

MEMO# 31861

July 17, 2019

ICI Comment Letter on Federal Reserve Proposal to Revise "Control" Framework Under Federal Banking Laws

[31861]

July 17, 2019 TO: ICI Members

ICI Global Members

Bank-Affiliated Member Advisory Committee

Chief Compliance Officer Committee

Chief Risk Officer Committee

SEC Rules Committee SUBJECTS: Portfolio Oversight

Risk Oversight RE: ICI Comment Letter on Federal Reserve Proposal to Revise "Control" Framework Under Federal Banking Laws

The Federal Reserve Board (FRB) issued a proposal in May to revise its rules regarding the definition of "control" in the Bank Holding Company Act and the Home Owner's Loan Act.[\[1\]](#) More specifically, the proposed revisions relate to determinations of whether a company has the ability to exercise a "controlling influence" over another company for purposes of those statutes. The Proposal has potential implications for banking organizations' investments in regulated funds (including seed investments) and for regulated funds' (and other advisory clients') investments in securities issued by banking organizations.

Earlier this week, ICI submitted a comment letter on the Proposal. In the letter, we expressed appreciation for the FRB's efforts to clarify and, in certain cases, liberalize its control framework. We requested that the FRB modify aspects of the Proposal to ensure that the final rule does not unnecessarily impede routine and ordinary-course business relationships between regulated funds, their advisers, and other affiliated entities; business relationships between regulated fund advisers and the funds' portfolio companies; or passive investments of regulated funds in banking organizations. We also described how the FRB can adjust the Proposal to remain consistent with FRB precedent and the policy objectives reflected in the Proposal while addressing the specific concerns of ICI and its members.

A copy of the letter is attached.

Rachel H. Graham

Associate General Counsel

Frances M. Stadler
Associate General Counsel & Corporate Secretary

[Attachment](#)

endnotes

[1] Board of Governors of the Federal Reserve System, *Control and Divestiture Proceedings*, 84 Fed. Reg. 21634 (May 14, 2019) (Proposal).

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