

**MEMO# 29763**

March 11, 2016

## **ICI Global Draft on Basel Consultation on Step-In Risk; Your Comments Requested by March 15**

[29763]

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TO: ICI GLOBAL REGULATED FUNDS COMMITTEE No. 18-16  
ICI GLOBAL STEERING COMMITTEE No. 7-16  
MONEY MARKET FUNDS ADVISORY COMMITTEE No. 5-16  
SEC RULES COMMITTEE No. 11-16 RE: ICI GLOBAL DRAFT LETTER ON BASEL CONSULTATION ON STEP-IN RISK; YOUR COMMENTS REQUESTED BY MARCH 15

In December 2015, the Basel Committee on Banking Supervision (BCBS) published a consultative document on the identification and measurement of “step-in risk”—the risk that a banking organization would “step in” to provide financial support to off-balance sheet entities in the absence of a contractual obligation to do so (e.g., for reputational reasons).

[\*] The proposal specifically highlights the potential for investment funds and asset managers to present step-in risk. The BCBS is not yet suggesting specific regulatory measures for addressing such risk, nor has it decided whether any such measures would be supervisory in nature or would relate to bank capital requirements. Instead, the BCBS is first seeking feedback on a “conceptual framework and its underlying elements” relating to the identification and measurement of step-in risk.

ICI Global has prepared the attached draft comment letter responding to the consultation. The draft letter explains the many reasons why regulated funds sponsored by bank affiliates—both regulated money market funds and regulated stock and bond funds—present a low level of step-in risk and therefore should lie outside the scope of the Committee’s effort to identify and measure sources of significant step-in risk for banks. The letter also discusses why a bank regulatory capital charge to address presumed step-in risk from a regulated fund would be inappropriate and conflict with US law.

Comments on the consultative document are due by 17 March. Please provide any comments on the draft letter by email to Rachel Graham ([rgraham@ici.org](mailto:rgraham@ici.org)) or Frances Stadler ([frances@ici.org](mailto:frances@ici.org)) no later than the close of business on Tuesday, 15 March.

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Frances M. Stadler  
Associate General Counsel

[Attachment](#)

**endnotes**

[\*] Basel Committee on Banking Supervision, Consultative Document, Identification and measurement of step-in risk (December 2015), available at <https://www.bis.org/bcbs/publ/d349.pdf>.

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