The FSB published its policy recommendations on asset management last week, which include specific recommendations to align reporting and prudential tools for non-banks to that for banks as a means of monitoring and addressing risks stemming from SFT indemnification practices. The recommendations form part of a wider assessment of structural vulnerabilities in asset management. The full document can be found here **http://www.fsb.org/wp-content/uploads/Asset-Management-Press-Release.pdf**. (Section 5 relates to the provision of indemnifications by asset managers and can be found on page 35 onward.)

The main residual risks identified relate to indemnification practices, which in the FSB's view could quickly present a systemic issue of a global scale. Specifically:

- Potential losses associated with indemnification-related exposures – Banks are subject to capital requirements against potential losses from indemnification whilst asset managers and other non-banks are not.
- Opacity risk– whilst some jurisdictions require publically traded funds to disclose indemnification and the FSB recommends that bank-affiliated funds disclose, these requirements are again asymmetric in that they do not apply to other types of financial institutions.

Recommendation to address securities lending activities of asset managers and funds
Recommendation 14: Authorities should monitor indemnifications provided by agent lenders/asset managers to clients in relation to their securities lending activities. Where these monitoring efforts detect the development of material risks or regulatory arbitrage that may adversely affect financial stability, authorities should verify and confirm asset managers adequately cover potential credit losses from the indemnification provided to their clients

The FSB Data Experts Group will also be asked to consider whether additional metrics should be added to current SFT data collection and aggregation standards, though the timeframe for any such new data requirements would be after the end-2018 implementation deadline of the current recommendations. This is coupled with a renewed call for timely implementation of its current policy recommendations on SFT transparency, as well as on minimum mandatory haircuts and cash collateral re-use.