

MEMO# 31220

May 24, 2018

ICI Submits Recommendations for Volcker Rule Reforms; Notice of Proposed Rulemaking Expected Next Week

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May 24, 2018 TO: Bank-Affiliated Member Advisory Committee RE: ICI Submits Recommendations for Volcker Rule Reforms; Notice of Proposed Rulemaking Expected Next Week

As we previously informed you, a group consisting of member representatives, counsel from Debevoise & Plimpton, and ICI staff met in early March with staff of the Federal Reserve Board, Securities and Exchange Commission, and Office of the Comptroller of the Currency.[\[1\]](#) Those discussions focused on whether and how the Volcker Rule implementing regulations could be revised to address concerns for regulated funds (both US registered investment companies and their non-US counterparts).

The ICI group urged that regulated funds be excluded from the definition of “banking entity”—an approach that ICI and ICI Global have recommended since the implementing regulations were first proposed over six years ago. FRB, SEC and OCC staff were sympathetic but expressed some reservations about providing a complete exclusion from the rule for regulated funds. The ICI group promised to think about solutions that would provide sufficient assurances against the possibility that banking organizations might use regulated funds as a vehicle to evade the restrictions of the Volcker Rule. There was sincere interest by the regulators in further dialogue and in considering any additional suggestions we might have.

Following the meetings, ICI organized a member working group to develop a “menu” of Volcker Rule reform options that would address regulated fund issues. We accelerated the pace of our work when the press reported late last month that the five agencies charged with implementing the Volcker Rule (Agencies) might issue a notice of proposed rulemaking (NPR) in the very near term.

Earlier this week, ICI submitted the attached document to staff at each Agency. It provides proposed rule text and brief explanations regarding: (1) “banking entity” issues for US registered investment companies and their non-US counterparts (suggesting two possible approaches); and (2) the “foreign public fund” exclusion from the definition of “covered

fund.”

The FRB will hold an open meeting on Wednesday, May 30 to consider and vote on an NPR.^[2] ICI intends to file a comment letter. We also will discuss the NPR at the next meeting of this Committee, scheduled for June 28 in Washington. A draft agenda will be circulated in early June.

Frances M. Stadler
Associate General Counsel & Corporate Secretary

Rachel H. Graham
Associate General Counsel

[Attachment](#)

endnotes

^[1] See email to the Committee from Rachel Graham, dated March 8, 2018.

^[2] See announcement at
<https://www.federalreserve.gov/aboutthefed/boardmeetings/20180530open.htm>.