

MEMO# 32134

January 9, 2020

ICI Call to Discuss Regulation O and Potential Implications for Asset Managers

[32134]

January 9, 2020 TO: Bank-Affiliated Member Advisory Committee
SEC Rules Committee RE: ICI Call to Discuss Regulation O and Potential Implications for Asset Managers

On January 16, ICI will hold a member call to discuss issues arising under the Federal Reserve Board's Regulation O. That regulation places quantitative limits and qualitative restrictions on extensions of credit by banks to their executive officers, directors, principal shareholders, and related interests of such persons. Regulation O has potential implications for an asset manager whose investment funds and other client accounts own, control or hold with the power to vote more than 10 percent of any class of voting securities of a bank, as well as for companies (both financial and nonfinancial) in which such manager's funds and accounts collectively own a controlling interest.

In July of last year, ICI filed a comment letter on proposed revisions to FRB regulations concerning the definition of "control" for purposes of the Bank Holding Company Act and the Home Owners' Loan Act.[\[1\]](#) In that letter, ICI recommended harmonizing the presumptions of control in Regulation O with the presumptions of control established in any final rule.

In late December, the federal banking agencies issued an interagency statement concerning the application of Regulation O to a fund complex that is deemed a principal shareholder of a bank and portfolio companies controlled by that complex.[\[2\]](#) The statement provides that the agencies will not take enforcement action under Regulation O against a bank or "principal shareholder fund complex" with respect to the bank's extension of credit to portfolio companies controlled by that fund complex, subject to certain conditions. The no-action relief is in effect until January 1, 2021, while the agencies consider whether to amend Regulation O to address these issues.

The call is scheduled for January 16 from 1-2 pm Eastern. An Outlook invitation with dial-in information will be forthcoming.

Rachel H. Graham
Associate General Counsel

Frances M. Stadler
Associate General Counsel & Corporate Secretary

endnotes

[1] The letter is *available at* <https://www.ici.org/pdf/31861a.pdf>.

[2] See, e.g., Treatment of Extensions of Credit to Certain Investment Funds and Their Portfolio Investments Under 12 CFR 215 and 12 CFR 363: Interagency Statement; OCC Bulletin 2019-65 (Dec. 27, 2019), *available at* <https://www.occ.gov/news-issuances/bulletins/2019/bulletin-2019-65.html>.

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