

**MEMO# 32344**

April 1, 2020

## **ICI Files Comment Letter on Volcker Rule Reform Proposal**

[32344]

April 1, 2020 TO: ICI Members

ICI Global Members SUBJECTS: Compliance

Investment Advisers

Systemic Risk RE: ICI Files Comment Letter on Volcker Rule Reform Proposal

As we previously informed you, the five Agencies responsible for implementing Section 13 of the Bank Holding Company Act, known as the “Volcker Rule,” issued proposed amendments to the implementing regulations that focus on the “covered funds” provisions of the Volcker Rule. ICI has filed the attached comment letter, which welcomes the Agencies’ continued efforts to “provide greater clarity and certainty about what activities are [and are not] prohibited” by the implementing regulations.

ICI’s letter focuses on two issues of importance to US registered investment companies and their foreign equivalents (collectively, “regulated funds”): the potential treatment of a regulated fund as a “banking entity” subject to the prohibitions and restrictions of the Volcker Rule, and the scope of the exclusion for “foreign public funds” (“FPFs”) from the definition of “covered fund.”

Since the development of the implementing regulations, the Agencies have been aware that the broad definition of “banking entity” and its interplay with the definition of “covered fund” create some uncertainty as to whether a regulated fund, particularly during its seeding period, could be treated as a banking entity. ICI and other stakeholders repeatedly have urged the Agencies to resolve this uncertainty, noting that treating a regulated fund as a banking entity would be inconsistent with Congressional intent underlying the Volcker Rule and at odds with the nature of regulated funds as collective investment vehicles for the general public.

ICI’s letter acknowledges the efforts that the Agencies and their staffs have made to understand these concerns and address them, notably through the FAQs issued shortly before the Volcker Rule effective date in July 2015. It notes that the Agencies, in this proposal, appear to have concluded that the FAQs are operating effectively and that other approaches, including revision of the implementing regulations, are not necessary. While welcoming this continuing endorsement of the guidance provided in the FAQs, ICI’s letter urges the Agencies to provide greater clarity about regulated fund seeding practices through discussion in the preamble to any final rule.

ICI's letter expresses strong support for the proposed changes to the "foreign public fund" exclusion and urges the Agencies to finalize them promptly. It acknowledges, however, that the changes do not provide full comparability in treatment between US registered investment companies and their foreign equivalents.

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[Attachment](#)

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