

January 16, 2024

*Via Electronic Mail*

Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue NW  
Washington, D.C. 20551  
Attention: Ann E. Misback, Secretary

Federal Deposit Insurance Corporation  
550 17th Street NW  
Washington, D.C. 20429  
Attention: James P. Sheesley, Assistant Executive Secretary, Comments/Legal OES

Office of the Comptroller of the Currency  
400 7th Street, SW, Suite 3E-218  
Washington, D.C. 20219  
Attention: Chief Counsel's Office, Comment Processing

Re: Regulatory Capital Rule: Large Banking Organizations and Banking Organizations with Significant Trading Activity (Federal Reserve Docket No. R- 1813, RIN 7100-AG64; FDIC RIN 3064-AF29; Docket ID OCC-2023-0008)

Ladies and Gentlemen:

On behalf of Allspring Global Investments (“Allspring”), we appreciate the opportunity to comment on the joint notice of proposed rulemaking issued by the Board of Governors of the Federal Reserve System (“FRB”), the Officer of the Comptroller of the Currency (“OCC”), and the Federal Deposit Insurance Corporation (collectively, “Agencies”) to amend the capital requirements applicable to certain banking organizations (“Proposal”).<sup>2</sup>

Allspring<sup>1</sup> is the sponsor of the Allspring Funds, a registered fund complex which offers mutual funds, closed-end funds and money-market funds to retail and institutional investors.<sup>2</sup> As members of the Investment Company Institute (“ICI”) and the Asset Management Group of the Securities Industry and Financial Markets Association (“SIFMA AMG”), we have participated in the drafting of their comment letters on the Proposal and endorse the views expressed therein.

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<sup>1</sup> On November 1, 2021, the sale of Wells Fargo Asset Management from Wells Fargo & Company to certain private funds of GTCR LLC and Reverence Capital Partners, L.P. closed, forming Allspring Global Investments, a privately held asset management firm with \$491 billion in assets under management as of September 30, 2023. Included in Allspring Global Investments are Allspring Funds Management, LLC, and Allspring Funds Distributor, LLC, which serve as the investment manager and principal underwriter, respectively, to each of the Allspring Funds, and Allspring Global Investments, LLC, which serves as sub-adviser to most of the Allspring Funds.

<sup>2</sup> Assets under management in the Allspring Funds totaled approximately \$263 billion as of September 30, 2023.



We write separately to emphasize our significant concerns as to how the Proposal may impact the Allspring Funds and their shareholders. In particular, we wish to underscore concerns expressed in the ICI and SIFMA AMG letters regarding the Proposal’s potential impact on market liquidity and its limitation of preferential risk weights to companies with publicly traded securities.

### **Potential Impact on Market Liquidity**

As the manager of approximately \$158 billion in fixed income assets,<sup>3</sup> Allspring is particularly concerned about the Proposal’s potential negative impact on liquidity in the fixed income markets. Banking organizations have long served as key providers of liquidity in these markets. While many factors affect liquidity in the fixed income markets, insufficiently tailored regulatory requirements can influence the ways in which banking organizations participate in these markets. In some critical markets—such as corporate bonds and U.S. Treasuries—recent past regulatory changes already have led banking organizations to hold fewer bonds in inventory and make markets more frequently in an agency capacity, which at times has presented registered funds with increased liquidity challenges. These liquidity challenges impose real costs on registered funds and their shareholders in the form of increased bid-ask spreads. As such, we urge the Agencies to consider how the Proposal could be revised to achieve necessary policy objectives without negatively impacting market liquidity.

### **Preferential Risk Weights for Entities with Publicly Traded Securities**

As the sponsor of mutual funds with approximately \$262 billion in assets,<sup>4</sup> Allspring is also concerned about the Proposal’s limitation of preferential risk weights to companies with publicly traded securities, which would unjustifiably disadvantage mutual funds. Under existing rules, banking organizations must generally assign a 100% risk weight to their corporate exposures, with no distinctions based on the credit quality of the company. Under the Proposal, banking organizations would apply a less onerous 65% risk weight for investment grade corporate exposures provided that the company (or its parent) has publicly traded securities outstanding. The Agencies suggest that this public listing requirement is justified by its simplicity and objectivity and by the transparency required of companies with publicly listed securities. Under this approach, listed closed-end funds (“CEFs”) and exchange-traded funds (“ETFs”) would qualify for the preferential risk weights but mutual funds would not. Imposing unfavorable capital risk weights on mutual funds may cause banking organizations to charge them more than CEFs and ETFs for borrowings and derivatives transactions, reducing returns to investors and putting mutual funds at a competitive disadvantage. This result makes no sense—CEFs, ETFs and mutual funds are all highly creditworthy, and regulatory requirements governing registered funds make mutual funds equally transparent as CEFs and ETFs. As such, we believe that the preferential risk weight should be applied to investment grade corporate exposures to all registered funds, regardless of whether such funds have publicly listed securities outstanding.

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<sup>3</sup> As of September 30, 2023.

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We appreciate the opportunity to provide comments on the Proposal and welcome further engagement on any aspect of this letter.

Very truly yours,



Jon Baranko

Chief Investment Officer—Fixed Income

Allspring Global Investment