

MEMO# 26597

October 22, 2012

ICI Files Letter Regarding Banking Organizations' Regulatory Capital Proposals

[26597]

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TO: MONEY MARKET FUNDS ADVISORY COMMITTEE No. 53-12
SEC RULES COMMITTEE No. 64-12 RE: ICI FILES LETTER REGARDING BANKING
ORGANIZATIONS' REGULATORY CAPITAL PROPOSALS

As you may know, in August 2012 the Office of the Comptroller of the Currency, the Federal Reserve Board, and the Federal Deposit Insurance Corporation (together, the "Agencies") issued three notices of proposed rulemaking ("NPRs") to implement the Basel III capital accords in the United States. [\[*\]](#) ICI has filed a comment letter with the Agencies on several narrow issues involving the proposed treatment of banking organization investments in money market funds, as well as investments in registered investment companies or their advisers.

ICI's comments focus on why: (i) the removal of the 7 percent risk-weighting option for equity exposures to money market funds under the Advanced Approaches NPR is arbitrary, capricious, and unduly severe, especially given the SEC's 2010 regulatory changes to money market funds, which meaningfully have improved the safety and liquidity of these funds; (ii) the suggestion that this removal would subject money market fund exposures to a 20 percent risk-weight floor is unnecessary and arbitrary; (iii) the look-through approaches under the Standardized and Advanced Approach NPRs and, in particular, their application to investments in money market funds must be made workable for money market fund and other investment fund exposures; and (iv) the proposed deduction for investments in unconsolidated financial institutions is too broad. A copy of our comment letter is attached.

Jane G. Heinrichs
Senior Associate Counsel

[Attachment](#)

endnotes

[*] Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, Transition Provisions, and Prompt Corrective Action, 77 Fed. Reg. 52,792 (Aug. 30, 2012) (“Basel III NPR”); Regulatory Capital Rules: Standardized Approach for Risk-Weighted Assets; Market Discipline and Disclosure Requirements; 77 Fed. Reg. 52,888 (Aug. 30, 2012) (“Standardized Approach NPR”); Regulatory Capital Rules: Advanced Approaches Risk-Based Capital Rule; Market Risk Capital Rule; 77 Fed. Reg. 52,978 (Aug. 30, 2012) (“Advanced Approaches NPR”).

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