Treasury Releases Third Report On The Administration’s Core Principles For Financial Regulation

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WASHINGTON – The U.S. Department of the Treasury today released a report that examines the current regulatory framework for the asset management and insurance industries and makes recommendations to ensure the regulatory framework is aligned with the Administration's Core Principles for financial regulation.

Treasury's evaluation focuses on four key areas: the proper evaluation of systemic risk, ensuring effective regulation and government processes, rationalizing international engagement, and promoting economic growth and informed choices.

"The regulatory framework for both the asset management and insurance industries can be significantly improved," said Treasury Secretary Steven T. Mnuchin. "We are recommending more efficient and effective regulation to give consumers access to the products they need while providing individuals with opportunities to save for retirement."

This report was in response to Executive Order 13772, issued by President Trump on February 3, which calls on Treasury to identify laws and regulations that are inconsistent with the Core Principles for financial regulation set forth in the Executive Order.

The U.S. asset management and insurance industries are the global leaders in promoting vibrant capital markets and diverse investment opportunities, and ensuring Americans can safeguard themselves, their property, and their businesses against unexpected events. Nine of the top 10 global asset managers are headquartered in the United States. Further, the U.S. insurance market is the largest in the world, representing 29% of the global market. In the report, Treasury identifies numerous ways to improve the regulatory framework for asset managers and insurance companies, and the products and services they offer, including:

· Supporting activities-based evaluations of systemic risk in the asset management and insurance industries;

· Improving coordination between the Federal Insurance Office and state insurance regulators;

· Continuing engagement in international forums to promote the U.S. asset management and insurance industries and the U.S. regulatory framework;

· Increasing transparency of the international standard-setting processes;

· Promoting strong liquidity risk management programs for asset managers and insurance companies;

· Modernizing fund shareholder reports to permit the use of implied consent for electronic disclosures;

· Delaying the implementation of the Department of Labor's (DOL) fiduciary rule pending further evaluation by the DOL, the Securities and Exchange Commission, and the states; and

· Promoting infrastructure investment by insurers through appropriately calibrated capital requirements.

Additionally, Treasury found areas to improve the efficiency of regulations and government processes, including:

· Adopting a principles-based approach to liquidity risk management rulemaking for registered investment companies;

· Moving forward with a rule for the approval of "plain vanilla" exchange-traded funds;

· Realigning the role of the Federal Insurance Office around five pillars of focus, and improving its coordination with state insurance regulators and transparency with the insurance industry;

· Reducing duplicative and inefficient oversight of savings and loan holding companies that own insurance companies, by improving coordination and collaboration between the Board of Governors of the Federal Reserve System and state insurance regulators; and

· Adopting uniform state data security standards and breach notification requirements based of the National Association of Insurance Commissioners' Insurance Data Security Model Law.

Additional recommendations include:

· Amending rules to avoid dual registration requirements for investment companies;

· Increasing consumer choice by allowing annuities as investment options for employer-sponsored retirement plans;

· Supporting legislative action to eliminate the statutory stress testing requirement for investment advisers and investment companies;

· Convening a federal agency-wide task force to focus on policies related to long-term care insurance;

· Reconsidering the Department of Housing and Urban Development's disparate impact rule and its impact on the availability of insurance;

· Coordinating insurance regulations to reduce or eliminate inconsistencies between existing data calls on terrorism risk insurance; and

· Improving information sharing within the insurance industry.

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