companies.

Second, the future course of action for the FSOC is highly uncertain – and particularly nettlesome - reflecting:

- **Use of SIFI designation(s) is/are unlikely, either for industry, firms, or individual funds;**
- **Further action likely requires review of costs + benefits and/or evaluation of other alternatives**, such allowing funds to implement stand-alone redemptions gates, particularly following the response by SEC Commissioners Gallagher and Paredes;
- **“Path of least resistance” is for FSOC to remand money market reform back to the SEC, thus avoiding political and legal boundaries** and allowing the SEC time to explore the new “roadmap” provided by Gallagher and Paredes. Here, the consultants provided several supporting points including:

- **First, even if the FSOC acts, there are “provisions to look back to the SEC...so there’s another road for the SEC to actually get engaged if the FSOC decides to move in a particular direction.”** Furthermore, *“each of the designated courses the FSOC could act upon, each has its own problems and each has its own difficulties for the FSOC to act, which is why they greatly prefer to get the SEC to come back and do something”;*
- **Second, “the FSOC can act but their likelihood of acting is probably small given all of the changes that are coming in Washington and given some of the other political influences”;**
- **Third, the FSOC would also avoid the first impression issue, given they have a chance of losing if taken to court.** According to a consultant, *“most people would agree with that this would be a case of first impression for the FSOC, meaning they would not want to risk something on a case they might well lose because it would be a very bad precedent for them as a new entity with ultimate control of the financial services system to start out of the gate with a losing lawsuit as to their authority and power”.* The consultant later elaborated that FSOC is likely *“very concerned that if they get sued that the opponents have a very good chance of winning and I think FSOC going to be very reluctant to move in any direction where there’s a high likelihood of them losing”.*

Third, with probability rising for the FSOC to ultimately remand money market reform back to the SEC for further analysis and to ultimately advance a rule, a more measured outcome is expected relative to Chairman Schapiro’s proposals. According to one of the consultants, *“the standalone redemption gates or the board-authorized redemption gates probably leapfrogs to the front, because they essentially -- as SEC commissioners who have primary responsibility here -- has laid out that path”.* Here, the Gallagher and Paredes statement provides a “road map” for possible moves, including additional study of Rule 2a-7 enhancements put forth in 2010 (which seemingly have held up well despite recent economic stresses), board-driven gating around redemptions, and greater disclosure.

2. **SIFI designations unlikely for industry, firms, and/or funds:** One recurring theme from our consultants revolved around the difficulty FSOC would encounter in designating the entire industry, individual firms, and specific MMMFs as systemically important, or SIFIs. In each case, FSOC would face stiff legal resistance as each of those courses of action *“are fraught with peril”* according to one consultant. Below we address each area:

For background, Title VIII of the Dodd-Frank Act gives the Federal Reserve authority with respect to the risk management of clearing agencies designated as systemically important; and designated payment, clearing and settlement activities conducted by financial institutions. In addition, FSOC, pursuant to procedures set forth in Title VIII, may designate clearing agencies and payment, clearing and settlement activities as systemically important.

- **Industry** — According to our experts, it would be difficult for FSOC to declare the money market industry as systemically important given: a) FSOC can not declare a whole class of firms, including small(er) entities, as a threat to the financial system; b) the industry would argue regulators have not sufficiently demonstrated that MMMFs are systemically important and recent studies conducted by SEC Chairman Schapiro are flawed; and, c) while FSOC could theoretically designate the industry as a financial utility under Title VIII under Dodd-Frank, MMMFs and 1940 Act Investment Companies were not intended to be part of such provision, but rather those entities involved with clearance and settlement activities, such as clearinghouses like CME, DTC, and ICE, we understand.

On the last point around MMMFs as a financial utility, our consultants provided two insightful points. One noted: *"I had a conversation in the last 48 hours with two senior Democratic council members, both house and senate, who are involved in drafting the provision, and they both indicated to me that in their minds, the Title VIII of Dodd Frank, which is the title that would allow the FSOC to designate money market funds as a financial services utility, was not intended at all to get at money market funds. It was intended to deal strictly with the clearance and settlement and payment systems. And they really thought that it was a stretch. So if they think it's a stretch, not that it could never happen, because stranger things have happened in Washington and in the courts and among the regulators, but the fact remains that those become a very difficult course of action when you have the counsels involved in drafting it, have the opinion that this is not what it was intended for and is not likely to succeed."*

The second consultant also noted: *"Dodd Frank is specifically drafted to exclude investment companies".* Furthermore, a *"strong argument can be made that Dodd-Frank specifically excludes investment companies from the market utility designation. So I think FSOC has already acted here, I think it's by designated the other eight, I think their authority to act is as best unclear and it - at worse, they are prohibited from contemplating investment companies as market utilities. So it's very unlikely that they would act, if they did - if they could signal something by the end of the year, but I would give that a very low probability they would take that route"*. In turn, such observations seemingly refute the recent NYT article suggesting FSOC could move in such direction.

- **Company** — Here, the difficulty lies in the fact that most nonbank firms do not meet all SIFI specifications under Section 113 of Dodd Frank. For background, Section 113 of Dodd-Frank gives FSOC the authority to require that a nonbank financial company be supervised by the Fed and be subject to prudential standards if FSOC determines that material financial distress at such a firm, or the nature, scope, size, scale, concentration, interconnectedness, or mix of the activities of the firm, could pose a threat to the financial stability of the US. Specifically, the Stage 1 (quantitative) thresholds of Section 113 include:

- **\$50B in consolidated assets;**
- **\$30B in gross notional credit default swaps (CDS) outstanding** for which the nonbank company is the reference entity;

- **\$3.5B of derivative liabilities;**
- **\$20B of outstanding loans borrowed and/or bonds issued;**
- **Minimum leverage ratio of total consolidated assets (excluding separate accounts) to total equity of 15:1;**

On this basis, there are not many companies fitting this profile, though BLK, SCHW, GE Capital, and SLM have \$50B in consolidated assets according to one consultant – and ETFC and OAK are close. However, most of these firms then fail the next test.

And, even if regulators loosely replaced “assets” with “AUM” – a move which is unlikely given a Treasury official’s testimony earlier in the year in response to a question from a House member, that “we” are not looking to designate AUM as part of the test for SIFI designation. In turn, one consultant noted *“it would be a stretch for this newly created FSOC to designate any one of these firms -- again, not the industry, but any one of these firms -- as SIFIs.”* Nonetheless, only Fidelity, IVZ, BLK, and SCHW would qualify as SIFI under this definition using AUM.

Furthermore, should FSOC move forward in designating a nonbank firm as a SIFI during Stage 1 (quantitative-based), Stage 2 requires qualitative analysis to be conducted, and once the FSOC notifies a potential SIFI target, the company has the opportunity to respond privately and/or subsequently sue in public court.

And, from a pragmatic perspective, one consultant finds it difficult to believe FSOC – which is in the process of deciding which firms qualify as SIFIs – are more focused on money market players before considering firms such as AIG and GE Capital – the latter two which appear to pose more risk to the financial system.

- **Funds** — Two problems exist. First, similar to individual firms, and assuming the FSOC strays from traditional criteria and looks for individual MMMFs with greater than \$50B in AUM, few funds would potentially qualify. Second, there are likely unintended consequences with designating a specific fund as systemically important. For example, such a move could stimulate money flows to small(er) funds, which is exactly the opposite impact desired by regulators, we believe, given such funds are likely more sensitive to possible future redemptions.

While the ability for FSOC to designate the industry, firms, or funds as systemically important appears difficult – based on the above discussion – the consultants mentioned some possible implications, including:

- **Federal Reserve becoming regulatory body under a SIFI designation;**
- **While Fed does not have jurisdiction over MMMFs, they can regulate banks use of money funds;**
- **Fed could implement liquidity and/or capital restraints on banks, ultimately decreasing efficacy of money markets; and,**
- **Fed could implement dual regulatory schemes based on size;**

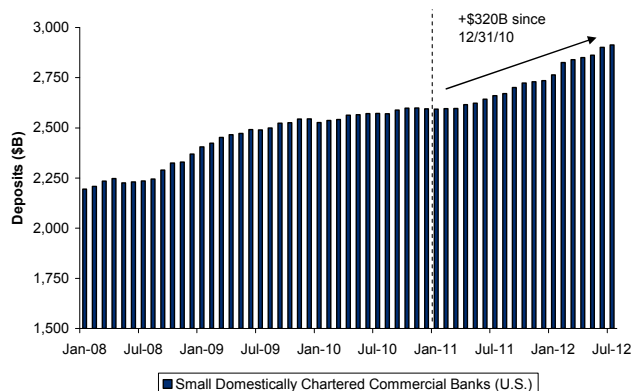
Reform is likely pushed out until 2013 given election + necessary additional study by regulators, and may even spill into 2014, we believe

3. **Reform timing likely pushed out:** Following the discussions with our industry consultants and the lack of any public consensus from regulators, we believe the likelihood of reform occurring in the near term is low for a number of reasons including:

- **Upcoming November election + political motivations stall measures in the ST:** As we expect to see gridlock into the election and lasting through YE. Additionally, following SEC Commissioners Troy Paredes' and Daniel Gallagher's statement questioning the depth and methodologies of research conducted by SEC Chairman Mary Schapiro, we see more definitive and concrete work needed to be produced prior to any incremental reform discussions, implying a "very long road", according to one consultant;
- **Further study warranted:** Both consultants believe a great deal of study and time will be required post election cycle in order to study consequences, costs + benefits, alternative measures, and potentially the effectiveness of Rule 2a-7 enhancements put forth in 2010. In turn, "a very long delay is likely" and it is conceivable reforms could slip into 2014. Further, we believe the FSOC may not fully considered changes promulgated by Chairman Schapiro, as the consultants raised concerns based on methodologies, accuracy of data, and number of bailouts – here, one of the consultants noted, "*I just learned that some of the designations were incorrect in terms of number and one case I know that one firm indicated they put \$1 million in and the SEC study purported to show that \$1 billion was placed in the funds*".

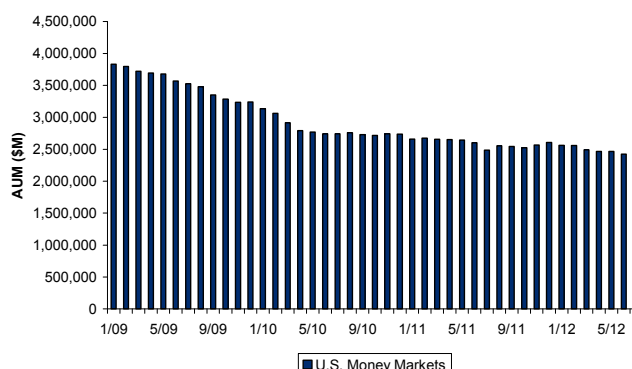
4. **Money market volumes could rebound** — Section 343 of the Dodd Frank reform act provides temporary unlimited deposit insurance for noninterest-bearing transaction accounts at all FDIC institutions that expires at 12/31/12 – at that point, coverage will return to \$250k. In turn, many small banks took advantage of such program as a number of large depositors (mainly businesses) moved money into small banks and there is reasonable belief that such large depositors will end up shifting their (soon to be) uninsured deposits (post YE12) due to fears that small(er) banks pose greater risk of failure. In turn, such monies could move back into large banks and/or MMMFs. In Figure 1, we array bank deposits of small domestically chartered commercial banks in the U.S and highlight the deposit growth of \$300B since 12/31/10 as balances increased from \$2.6T to \$2.9T+. No question, not all of such monies will make their way into MMMFs, but we suspect such movement should nonetheless bolster industry volumes, potentially stemming declines in recent years. As shown in Figure 2, industry money market assets declined from \$3.8T at the beginning of 2009 to \$2.45T at 7/31/12.

**Figure 1. The Removal Of Temporary Unlimited FDIC Insurance At YE May Put Money In Motion Toward Money Markets...**



Source: Federal Reserve, Citi Research

**Figure 2. ...And Help Stem The Downward Move In Industry Money Market Assets Since 2009**



Source: Strategic Insight, Citi Research

## Milestones To Watch

The first possible action may be a notice by FSOC regarding money markets before year end – though they are not likely to materially alter the landscape of reform in 2012, we believe. The election will represent a possible change in the debate as the outcome may alter the political affiliations of the constituents involved. If the election is won by the Republicans, we expect to see the SEC Commissioners to be in majority (3-2) and potentially back less rigorous reform. In turn, it is possible that Fed Chairman Ben Bernanke could be replaced – removing an advocate of money market reform. Additionally, irrespective of the outcome of the election, Treasury Secretary Timothy Geithner – who has spoken in favor of reform – may step down from his post, further delaying/jeopardizing reform measures.

## Most Positive For FII; Followed By SCHW, LM, IVZ, and BLK

We see Buy-rated FII; followed by SCHW; Buy-rated LM and IVZ; and ultimately BLK benefitting the most if radical reform does not come about. Broadly, there are three positives. First, from a tactical perspective, the overhang on money market players is removed. Second, franchise risks are reduced, potentially allowing share repurchase and/or investment spend to accelerate. Third, intermediation risk fades, in our view, allowing management to more aggressively pursue growth initiatives.

Combing back to FII, we see the shares most impacted for two reasons. First, short interest relatively high, providing a technical updraft as risk(s) evaporate. Second, approximately 75% of AUM and 47% of revenue are currently tied to money markets – a percentage significantly higher than peers. No question, the low rate backdrop may keep fee waivers persistent in the ST, but investors can begin to refocus on EPS power for the firm, which is building as FII takes both LT flow and money market share – see also our 8/24 upgrade, [Money Market Reform Risk\(s\) Evaporate\(s\) - Upgrade FII To Buy; Also Raise Targets On SCHW, IVZ, LM + BLK](#).

## “Money Market Reform, What Now?” Conference Call Transcript

Below is the transcript for our conference call titled, “Money Market Reform, What Now?” held on September 6<sup>th</sup>, 2012. Note: we have edited out inaccurate transcript translation where appropriate.

**Bill Katz:** Good morning everyone and welcome to the Citi Research-sponsored conference call, “Money Market Reform, What Now?”

Generally, we remain most bullish on the US Asset Managers versus non-US Asset Managers and the Broker Dealers. We remain most constructive on the Alternative Managers though we increasingly warming up to Traditional Managers including adding AB and FII to our Buy list.

AMG, OZM, IVZ and KKR are among our top large cap picks and we favor WETF among the smaller cap Asset Managers.

We believe the recent discourse emerging from the SEC, while entertaining, will ultimately result in perhaps more modest regulatory changes than generally perceived, along with a likely reasonable delay before any substantive changes occur, all curtailing the bear thesis on money markets in general and FII in particular.

We’re pleased this morning to have to guest speakers to help with the discussion. Our first speaker is Scott Talbott. Scott is a Senior Vice President for Public Policy at the Financial Services Roundtable where he manages the daily legislative and regulatory advocacy efforts on behalf of the largest financial services firms in the country.

He also serves as council to the organization, runs the table’s political action committee and manages relationships with media. He’s been named the top lobbyist by three independent press organizations. He is working with many of the industry in regards to money market reform including members of both the SEC and FSOC and we certainly look forward to Scott’s insights.

*Our second speaker has chosen to remain unnamed during this report.* The consultant is a senior member of government affairs firm, and an individual with significant experience in legislative and other activities affecting market structure, mutual funds, HFs, and PE firms.

Scott, what is the chance that the SEC may look to revisit money market reform? Does your answer change given the statements from several of the SEC Commissioners in response to Chairman Schapiro?

**Scott Talbott:** I think that prior to the letter that was dated August 28th from Gallagher and Paredes, I would have put the odds of the SEC doing something at close to 1%. I think the letter, which lays out their concerns and their objections with the manner in which Shapiro handled the issue. She essentially jammed up the commission which has never happened and it was a desperate attempt to try to get something done before she leaves.

Gallagher and Paredes lay out their concerns with her approach and for the hopes of reform. Most in the industry are opposed, but they lay out a plan and their thoughts on how a plan might be able to move forward and at least get out of the starting blocks and into the proposal phase.

Additionally, they lay out that they are not against reform, but in fact for it. They discuss doing more research, studying the impact of 2a-7 rules, and they describe at length about discretionary gating as a standalone concept. If you remember, Schapiro wanted to combine gating with the capital buffer solution.

So I feel that their letter dated August 28th increases the odds that the SEC could do something in the future to about 10% or 15% but there are a number of caveats that I would add in that. One, nothing is going to happen this calendar year. Schapiro is probably going to leave at the end of this year. She is waiting for a replacement. So we need to see who wins the presidential election.

**Second expert:** I agree with everything Scott said. I would add only one thing that depending on what the FSOC decides to do (if they decide to do anything) there are specific provisions under some of the FSOC provisions to look back to the SEC. So there's another road for the SEC to actually get engaged if the FSOC decides to move in a particular direction.

**Bill Katz:** Second question, related to the first, with Aguilar, Gallagher, and Paredes offering what I argue to be a challenge around studying rule 2a-7 changes in 2010, they seem to be questioning the efficacy of the floating rate NAV and capital buffer options. Would you agree?

At the same time, they may be offering up the possibility of gating. What do you believe would be the implications? You mentioned that you think the odds are a bit higher that it comes back to the SEC, but is there any clearer path for the FSOC to push the issue back to the SEC?

**Second expert:** Paredes and Gallagher provided a roadmap for what the SEC could do moving forward if Schapiro or her successor was amenable to meeting their terms. This would be necessary to get Paredes, Gallagher, and presumably Aguilar on board going down the road.

But, as Scott indicated, a very long delay is likely. I think this is going to take a while to reach a decision. I think intentionally some of what Paredes and Gallagher pointed to would take a great deal of study and consequently a great deal of time.

One could argue that was done intentionally to push it off to the after the elections to see who ends up in the White House and who gets to appoint a new Treasury Secretary and a new Chairman of the SEC. I think that the implication of everything is that it's just going to be a long road and it's going to take a while for them to get to a conclusion but it does provide a roadmap should the Democrats and whoever is in the White House and their new appointees decide to engage.

**Scott Talbott:** In terms of the FSOC angle, I agree with what he said. It's going to be remote. A lot of the members of the FSOC, which is comprised of the federal banking regulators - two most notably are Geithner and Bernanke - have been very vocal in their desire for changes to money market funds in various speeches and papers.

Additionally, they have been putting pressure on the SEC to act. I think they were hoping that the SEC would have acted. I think as we were talking earlier that's probably why Schapiro tried to jam up the board here in a new historical precedent.

So the FSOC can act but their likelihood of acting is probably small given all of the changes that are coming in Washington and given some of the other political influences. The FSOC could designate an individual company as a SIFI, however.

The FSOC could recommend that the SEC impose certain regulations and those regulations are not binding but the SEC would then have to act. We call it the name and the blame game, so they point a finger at SEC and say, "Here's what we want you to do," and force them to try and act, really jam them up. I think that is unlikely as well.

The FSOC could also designate money markets as a financial market utility but that's even more unlikely. Ultimately, I think the odds of the FSOC acting are pretty small.

**Second expert:** I would agree with Scott's comments. I think that each of the designated courses the FSOC could act upon has its own problems and each has its own difficulties for the FSOC to act. This is why they greatly prefer to see if they can get the SEC to come back and do something.

But that, as we've indicated thus far, has its own set of difficulties and problems. Related to the financial market utility designation (which I know the New York Times wrote an article on recently). I had a conversation in the last 48 hours with two Senior Democratic Council members, both house and senate, who are involved in drafting the provision, and they both indicated to me that in their minds, the Title VIII of Dodd-Frank, which is the title that would allow the FSOC to designate money market funds as a financial services utility, was not intended at all for money market funds. It was intended to deal strictly with the clearance and settlement and payment systems. My contacts really thought that it was a stretch.

So if they think it's a stretch, not that it could never happen, because stranger things have happened in Washington and in the courts and among the regulators, but the fact remains that those become a very difficult course of action. Especially when the councils involved in drafting a proposal have the opinion that this is not what it was intended for, it becomes unlikely to succeed.

**Scott Talbott:** I would add that not only is it not what they intended, Dodd-Frank is specifically drafted to exclude investment companies. If you look at who the FSOC has designated as financial market utilities, it's clearinghouses, CME, Trust Companies. It just doesn't fit with money markets. In fact, Dodd-Frank defines market utility almost to exclude investment companies specifically.

**Second expert:** I would add that the industry is likely to sue. I think most people would agree with this would be a case of first impression for the FSOC, meaning they would not want to risk something on a case they might well lose because it would be a very bad precedent for them as a new entity with ultimate control of the financial services system to start out of the gate with a losing lawsuit.

**Scott Talbott:** Yes. And just for further color, the FSOC is busy working on deciding which companies to designate as systemically important and which are SIFI's. There is a risk that they could designate, as I said earlier, an individual fund or company as a SIFI.

That's another risk that we could bring in companies such as BLK or SCHW or others as a SIFI and then if a company is designated as a SIFI then the Fed takes over as the primary regulator and they could impose new regulations on a particular company under the heading of SIFI. I handicap that as a low risk as well.

**Bill Katz:** Okay, so if we're all wrong and the FSOC does decide to push the SEC to seek reform could you each rank order as to what you think those changes would be? Also, what are some of the legal ramifications? Could you rank the reforms of Floating rate NAVs, capital buffers, etc.

**Scott Talbott:** Prior to the letter from Paredes and Gallagher, I would have ranked Floating NAV as the Fed's main approach. A capital buffer probably would have been Treasury's main approach. Schapiro liked the combination of the redemptions and the capital buffer. She also sits on the FSOC and is a voting member

Following the letter, I think the standalone redemption gating or the board-authorized redemption gating probably leapfrogs to the front, because they essentially were laid out by the SEC commissioners.

So I would argue that that is probably the path of least resistance, which in Washington is always the most favorable or usually the most favorable. And so the FSOC would look at that letter and the path that they'd lay out most favorably, in terms of how to get something done and avoid the political minefields that will undoubtedly ensue.

**Second expert:** I don't disagree with that. I don't know if I would have characterized the question in that way. I think I might have gone first to figuring out under what authorities the FSOC might be likely to act. And that would - whether they would do it by -- as somebody mentioned earlier -- designating either the industry or individual firms as SIFI. And that's probably an approach that -- if they go that route, that might be determinative of which of these items that they - that they decide to promulgate first -- which ones and which ones would be more favored.

**Scott Talbott:** And let me just add on to that. If the FSOC designates an individual fund or an individual firm as a SIFI -- Systemically Important Financial Institution -- then they have the ability to impose new regulations - new prudential regulations, and those would be mostly in the form of capital or liquidity taking us back to the capital buffer and redemption gate options, versus is the Floating NAV.

**Second expert:** And something we haven't even mentioned yet that I've seen some discussion of and have heard some chatter about is if - in the inability of the FCC or even perhaps the FSOC to act - what might the Fed do unilaterally.

And there are some things the Fed could do with respect to tightening the ability of banks to borrow from Money Market funds, as well as requiring bank holding companies to hold capital to reflect the risk of supporting Money Market fund's par value.

There are also - there are also possibility for them to impose capital - new capital standards on - and institute prudential requirements on bank holding companies.

**Scott Talbott:** Right.

**Second expert:** So there's the whole other realm there that we haven't mentioned yet.

**Scott Talbott:** Yes. That's another arrow in their quiver. But the Fed could not change money markets to a floating NAV, or it'd be hard pressed to see under that authority if they impose redemption gates...

**Second expert:** Right.

**Scott Talbott:** ...or even a capital buffer. And capital buffer is likely - or is possible, but I think the changes <our second expert> laid out are the most likely, if the Fed decided to act unilaterally on the bank's interaction with money market funds.

**Second expert:** Which has a whole other - obviously the banks would scream and yell when it has a whole other set of problems associated with it, as each of these courses of action do.

**Scott Talbott:** Yes. I was going to say, anything that's proposed here to the regulatory bodies or FSOC has to go - be put out for notice and comment. And the industry will weigh in, as they have all along against - for the most part against these changes.

**Bill Katz:** Just going back to your comments on the - on the SIFI designation. Could you discuss what the thoughts are on whether or not it would be the industry at large that FSOC might contemplate? Would it be selected companies? Scott, you mentioned a BlackRock or a Schwab. And again, I'm trying to avoid specific names, if you will, but and then even selected funds, right -- because I think they each have different dynamics.

And if that is the case, other regulators -- would they even care about the unintended consequences that some of those changes might infer?

**Second expert:** Well, I think that either of those courses are fraught with peril, both with respect to its' impact on particular firms and even if - even if they could sustain the legalities.

Let me address one item first, and that is, designating the entire industry as a SIFI -- I don't know how you'd do that when you have various and very, very small money market funds.

How do argue those are systemically significant and get them caught up in the backwash of all that? I think that's subject to legal challenge and I think - I think the industry would be fair to challenge it.

With respect to designating particular funds as systemically important -- sure, the larger ones arguably are systemically significant, but the impact of doing that would probably - and then putting - imposing new restrictions on those larger funds would probably lead to a flight - potentially a flight from those funds to some of the smaller funds in order to get higher yields -- in order to avoid some of the problems.

If you end up having exactly the opposite impact that I think the Fed and the FSOC would want to have -- so it seems to me that whichever course they take, there are problems - very serious problems, notwithstanding - I haven't even mentioned the notion of this whole scheme of setting up dual regulatory schemes predicated on size, which has a whole - a whole other set of implications.

So it's hard for me to see which way they would act and which way would be preferable and which way would have the best chance of standing up into a court challenge.

**Scott Talbott:** Yes. This is Scott Talbott. I think for the FSOC's authority I agree with what he said. I think they can designate an individual fund or a company of funds that are - that are similar in nature, but they cannot designate the entire industry.

They have to pick specific companies that are SIFIs and name those. And the test that the Fed laid out - or the FSOC laid out for designating a SIFI under Section 113 of Dodd-Frank is - starts with a \$50 billion of consolidated assets.

You can argue AUM are no part of consolidated assets -- is not the same number. In fact, there was testimony by a Treasury official earlier this year where, in response to a question from a house member, said, "No, we are not looking to designate AUM as part - or we're not going to include AUM as part of the test for SIFI designation."

But under the test of \$50 billion or more, then you kick in the second stage dealing with credit fault swaps and total debt and derivatives liability -- there's a series of tests.

And if you take those and look at the application to the industry -- and I think that we can talk about individual companies, because this isn't - this is all public knowledge -- it's hard pressed to find companies -- mutual or money market funds -- that would fit within those tests.

If we started with the assumption of replacing \$50 billion in total consolidated assets, the four non-banks that are in that category would be BlackRock, Schwab, GE and Sallie Mae -- E-Trade and Oaktree would be close -- but then most of those companies fail the next tests.

Schwab has a bank - a large bank, so they might be close in terms of the other tests -- that credit fault swap or derivative liability or total debt or leverage ratio tests -- but it would be tough.

But even if we switched out total consolidated assets and put it in or replaced it with AUM, you still only have a handful of firms -- Fidelity, BlackRock, Invesco and Schwab -- who would even be part - who could even be considered for SIFI designation.

And so I think that it would be a stretch for this newly created FSOC to designate any one of these firms -- again, not the industry, but any one of these firms -- as SIFIs.

They could go after individual funds that -- again, we're in the world assuming they want to go after AUM -- and apply these tests as if the funds were single entity, if their investments are identical.

And if you look at the largest mutual funds and - as well as the families, you know, there's JP, Fidelity -- maybe we could make the argument they could be designated as SIFIs, but I think it'd be very difficult for the FSOC in its' new role to reach down that far on the basis of money markets and include any one of these firms, and especially the non-bank firms, as SIFIs. The banks -- JP and others -- are already going to be SIFIs, because they have more than \$50 billion in total consolidated assets, so we're really talking about the non-banks.

And I'm hard pressed to see how money markets -- given Treasury's testimony; given some comments by others at Treasury -- that they don't want to go after AUM. But it would be a big stretch for them to replace total consolidated assets with AUM. And I think it would be difficult for them to do so.

And then all the legal issues and regulatory issues that we've already mentioned would kick in if they did.

**Second expert:** I don't disagree with anything Scott Talbott said. I think if you think back on it, folks, the notion that they would start designating money market funds or particular fund families as systemically important as SIFIs -- before they get to things like GE Capital or AIG or other entities is really almost laughable in terms of the way most folks perceive a such firms. It is truly for them to go after money market complexes before the go deal with any of the much larger problems.

**Scott Talbott:** And I think just in general on the timing of the naming of a SIFI, Treasury has said they'd like to name which non-bank companies -- we already know who the banks are -- which non-bank companies are SIFIs by the end of this calendar year.

They've already laid out the test -- the \$50 billion, plus the other tests -- and but they want to name non-bank SIFIs by the end of this calendar year, so that's our timing on this one.

**Client:** Hi. Thanks for taking my question. I just wanted to circle back again. Your point you're making on the SIFI designation specific to the firms you mentioned -- if - could you just walk me through one more time the -- two things -- I got Schwab and BlackRock; I missed the other two firms, so if you could just repeat those.

But also, what I was more curious about is, from your perspective, is there any reason why they would be designated as SIFIs for their total assets under administration for some of the larger fund families even unrelated to money market?

Or do you think money market's the only reason why that SIFI designation is even on something we're talking about?

**Scott Talbott:** Yes. No, I think there are four non-bank companies that have more than \$50 billion in total consolidated assets -- BlackRock, Schwab, GE, Sallie Mae, and then E-Trade and Oaktree come close.

**Client:** Got it. Yes. GE and Sallie Mae. Thank you. And then specific to the issue of - how do you think that the regulatory bodies view money market versus the entirety of sort of the AUM, even though I know the AUM isn't necessarily consolidated?

**Scott Talbott:** Yes. I think that my point was that I'm hard pressed to see how FSOC designates a non-bank solely based on AUM. They could designate BlackRock or Schwab as a SIFI in and of themselves and -- but AUM -- they would do it for reasons other than their AUM. But it would be considered part of it, but that would not be the factor that they based it on.

For BlackRock, they passed the second part of the test. They do have \$50 billion in total consolidated assets and they do have outstanding debt -- what's the number here -- their total outstanding debt exceeds \$20 billion, which is the second test.

Charles Schwab does not pass any of the other tests, so BlackRock in and of themselves does have a risk of being designated as SIFI. And some have argued that part of - they were in favor of making changes to money market reforms.

And there is a theory -- I stress it's only a theory -- that BlackRock was acting in that way to encourage some changes to help reduce their risk - to reduce their probability of designated as SIFI. I'd just leave that as a theory, you know, for - to ponder. Don't know whether it's true or not, but that's a theory.

But I think that just those four companies -- if you were looking just at AUM, it would be hard pressed to see how FSOC designates those non-bank companies as SIFIs.

And as I said, only BlackRock and Charles Schwab have more than \$50 billion -- they all have more than \$50 billion, but only BlackRock fails the second part of the test - or fail is the wrong word, but triggers the second part of the test.

**Client:** Good morning gentlemen. I have a question regarding the basic assumption that the 2a-7 funds have argued that following the FCC's proposed changes.

What I'm wondering, though, is I've not heard anything from issuers of short-term, you know, commercial paper -- that type of thing -- how this would affect them. And my assumption is that, the cost for them to borrow funds would go way up if the - if indeed 2a-7 funds would be harmed by these new regulations -- people withdrawing assets -- that should increase the cost for issuers of commercial paper.

I'm curious why we haven't heard anything from them, against any kind of reform. If you could comment on that, I'd appreciate it. Thanks.

**Second expert:** Actually, Aaron, there has been some commentary by state and -- these state and local officials have testified in front of the congress that they're very concerned about the impact it would have on their ability to float short-term paper.

So you have had some of the end users -- I'm sorry, some of the issuers articulate both on the public side and on the private side have come out and said, "Look, this is going to have a very deleterious affect on our ability to sell short-term paper if you - if you limit what these folks can do."

And so in fact that - it proved very powerful with a number of the democrats who otherwise might have been - I suspect might have been inclined to support what was being proposed.

It gave them pause when they heard - when their state and local officials came calling and said, "Look, we're not going to be able to sell short-term paper if this stuff goes into effect."

And Jack Reed, most noticeably -- the chairman of the security sub-committee in the Senate -- I know is very - was very influential and moved by some of the Rhode Island officials that came in and talked to him.

And there are others who similarly were impacted by their state and local officials, as well as by private companies who articulated the same arguments.

**Scott Talbott:** Yes. State treasurers...

**Second expert:** Yes.

**Scott Talbott:** ...were very vocal in this fight...

**Second expert:** Absolutely.

**Scott Talbott:** ...as well as corporate treasurers.

**Bill Katz:** I just want to -- before I move on to my next question -- just sort of come back to the mentioning of BlackRock as a SIFI. But just sort of standing back, how attuned are the regulators to some of these asset managers that under the accounting, some investments really have minimal economic impact to the company, right?

A lot of these companies have CLO's and other investments where they only get a fraction of the economics, but just due to accounting standards they have to roll those assets up on the balance sheet.

So is there any gradations here of appreciation for the fact that BlackRock doesn't have \$50 billion of debt on their balance sheet, if you will?

**Second expert:** A couple things -- one, obviously BlackRock has not been designated yet...

**Bill Katz:** Right.

**Second expert:**...so just to make that clear. But I think that -- let me answer your question this way. If you are - the answer is yes. The process for designating a SIFI is that -- obviously the banks were already named.

But for the non-banks, the process is that the FSOC will notify a company that they have been so designated or they're about to be designated and they're - the FSOC's requesting more information from them.

If they get designated, the company will have an opportunity behind closed doors in camera to make their case - plead their case with the regulators about why they should not be designated as SIFI. If that internal private conversation doesn't go well and FSOC designates the company, then the company has an opportunity to sue in district court the designation and argue before a judge why they should not be designated as a SIFI. So through all of that process, which frankly, as you would expect, has started now as companies go in and talk with the Fed and others to make their case as the Fed makes - and the FSOC makes their decision.

Throughout that process, those gradations and many of the arguments that you laid out in terms of the accounting are being made by non-banks as well as insurance companies for that matter on other issues like separate accounts.

All of those arguments are being presented, whether they'll have any effect or not remains to be seen. This is a new process, the only thing we have from the regulators is the tests - the \$50 billion and then the additional tests that I mentioned, so we don't know for sure but my guess is their take - they the regulators are taking every factor into account.

What they're looking for ultimately is a company who its failure or either the material financial distress of a company or the size, scope, scale and inter-connectiveness could threaten the financial stability of the US. That's the ultimate test of what they're trying to discern. So all of those factors related to a company in terms of assets, liabilities, market position, inter-connectiveness will play into the regulators decision. I know it's the long way to answer your question so, but that's how I was thinking about it.

**Bill Katz:** Okay, so coming back to maybe the timing discussion here, you mentioned that, you know, trying to get some of these other companies designated (and accepted) by the end of the calendar year, but as we think through the money market reform, what are your thoughts in terms of milestones of what investors can look for in terms of any kind of decisions from any of these entities at this point?

**Second expert:** I mean I really think that the FSOC has some very, very difficult decisions ahead of it. As I indicated earlier, I think they're going to be very concerned that if they get sued that they have a very good chance of winning and I think they're going to be very reluctant to move in any direction where there's a high likelihood of them losing.

And that becomes problematic because each of these paths as we've discussed is fraught with peril, there are very strong arguments to be made - and each of these different paths by the way designate an industry or they designate individual firms - whether they try to go the utility route, each of them has vulnerabilities. And I think you're going to see that the FSOC is likely to go back and take one more bite, particularly in terms of the roadmap that Paredes and Gallagher laid out is going to go back one more time and try to get the SEC to take this up.

Again depending on the outcome of the elections and who's sitting in the various chairs of these various committees going down the road. So my sense of timing is this easily gets kicked into next year and how much beyond that depends entirely on who's sitting in those chairs and how much appetite those new occupants have for taking on this battle.

One thing we can stipulate to though is the Fed as folks are aware, have a long-term hostility to money market funds, they've tried to corral them now almost since their inception. And I think that institutionally the Fed's not likely to give up - that's going to be the driving force of this going forward with whatever happens at Treasury or some of the other entities out there. And as we've discussed, the Fed has some ability to unilaterally do things with respect to bank holding companies and some of the other companies affected to get some things done.

But some of these other items that we've discussed that have been on the table, the Fed cannot act unilaterally and cannot do them by themselves and what the appetite is for the ultimate - of the FSOC to move forward is very much in doubt.

**Scott Talbott:** And if Obama wins, Schapiro is still out and Geithner is still out so we'll have new personalities on the board. It will still be a three/two democratic majority if Obama wins and - but I don't know who the new Secretary - Treasury Secretary is. Somebody said Larry Fink is in the running - that would obviously shape these reforms going forward.

If Romney wins - Governor Romney wins then we'll expect, you know, the makeup of the SEC Board will shift to three/two Republicans and we'll have the more conservative Treasury Secretary. He's also about to replace Bernanke who's been an advocate for change here and that could change the program. I don't think we'll see anything substantive from anybody, either the SEC or the FSOC in this area.

We may see at best some sort of notice from the FSOC that they want to move - they're going to do something, they've made discussions about it, it was in their recommendations for going forward. But their recommendations, their annual report also said that they like 2a-7 and they think it's working just fine. So we could see something by the end of the year from the FSOC, some sort of indication that they would like to move forward, but that the makeup of the FSOC, including the CFPB hinges on the elections.

**Second expert::** I would add only that I want to remind people that just a Romney victory does not make this problem go away.

**Scott Talbott:** Yes.

**Second expert::** There's a substantial contingent that I indicated earlier, the Wall Street Journal editorial pages, other people on the right are very concerned about systemic risk and the ultimate cost to the tax payer. So simply being a republican victory here does not make this issue go away.

**Scott Talbott:** No but I think it just changes - you're right, I agree, it just changes the dynamic created...

**Second expert:** That's correct.

**Scott Talbott:** ...At best an x-factor in terms of how, you know, you need to know who's in those seats to be able to gauge their interest in this. And, what their political bent is and background.

**Second expert:** Right.

**Scott Talbott:** One other sort of wildcard I'll add is right now the Federal Deposit Insurance - FDIC, has provided unlimited insurance for the non-interest bearing accounts with - that's a current program, so many small banks have taken advantage of that and a number of large depositors have moved their money into small bank.

That unlimited deposit insurance for non-interest bearing accounts expires at the end of this calendar year and it will not be - most likely, 99% chance it will not be extended, so those monies will be - investors or depositors will have a choice of leaving their money uninsured at a smaller institution or move it someplace else. And so I would expect that we might see some of that money hit the money market funds as corporate treasurers and depositors look for a place to either invest or park their money.

**Second expert:** I concur with Scott Talbott's analysis there, I think it's a very important factor going forward.

**Scott Talbott:** And that ends at the end of this calendar year.

**Steve Fullerton, Citi:** Hi, yes I know your touched on the New York Times article about the possibility for the Fed to back door regulatory control by the client money markets as financial utilities - if you could just delve deeper into the likelihood and any possible timeline? I know with the election looking like it's pushed past that, but if you guys can just go in further detail on that.

**Second expert:** I'll lead off with that if I could Steve. As I said earlier, my sense is in talking to democratic council, this was not the intent of provision. And I think that particular course notwithstanding the New York Times articles is fraught with paralogically for the FSOC and I think they would think very long and hard before moving in that direction.

And my guess is without having talked to anybody - none of the decision makers in that area, the business juncture have not been willing to opine on what they're likely to do. My guess is that if that analysis is accurate, they're going to be very loathed to go down that path - I think it's probably the least likely of the various paths they might go down.

And as for timing I guess I don't think it's likely they'll go down it at all - as we've said all along, if there's anything the FSOC does, it sometime deep into next year.

**Scott Talbott:** Yes this is Scott Talbott I would just add the FSOC has already designated eight financial market utilities that in the middle of July and they tagged clearinghouse CME and ICE and others. The strong argument can be made that Dodd-Frank specifically excludes investment companies from the market utility designation.

So I think FSOC has already acted here, I think it's by designating the other eight, I think their authority to act is as best unclear and it - at worse, they are prohibited from contemplating investment companies as market utilities. So it's very unlikely that they would act, if they did - if they could signal something by the end of the year, but I would give that a very low probability they would take that route.

**Second expert:** And it would certainly invite a legal challenge.

**Male:** For what it's worth, the four factors - four market utility are aggregate exposure to counterparties, relationship interdependencies or other interactions of the utility with other utilities in terms of payment clearing and settlement and then go back to the test of material financial distress or side-scope in inter-connectiveness to threaten the financial stability of the US. Hard-pressed to see how money markets set within that - those designations.

**Abbes Mohib:** Thank you very much for taking my question, can you please elaborate on why you feel there's a 99% certainty that the FDIC insurance will expire at year-end?

**Scott Talbott:** I think that the program is viewed by republicans who can - will still control the House and many in the Senate that it is a government back-stop, it is a government welfare program for banks. And republicans have made a huge campaign plank out of ending all government-assistance programs, especially bailouts and is being - this program is viewed as such, so there is no movement of foot - serious movement of foot to move a bill to extend the program.

If it did get extended, again 1% chance it would have to be included in some sort of big (omnibus) bill, but as I said there's - the House republicans are not in favor of it, the bulk of them are. There are many in the Senate on both sides who do not favor extending the program going forward. Smaller banks obviously favor, you know, continuance, large banks generally speaking are not in favor of it so you don't have agreement about moving forward.

**Second expert::** I concur with Scott Talbott's analysis entirely, the republicans are not going to go along with this - notwithstanding all their small bank friends jumping up and down about it.

**Scott Talbott:** Yes.

**Neil Stratton, Citi:** Both of you mentioned that there would be stiff legal response, if there was a designation of industry - or firms as SIFIs. What are the specific sort of arguments behind that legal response?

**Second expert:** Sure, well I mean I think the arguments go to impact, the arguments go to things like - I think firms are going to argue that money market funds in and of themselves are not systemically significant - not systemically risky. I think they're going to counter point-by-point all the arguments the Fed and others have made and I think the industry has a strong case to be made.

As you are probably aware, there's quite a dispute that's raging currently over Mary Schapiro's purported study which demonstrated 300 instances of supposed bailouts of funds by parents. The industry has some very good responses, I think just offhand I just learned that some of the designations were incorrect in terms of number and one case I know that one firm indicated they put \$1 million in and the SEC study purported to show that \$1 billion was placed in the funds.

And I had comments from at least one democratic senior staffer in response to that saying, look I don't see how the Fed relies upon this study as a justification for designating funds systemically significantly when there's all of this methodology which is clearly problematic and in many instances absolutely incorrect. And so I think the industry's prepared to wage that battle based on the evidence and that the case has not been made for designating any of these things that's systemically significant.

**Scott Talbott:** I would just add it's not exactly on point in terms of the legal arguments that the company would advance, but when the SEC rolled out its Proxy Access Rule, the Chamber of Commerce successfully sued to overturn that rule and the arguments they made were that the SEC did not do the research, did not do the homework around the Proxy Access Rule and it would do more harm than good.

Now as I said, those aren't exactly on point, it's hard to argue but that it would do more harm than good to designate a company as a SIFI, but they could come in and argue that the FSOC hadn't done its homework, hadn't demonstrated that the - their best arguments are going to be on the lines that the SEC - the FSOC is wrong and that designating this company as a SIFI does not pass the test of side scope, scale, inter-connectiveness - it could threaten the financial stability of the US.

They could make a number of substantive arguments, specifically as it relates to AUM, depending on who the company is that, you know, the FSOC may counter a rejoinder that there are other reasons they designate them as a SIFI, but specifically based on AUM they would go - I would expect the company so-designated to go after the FSOC's reasoning around AUM.

**Second expert:** I would add only that I agree with Scott Talbott with respect to the tendency of the Federal Courts which for years gave a great deal of deference to Federal financial services regulators. That deference has all but disappeared and the chambers sought on the Proxy Access Rules is just but one example of that.

The SEC has been overturned in two or three instances in recent years and I think that the notion that there ought to be a cost benefit analysis and that there ought to be demonstrates that proper research has been done and justification given and that more good than harm is going to be done, all are powerful and persuasive arguments - not to all but to a number of different Federal and appellate court judges.

And I think the industry would be well advised to rely heavily upon those sorts of analysis and utilize those arguments so any lawsuits they might like to bring. I wouldn't discount it, it's not boilerplate, it's very real and the courts have paid an awful lot of attention to it - or a number of courts have paid attention to it in any event.

**Client:** Yes, thanks for taking my question - I just had a question regarding Section 113 with the SIFI definition, now it's our understanding that that only applied at the fund company level. So whereas a firm like BlackRock may have, you know, total consolidated money markets, well north of \$50 billion, it would only apply to the individual funds that have any more of \$50 billion, is that correct?

**Second expert:** They could designate BlackRock as a company - non-bank in - terms of how we actually designate - or when you get down to the details, it's still a little bit murky. They can designate individual funds or large fund managers, they can't designate obviously the market as we said. But as far as the intersection between, you know, your question it remains to be seen - we don't know, this is new territory.

**Scott Talbott:** I agree, a lot of this is case of first impression - from the exact parameters of what the FSOC can and can't do have yet to be delineated beyond the point - the black letter text of Dodd-Frank.

**Bill Katz:** Okay well I think we're getting to end of time now, so Scott Talbott and <second expert> thank you very much for taking some time out today, I think it's been a very insightful conversation and I guess to be determined is probably the right way to think about things right now. So thank you everyone. As a reminder there is a replay that will be available for about 14 days from today, if anybody needs more information, make sure you get a hold of Citi sales person and my direct number is 212-816-5394. And that concludes today's call, thank you very much everybody.

**Operator:** And once again that does conclude today's conference, we'd like to thank everyone for their participation.

## Speaker Bios

### Scott Talbott

Scott is Senior Vice President for Public Policy at The Financial Services Roundtable, where he manages the daily legislative and regulatory advocacy efforts on behalf of the largest financial services firms in the country. He also serves as counsel to the organization, runs the Roundtable's Political Action Committee, and manages the Roundtable's relationships with the national media, and is regularly quoted. He has been named top lobbyist by three independent press organizations. Scott is working with many in the industry on money market reform with members of both the SEC and FSOC.

Companies mentioned: (AIG.N; US\$34.75; 2); (BLK.N; US\$179.73; 2); (CME.O; US\$56.28; 1); (FII.N; US\$21.57; 1); (IVZ.N; US\$24.66; 1); (LM.N; US\$25.55; 1); (SCHW.N; US\$13.81; 2); (AMG.N; US\$119.99; 1); (KKR.N; US\$14.20; 1); (OZM.N; US\$8.80; 1); (WETF.O; US\$6.69; 1); (AB.N; US\$14.39; 1)

## Appendix A-1

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