Comment on Notice of Proposed Rulemaking: Regulations Implementing the Change in Bank Control Act

Docket No. RIN 3064-AG04

I want to recognize the FDIC's efforts to address the evolving landscape of passive investments and the potential risks associated with indirect control or concentration of ownership in FDIC-supervised institutions. This proposed rule aligns well with the FDIC's mission to maintain stability and public confidence in the nation's financial system by ensuring a safe and sound banking environment.

Better Definition of "Control": The term "control" is a critical aspect of the proposed rule but is somewhat ambiguous. A more precise definition would help ensure consistent interpretation and application. As an example, in 31 CFR § 800.208, regarding the operation of the Office of Investment Security of the Treasury Department, control is defined as the power, direct or indirect, whether or not exercised, to determine, direct, or decide important matters affecting an entity. This includes the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise. This could be a useful reference point for the FDIC in defining control more clearly.

Coordination with FRB and OCC: The proposed rule emphasizes the need for interagency coordination but lacks specific guidelines on how this will be achieved. Clear protocols for coordination with the FRB and OCC will help avoid duplicative efforts and ensure a streamlined review process. The FDIC should establish a formal mechanism for regular communication and information sharing between agencies on this issue. This could include joint review panels, standardized procedures for data exchange, and clear timelines for decision-making.

Specificity Regarding Passivity Commitments: The FDIC should provide additional guidance on the contents and enforcement of passivity commitments to clarify expectations for entities. This includes identifying what should be included in these commitments and how the FDIC will monitor and enforce compliance (in 12 CFR § 303.82). While the FDIC has published a handful of examples of passivity commitments on its website, these examples could be clearer.

Regulatory Burden on Smaller Institutions: The FDIC should strive to minimize the regulatory burden on smaller institutions wherever possible.

Impact on Limited Partnerships: The proposed rule may have implications for limited partnerships, particularly concerning the definition of control and the requirements for passivity commitments. It would be beneficial if the FDIC could consider whether it may want to have specific guidance on how limited partnerships can ensure compliance with these requirements. This includes detailing the documentation needed to support their passivity commitments and demonstrate that they are passive investors without exerting control over banking organizations. Clarifying these points will help limited partnerships navigate the regulatory landscape more effectively without the need for extensive additional regulation.

Asset Management Firms: Public comments have raised significant concerns about the concentration of power in asset management firms like BlackRock. These firms hold substantial influence due to their large holdings in various companies, including financial institutions. For instance, BlackRock manages assets worth trillions of dollars, making it a major shareholder in numerous financial entities. This concentration of ownership can pose systemic risks to financial stability and market competition. The proposed rule provides an opportunity for the FDIC to tackle these systemic banking risks head-on. By ensuring greater transparency and accountability in how these firms operate and influence FDIC-supervised institutions, the FDIC can strengthen its oversight and protect the stability of the financial system.

Thank you for considering my comments.

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