BlackRock

May 14, 2026

Financial Stability Oversight Council
Attn: Eric Froman
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

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

Re: Proposed Interpretive Guidance on the Authority to Require Supervision and Regulation of Certain Nonbank Financial Companies

Dear Mr. Froman:

BlackRock, Inc. (together with its affiliates, "BlackRock")[1] appreciates the opportunity to respond to the Financial Stability Oversight Council's ("FSOC") proposed interpretive guidance relating to the designation of nonbank financial companies ("NBFIs").[2] The Proposed Interpretive Guidance provides important insight into how FSOC intends to identify, assess, and address potential risks to U.S. financial stability, including through its framework for evaluating whether NBFIs should be subject to enhanced prudential supervision.

I. Executive Summary

BlackRock supports the Proposed Interpretive Guidance and believes it represents a meaningful improvement over the interpretive guidance published by FSOC in 2023.[3] As discussed in BlackRock's 2023 comment letter,[4] the 2023 Interpretive Guidance deprioritized FSOC's use of an activities-based approach when assessing NBFI determinations, thereby increasing reliance on its authority to subject NBFIs to prudential supervision without sufficient consideration of whether risks could be addressed prior to designation. The Proposed Interpretive Guidance appropriately addresses these concerns by reprioritizing an activities-based approach to the NBFI determination process and by seeking to enhance coordination with primary regulators through key procedural mechanisms prior to NBFI designation.

BlackRock supports FSOC's reprioritization of an activities-based approach and believes it is particularly important in the context of the asset management industry. As

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[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 pension plans, endowments, foundations, charities, official institutions, insurers, and other financial institutions, as well as individuals around the world.

[2] *Authority to Require Supervision and Regulation of Certain Nonbank Financial* Companies, 91 Fed Reg 15553 (March 30, 2026) (the "Proposed Interpretive Guidance"). For purposes of this letter, we use "NBFI" to refer to nonbank financial companies, also known as nonbank financial institutions.

[3] *Guidance on Nonbank Financial Company Determinations*, 88 Fed. Reg. 80120 (November 17, 2023) (the "2023 Interpretive Guidance").

[4] BlackRock, Inc., Comment Letter on FSOC Proposed Guidance and Analytic Framework (July 27, 2023) (the "2023 BlackRock Comment Letter"), available at blackrock-comment-letter-fsoc-request-for-comment-fsoc-20230001-and-fsoc-20230002.pdf.

discussed in more detail below, the structure and regulatory framework applicable to asset managers is fundamentally different than that of balance sheet–based financial institutions. It is therefore vital that the designation process account for these differences so that FSOC may ensure any regulatory measures are necessary and proportionate to address risks to U.S. financial stability in light of the meaningful costs that designation could impose on investors and markets.

BlackRock supports the Proposed Interpretive Guidance's introduction of a more defined procedural framework that provides NBFIs and their primary financial regulator with a clear opportunity to engage with FSOC to address identified risks prior to any designation. A structured engagement process can improve transparency and support FSOC in its ability to identify, assess and respond to threats to U.S. financial stability. BlackRock also supports the reinstatement of a cost-benefit analysis as a core component of the designation framework. We agree with FSOC that it should only make a designation under section 113 if the expected benefits justify the expected costs that a determination would impose.[5] We believe, however, that it is critical for FSOC to specifically identify the consequences of designation so that it may analyze whether the benefits of imposing prudential standards outweigh the costs associated with their implementation.[6] Greater specificity regarding the nature and calibration of Federal Reserve supervision would support more meaningful analysis and more informed engagement among FSOC, NBFIs, and their primary financial regulator.

Finally, BlackRock appreciates FSOC's efforts to refine its analytical framework for assessing potential vulnerabilities to financial stability. While this represents a constructive step, additional clarity regarding how certain vulnerabilities are defined and applied across different NBFI business models would support consistent and effective implementation.

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

II. Nature of the Asset Management Industry

The universe of NBFIs is highly heterogeneous, including investment banks, asset managers, insurers and re-insurers, hedge funds, various asset class/investment strategy focused collective investment funds, sovereign wealth funds, pension plans, family offices, digital asset firms, clearinghouses, custodians, electronic trading platforms, index providers, rating agencies, broker-dealers, mortgage servicers and still more. Any comprehensive assessment of risks to U.S. financial stability must therefore account for the distinct structure, business model, and regulatory framework of each type of NBFI. While FSOC's Proposed Interpretive Guidance does not distinguish among different types of NBFIs, we focus our comments on the application to, and the implications for, the asset management industry.

Asset managers operate under an agency-based model that differs fundamentally from balance sheet–based financial institutions (like banking organizations), shaping how risk is created, managed, and transmitted. As an asset

[5] Proposed Interpretive Guidance at 15555.

[6] 2023 BlackRock Comment Letter at 3.

manager, BlackRock serves as an agent who invests on behalf of its 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 a client's (which may be pooled fund) 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 structural characteristics distinguish asset managers from institutions that rely on leverage, maturity transformation, or runnable liabilities as core features of their business models. As a result, distress at an asset manager does not typically result in disruptions to critical financial functions attributable to the manager itself.

These features have contributed to the resilience of the asset management model across multiple periods of market stress, including the 2008 Global Financial Crisis ("GFC") and the market volatility of March 2020. Moreover, asset managers are subject to a comprehensive regulatory framework, discussed below, that further mitigates potential sources of financial instability. Their structure, supplemented by a significant regulatory framework, underscores the importance of FSOC's activities-based approach to identifying and assessing risks to U.S. financial stability.

III. Role of Regulation of Products and Activities in Strengthening the Financial System

The U.S. regulatory framework governing asset managers is comprehensive and well designed to address the core drivers of financial risk at the product and activity level. This framework has evolved over the near century since its inception in the wake of the Great Depression. Through the Investment Company Act of 1940 (the "1940 Act") and the Investment Advisers Act of 1940 (the "Advisers Act"), Congress established a comprehensive regulatory framework that supports an adviser's fiduciary duties and product-level safeguards including asset custody, valuation, liquidity and derivatives risk management, transparent disclosure, adoption of compliance policies and procedures and independent board oversight of the adviser responsibilities, fees and conflicts of interest. The core features of these regulations were further strengthened by the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") and subsequent rulemakings, which enhanced transparency, reinforced risk management practices, and improved oversight of potential systemic risks, thereby reducing the likelihood that stress within funds or asset managers can be transmitted more broadly through the financial system.

Asset managers are primarily regulated by the Securities and Exchange Commission ("SEC") through a layered regime that combines fiduciary obligations at the adviser level with product-level regulation. Advisers are subject to fiduciary duties under the Advisers Act, including obligations to act in clients' best interests, manage conflicts, provide full and fair risk disclosure, and ensure ongoing oversight.[7] These

[7] *See generally*, Investment Advisers Act of 1940, 15 U.S.C. §§ 80b-1 to -21 (2025).

obligations are reinforced by a host of other compliance and disclosure requirements, all of which are subject to regular examination by the SEC.[8]

At the product level, registered funds are subject to rules that directly address key financial stability risks. Liquidity risk is governed by the 1940 Act Liquidity Risk Management Rule, which requires open-end funds to implement liquidity risk management programs, classify assets by liquidity, limit illiquid investments, and monitor liquidity on an ongoing basis.[9] These requirements are designed to align portfolio liquidity with redemption obligations and reduce the risk of disorderly asset sales. Separately, derivatives use is governed by the 1940 Act Derivatives Risk Management Rule, which imposes a value-at-risk–based limit on fund leverage and requires funds to maintain derivatives risk management programs, including stress testing and board oversight.[10] These requirements constrain excessive leverage and promote consistent risk controls across funds. Also notable is the 1940 Act Fund Valuation Rule, which establishes a structured framework for fair value determinations[11] and portfolio construction requirements under the 1940 Act Names Rule, which requires funds to align their investments with their stated strategies.[12]

We remain supportive of the focus and efforts by the SEC and other financial regulators to further advance the goals of promoting market discipline and responding to emerging risks to investors and the financial system as a whole. Taken together, the agency-based structure of asset managers and the regulatory framework that overlays it operate to isolate, rather than amplify, financial risk. Therefore, any assessment of potential systemic risk should account for both the inherent structural characteristics of the asset management industry and the role of existing regulation.

IV. Activities-Based Approach

The Proposed Interpretive Guidance seeks to recognize the structural distinctions and separate regulatory frameworks applicable to NBFIs by reprioritizing an activities-based approach as the foundation for FSOC's assessment of potential risks posed by NBFIs to U.S. financial stability. In doing so, it largely reestablishes the structure of the interpretive guidance published by FSOC in 2019[13] by reaffirming the primacy of an activities-based approach and clarifying that FSOC should first identify risks arising from specific products, activities, or practices and work through primary regulators to address those risks before considering designation.[14] This key change recognizes the variety of business models across NBFIs and could help ensure that

[8] *See generally*, 17 CFR 275.204-1 through 2206(4)-2.

[9] *Investment Company Liquidity Risk Management Programs*, 17 C.F.R. § 270.22e-4.

[10] *Use of Derivatives by Registered Investment Companies and Business Development Companies*, 17 C.F.R. § 270.18f-4 (2026) (the "SEC Derivatives Rule" or the "Derivatives Rule").

[11] Good Faith Determinations of Fair Value, 17 C.F.R. § 270.2a-5 (2026).

[12] *Investment Company Names*, 17 C.F.R. § 270.35d-1 (2026).

[13] *Authority To Require Supervision and Regulation of Certain Nonbank Financial Companies*, 84 Fed. Reg.71740 (December 30, 2019) (the "2019 Interpretive Guidance").

[14] The Proposed Interpretive Guidance at 15553-54.

financial stability risks are identified and mitigated at their source through appropriately tailored regulation issued by their primary financial regulator.

FSOC's 2023 Interpretive Guidance departed from this proposed framework by removing key elements of the 2019 Interpretive Guidance, including the prioritization of an activities-based approach and the expectation that FSOC would first consider whether existing regulatory authorities could address identified risks.[15] It also reduced procedural safeguards and transparency while increasing reliance on entity-level designation.[16] As a result, the 2023 Interpretive Guidance created a risk that NBFIs could be designated as systemically important without a clear assessment of whether the underlying risks could be more appropriately addressed through regulatory measures developed and implemented by the NBFI's primary financial regulator, which is typically best positioned to oversee the relevant NBFI and their activities.

The move away from an activities-based approach in 2023 was particularly concerning in the context of the asset management industry. As discussed above, the asset management model differs fundamentally from balance sheet–based institutions, and risks are typically borne by clients and contained within regulated investment vehicles or separate accounts. The approach taken in the 2023 Interpretive Guidance risked mischaracterizing how risk is created and transmitted in this model and could result in the application of prudential standards that are not well-suited to addressing the risks—or lack thereof—of the underlying activities.

The Proposed Interpretive Guidance also introduces additional enhancements that we believe will further improve the effectiveness and durability of the framework when paired with an activities-based approach. These include a more clearly defined threshold for what constitutes a threat to U.S. financial stability,[17] the introduction of a pre-designation procedural mechanism that provides NBFIs with the opportunity to take steps to avoid designation,[18] and strengthened mechanisms for interagency coordination.[19] Taken together, these changes may enhance FSOC's ability to identify

[15] 2023 Interpretive Guidance (stating, "the Final Guidance puts the Council's designation authority on equal footing with its other powers" at 80111; and, stating, "However, the statute does not contemplate that one of the Council's authorities takes precedence over others, or that the Council must make recommendations to existing regulators before commencing a review of a company for potential designation. Financial crises have illustrated the importance of ensuring that the Council can exercise its authorities as needed." at 80119).

[16] *See* 2023 BlackRock Comment Letter at 4-5.

[17] *Id* at 15556. Under the proposed interpretive guidance FSOC would, for purposes of section 113 of the Dodd-Frank Act, consider a "threat to financial stability of the United States" to mean, consistent with its interpretation of the term in the 2019 Interpretive Guidance, "the threat of an impairment of financial intermediation or of financial market functioning to a degree that would be sufficient to inflict severe damage on the broader U.S. economy." *Id*.

[18] *Id* at 15557. FSOC introduces a new procedural step to its administrative process for NBFI determinations. Specifically, the interpretive guidance states that FSOC intends to identify steps an NBFI or financial regulatory agency could take to address a potential threat to U.S. financial stability and provide a period of 180 days for such risk to be addressed, prior to any designation. *Id*.

[19] *Id* at 15563. When describing Step Two of the activities-based approach, FSOC states that they will work with the relevant financial regulatory agencies at the federal and state level to respond to potential risks to financial stability. Importantly, FSOC proposed to explicitly state within the guidance that "[t]he goal of this step would be for existing regulators to take appropriate action, such as modifying their regulation or supervision of companies or markets under their jurisdiction in order to mitigate potential risks to U.S. financial stability identified by FSOC. FSOC is also proposing to add a procedural step to apply in the event

risks to financial stability and develop regulatory responses to such risks that appropriately account for the costs and burdens to the broader economy and regulated entities. A framework that prioritizes activities-based analysis and regulatory coordination is more likely to produce consistent, tailored, and effective outcomes across a diverse set of market participants and financial products.

BlackRock supports the Proposed Interpretive Guidance's reprioritization of an activities-based approach and believes it represents a meaningful improvement over the 2023 Interpretive Guidance. The return to an activities-based approach, paired with other key proposed procedural enhancements, will help ensure that designation is used only where risks cannot be effectively addressed through existing regulatory or supervisory tools employed by the NBFI's primary regulator, which is best positioned to address such risks.

V. Regulatory Engagement and the Availability of a Meaningful Process to Avoid Designation

A designation framework that prioritizes an activities-based approach should provide NBFIs with a meaningful opportunity to engage with their primary financial regulator and FSOC to address identified financial stability risks prior to any designation. The Proposed Interpretive Guidance supports this objective by introducing a more structured engagement process, helping to ensure that designation is used only where other measures prove insufficient.[20]

While the 2023 Interpretive Guidance contemplated FSOC's engagement with NBFIs and their financial regulators, it did not establish a defined process for incorporating the results of such engagement into designation decisions. In particular, the guidance did not formalize: (i) how FSOC would engage with an NBFI's primary financial regulator when identifying potential risks at the outset of the designation process, or (ii) how engagement during the designation process could provide a meaningful pathway for an NBFI to address identified risks and avoid designation.[21] By

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that FSCO commences a process to act to address a potential risk to U.S. financial stability. In this case, FSOC will notify an existing financial regulatory agency in writing of the potential risk and request a written response regarding actions the agency proposes to take to address the risk. *Id*.

[20] *Id*. (stating, "The Council would pursue entity-specific determinations… only if a potential risk… cannot be, or is not, adequately addressed through an activities-based approach" *Id.*; FSOC would "prioritize its efforts… through a process that begins with an activities-based approach" *Id.*; The Council proposes to make a designation under section 113 only if the expected benefits justify the expected costs that the determination would impose." *Id*).

[21] In the 2023 Interpretive Guidance, FSOC describes the process for engaging with primary financial regulators as follows: "For any company under review in Stage 1 . . . the Council will . . . consult with the primary financial regulatory agency, if any, of each significant subsidiary of the nonbank financial company, ***to the extent the Council deems appropriate in Stage 1***. The Council will actively solicit the regulator's views regarding risks at the company and potential mitigants or aggravating factors. In order to enable the regulator to provide relevant information, the Council will share its preliminary views regarding potential risks at the company, if any and to the extent practicable, and request that the regulator provide information regarding those specific risks, including the extent to which the risks are adequately mitigated by factors such as existing regulation or the company's business practices. During the determination process, the Council will encourage the regulator to address any risks to U.S. financial stability using the regulator's existing authorities; if the Council believes regulators' or the company's actions have adequately addressed the potential risks to U.S. financial stability the Council has identified, the Council

removing key elements of the 2019 Interpretive Guidance—including the expectation that FSOC would work through an NBFI's financial regulators pursuant to an activities-based approach—the 2023 Interpretive Guidance reduced procedural clarity around both the identification and mitigation of risks.[22] As a result, it created uncertainty as to whether engagement or remedial actions would impact FSOC's determination process.

The Proposed Interpretive Guidance meaningfully addresses these shortcomings by introducing a more defined procedural mechanism governing FSOC's engagement with the NBFI's financial regulator including the addition of a prescribed time period for NBFIs to potentially avoid designation through remedial action. Specifically, under the Proposed Interpretive Guidance, FSOC would provide: (i) an NBFI's financial regulator with notice of the risks that it believes the NBFI is posing to the financial system and request a written response regarding the actions the agency proposes to take to address the potential risk, the anticipated effects of such actions, and the expected timeline for implementation,[23] and, (ii) the NBFI with an opportunity to address identified risks through remedial action prior to any final designation determination.[24] This process would include a period of 180 days during which the NBFI and its financial regulator may engage with FSOC to evaluate the identified risks and consider potential mitigating actions that could obviate the need for proceeding further through the designation process.

BlackRock supports FSOC's proposed procedural mechanism aimed at formalizing pre-designation regulatory engagement. A defined engagement period, combined with coordination through and with the NBFI's primary financial regulator, should improve transparency and create a more effective process to address potential risks to U.S. financial stability and that is tailored to the NBFI's business model. At the same time, the Proposed Interpretive Guidance could benefit from additional clarity. In particular, it is not clear that ongoing, good-faith engagement—independent of fully implemented remedial measures—can support a decision not to proceed with designation. The guidance may be read to suggest that the absence of completed

may discontinue its consideration of the company for a potential determination . . . ." [***Emphasis added***]. 88 Fed Reg 80129.

[22] *Id* at 80111. When describing the Council's reasoning for the change from the 2019 Interpretive Guidance, FSOC stated, "[b]y prioritizing other approaches to mitigating risks to financial stability, the 2019 Interpretive Guidance generally allowed the Council to consider a nonbank financial company for potential designation only after the Council completed a multi-step process in which the Council would wait for existing regulators to address identified risks to financial stability, obstructing the Council's ability to respond to risks to financial stability in a timely fashion." *Id*.

[23] *Id* at 15562 (stating, "Alternatively, in certain cases, the Council may commence a process for Council member agencies to act to address a potential risk to U.S. financial stability. In these cases, the Council will notify an existing financial regulatory agency in writing of the potential risk to U.S. financial stability. The Council will request a written response from the agency within a specified period regarding the actions the agency proposes to take to address the potential risk. The agency will be expected to provide detailed information to the Council regarding its proposed actions, their anticipated effects, and the expected timeline for implementation.").

[24] *Id* at 15565-66. FSOC described the procedural mechanism as follows: "[b]ased on the preliminary evaluation in Stage 1, the Council intends to identify steps a nonbank financial company or financial regulatory agencies could take to address a potential threat to U.S. financial stability. Subject to any necessary administrative procedures required to remediate the risk, the Council generally expects material risks to U.S. financial stability to be addressed within 180 days."

remediation within the 180-day period may weigh in favor of designation, even where engagement is active and progressing.

To address this, we recommend including a clearly articulated mechanism to extend the 180-day engagement period where the NBFI, in coordination with its primary financial regulator, is actively engaged and demonstrating progress toward identifying or implementing measures to mitigate the identified risks. Providing this additional clarity and flexibility would better align the framework with its objective of addressing risks through a pragmatic process that allows time for firms and their primary regulators to develop and implement appropriate mitigating measures.

These key changes could serve to strengthen incentives for early and constructive engagement and support FSOC's role in identifying and addressing potential risks to U.S. financial stability while ensuring that designation is used only where other existing supervisory tools are not sufficient.[25]

VI. Reinstatement of Cost-Benefit Analysis Improves the Determination Process but Requires Greater Specificity on the Consequences of Designation

Where designation remains under consideration following engagement with the NBFI's financial regulator, a rigorous cost-benefit analysis is essential to ensure that designation is necessary and proportionate to the expected benefits to U.S. financial stability.[26] BlackRock therefore supports FSOC's reinstatement of the cost-benefit analysis as a critical component of the NBFI designation process.

The Proposed Interpretive Guidance appropriately recognizes that any determination to subject an NBFI to prudential supervision should be informed by a careful evaluation of both the expected benefits to U.S. financial stability and the expected costs that the determination would impose on the NBFI, its clients and the broader U.S. economy.[27] Under the Proposed Interpretive Guidance, FSOC would consider direct and indirect costs of enhanced prudential standards—such as risk management requirements, supervision and examination, compliance and reporting obligations, and potential impacts on a firm's business model—as well as broader effects on liquidity, market efficiency, and the availability of financial products and services.[28]

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[25] In addition to the changes recommended in this section, we believe that FSOC should also restore language included in it's 2019 Interpretive Guidance explicitly stating that FSOC would consider an NBFI for a potential determination "only in rare instances." *See*, 2019 Interpretive Guidance at 71761. Reinstating this language from the 2019 Interpretive Guidance can help make clear that FSOC will use it's NBFI designation authority only where other existing supervisory tools are not sufficient.

[26] *Id* at 15563.

[27] *Id* (stating, "With respect to the costs of a Council determination, the Council will consider the costs of the determination itself, both to (1) the nonbank financial company due to additional regulatory requirements resulting from the determination, including the costs of the prudential standards adopted by the Federal Reserve under section 165 of the Dodd-Frank Act; and (2) the U.S. economy, including potential impacts on economic growth and economic security.").

[28] *Id*.

This approach represents a meaningful improvement over the 2023 Interpretive Guidance, which did not require FSOC to weigh the costs and benefits of designation.[29] As we noted in the 2023 BlackRock Comment Letter, the absence of a cost-benefit framework reduced analytical rigor and increased the risk that designation could impose significant costs without a commensurate reduction in systemic risk.[30] Its absence also limited the ability of NBFI and its primary financial regulator to engage constructively with FSOC on the necessity and proportionality of potential designation.

At the same time, however, the Proposed Interpretive Guidance provides limited clarity regarding the specific prudential standards that would apply following designation. While the proposal identifies broad categories of costs,[31] it does not specify which prudential standards would actually apply if an NBFI were subjected to Federal Reserve supervision.[32] As a result, the cost-benefit analysis lacks the specificity necessary to support a meaningful 'pre-designation' assessment of the costs associated with designation. To ensure an accurate assessment of the cost, we believe FSOC could identify, in advance of any designation, the types of prudential standards that could apply and how those standards are intended to address the specific risks identified. This could include greater clarity regarding potential capital, liquidity, leverage, stress testing, governance, and reporting requirements, as well as how such requirements would be tailored to different business models, including asset managers.

Providing this additional level of specificity could further improve the efficiency and effectiveness of the designation process. We believe it would enable a more accurate assessment of the costs of designation and clarify how designation is expected to mitigate identified risks. Furthermore, this information could help facilitate more effective engagement between the NBFI and its primary financial regulator and aid such regulator's assessment of the actions it might take to address system-wide risk. It could also allow similarly situated NBFIs to take proactive steps to mitigate risks prior to the initiation of the determination process, thereby enhancing financial stability without regulatory action.

Overall, BlackRock supports the reinstatement of cost-benefit analysis, views it as a critical element of a transparent framework and believes additional clarity could

[29] 88 Fed Reg 80121 (November 17, 2023). FSOC stated that, the "Council would not conduct a cost-benefit analysis prior to a designation of an" NBFI.

[30] 2023 BlackRock Comment Letter at 13-14.

[31] FSOC stated that it will consider costs to the company arising from anticipated new or increased regulatory requirements resulting from the determination related to: (i) risk-management requirements, such as the costs of capital planning and stress testing; (ii) supervision and examination, such as compliance costs to the firm of additional examination and supervision; (iii) increased capital requirements; (iv) liquidity requirements, such as the opportunity cost from any requirement to hold additional high-quality liquid assets, relative to the company's current investment portfolio. *See*, 2026 Proposed Interpretive Guidance at 15564.

[32] The Proposed Interpretive Guidance does not specify the prudential requirements that would apply to an NBFI if a determination occurs. Rather, FSOC states "[b]ecause the Federal Reserve is required to tailor prudential standards to a nonbank financial company subject to a Council determination after the Council has made a determination regarding the [NBFI], the new regulatory requirements that result from the Council's determination will not be known to the Council during its analysis of the [NBFI]." Proposed Interpretive Guidance at 15563.

enhance the effectiveness of the framework by enabling a more meaningful assessment of the costs and benefits of designation.

VII. Refinements to the Analytical Methodologies Would Benefit from Greater Clarity and Consistency Across Vulnerabilities

Clear and consistently applied analytical methodologies for financial stability are essential to ensuring that FSOC's designation process is appropriately tailored to balance the broader impacts of NBFI designations while effectively advancing its statutory mandate to identify, assess and respond to threats to U.S. financial stability. The Proposed Interpretive Guidance updates FSOC's list of the types of vulnerabilities that most commonly contribute to potential risks to U.S. financial stability by removing certain categories and introducing new considerations, including asset valuation and vulnerabilities related to economic growth and economic security.[33] These changes represent a partial return to the structure of the 2019 Interpretive Guidance, while incorporating elements of the 2023 Interpretive Guidance.

BlackRock supports FSOC's efforts to refine and strengthen the list of vulnerabilities. We believe, however, that the framework could benefit from greater clarity regarding newly proposed vulnerabilities and more explicit recognition of the existing regulatory regimes that address core risks. Consistent with an activities-based approach, FSOC should assess all of the identified vulnerabilities (whether new or existing) in light of the structure, business model, and regulatory framework applicable to the relevant NBFI.

A. Leverage

BlackRock believes that leverage is best assessed at the level of specific activities and products and in the context in which it is employed. In this respect, leverage may be more appropriately evaluated alongside the purpose it serves, the constraints under which it is used, and the extent to which existing regulatory requirements address potential risks. While leverage can, in certain circumstances, amplify losses, it can also play a key role in supporting market functioning and risk management. It is commonly used to hedge exposures, manage risk, and facilitate liquidity in financial markets.[34] As a result, its implications for financial stability may meaningfully depend on how it is used and the context in which it arises, rather than its presence alone. Therefore, evaluating leverage within the relevant regulatory and structural context of the specific pooled investment vehicle in which it is deployed would support a more accurate assessment of the risks presented. Without additional context, FSOC's framework could be interpreted as placing greater weight on the potential risks associated with leverage without fully reflecting its role in facilitating hedging, supporting liquidity, and enabling efficient risk transfer across financial markets.

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[33] *Id* at 15560. The Proposed Interpretive Guidance retains most other vulnerabilities from the 2023 Interpretive Guidance including leverage, liquidity risk and maturity mismatch, and interconnections.

[34] Letter from BlackRock, Inc. to Financial Stability Board re: Leverage in Non-Bank Financial Intermediation Consultation Report (Feb. 28, 2025), available at fsb-leverage-in-non-bank-financial-intermediation-consultation-report-022825.pdf.

FSOC can further acknowledge the risk mitigating role of leverage by mirroring the approach taken when describing the newly proposed "asset valuation" vulnerability. Specifically, the Proposed Interpretive Guidance recognizes, in the context of the newly proposed asset valuation vulnerability, that risks may be mitigated through hedging or other risk-management strategies.[35] A similar acknowledgment in the context of leverage could further enhance the analytical consistency of the framework and reflect the range of ways in which leverage is used in practice. Recognizing that leverage may, depending on its structure and use, contribute to both risk transmission and risk mitigation could support a more balanced assessment of potential vulnerabilities.

B. Liquidity Risk and Maturity Mismatch

Similar to leverage, BlackRock believes that the liquidity risk and maturity mismatch vulnerability is best assessed through a products- and activities-based approach. In the wake of the global financial crisis, policymakers appropriately focused on strengthening the ability of funds to meet redemption requests during periods of market stress. As discussed throughout this letter, the existing regulatory framework, together with the varying structural characteristics and investment objectives of pooled investment vehicles, underscore the need for FSOC to assess liquidity risk in the full context of the specific products- and activities an asset manager manages or advises, rather than through a one-size-fits-all, entity-level lens. Consistent with this approach, BlackRock supports FSOC's return to an activities-based framework and emphasizes that it should be applied when assessing whether liquidity risks and maturity mismatches associated with asset management activities pose a risk to U.S. financial stability.

C. Interconnections

Interconnections are an important channel for the transmission of financial stress but should be evaluated in context and with attention to the nature of exposures. In the asset management model, interconnections primarily reflect agency relationships on behalf of clients rather than direct balance sheet exposures. Counterparty risks are managed through regulatory requirements and market infrastructure overseen by the SEC and the Commodity Futures Trading Commission ("CFTC"), including central clearing, margining, and risk management standards. FSOC's analysis could distinguish between diverse types of interconnections and avoid treating all exposures as equally susceptible to contagion.

D. Removal of "Destabilizing Activities" as a Standalone Vulnerability

The Proposed Interpretive Guidance removes "destabilizing activities" as a standalone vulnerability included in the 2023 Interpretive Guidance. As described by FSOC, this category was broadly defined and overlapped significantly with more clearly defined vulnerabilities such as liquidity risk, leverage, and interconnections.[36]

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[35] 2026 Proposed Interpretive Guidance at 15560 (stating, with respect to asset valuations, "[t]his risk can be exacerbated by concentrated portfolios or mitigated by hedging or other risk-management strategies.).

[36] 2026 Proposed Interpretive Guidance at 15553 (stating, "The Council proposed to remove destabilizing activities because it believes that this vulnerability was not clearly defined and relied on circular reasoning.").

BlackRock supports this change. Many of the activities captured under this category are more appropriately understood as manifestations or transmission channels of these underlying risks rather than independent sources of systemic risk. Focusing the framework on primary risk drivers improves analytical clarity and reduces the potential for duplicative or overly expansive interpretations.

E. Asset Valuation

The Proposed Interpretive Guidance introduces "asset valuation" as a distinct vulnerability. FSOC describes the newly proposed vulnerability as reflecting the potential for "sharp reductions in the valuation of particular assets or classes of assets to contribute to market stress."[37] The implications of valuation changes may vary across NBFIs depending on their business models and structures. In the asset management context, changes in asset valuations are generally borne by investors within segregated funds or accounts, rather than by the asset manager itself.[38] As a result, such changes would not typically give rise to firm-level stress of an asset manager.

More broadly, additional clarity regarding how FSOC intends to assess this vulnerability, including the conditions under which valuation changes could translate into broader market stress, could support more effective monitoring by both regulators and market participants. Providing this clarity may also help ensure that the framework is applied in a manner that appropriately reflects differences in how risks are transmitted across different types of NBFIs.

F. Economic Growth and Economic Security

The Proposed Interpretive Guidance introduces vulnerabilities related to economic growth and economic security. BlackRock recognizes the importance of understanding how financial markets interact with broader economic outcomes. However, we recommend that FSOC further define these concepts and clarify how they will be measured and incorporated into the analytical framework. Greater specificity is needed to ensure that these considerations are applied consistently and in a manner that complements the assessment of identifiable financial stability risks.

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[37] 2026 Proposed Interpretive Guidance at 15560.

[38] As the proposal acknowledges when describing the exposure transmission channel, "risks arising from exposures to assets managed by a company on behalf of third parties are distinct from exposures to assets owned by, or liabilities issued by, the company itself." *Id*.

VIII. Conclusion

BlackRock appreciates FSOC's efforts to refine and improve its framework for assessing potential risks to U.S. financial stability. We support the Proposed Interpretive Guidance's return to an activities-based approach as the primary means of identifying and mitigating risk, as well as its renewed emphasis on analytical rigor, transparency, and coordination with primary regulators. We are appreciative of FSOC's commitment to getting this framework right, including its recognition that entity-level designation should be used only where risks cannot be adequately addressed through existing regulatory and supervisory mechanisms.

We welcome further engagement with FSOC and its member agencies on these issues. Please contact us with any questions or if you would like to discuss this letter in more detail.

Sincerely,

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