

Federal Banking Agencies Recognize the Rise of Index Funds and Passive Investing

January 17, 2020 | Client Update

In a welcome move, two recent actions by the Federal Reserve, OCC and FDIC (the **Banking Agencies**) recognize the increasing role of fund complexes and passive investing. The Banking Agencies have released a statement under the Federal Reserve's Regulation O which acknowledges the reality that equity mutual funds may sometimes go over 10% of the shares of a banking organization without triggering limitations on loans to insiders. In addition, the Federal Reserve has recently made public a general counsel's letter that provides conditions for when a fund complex may go over 10% equity ownership in a banking organization without triggering the Change in Bank Control Act (**CIBC Act**).

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

John Banes

+1 212 450 4116
john.banes@davispolk.com

Luigi L. De Ghenghi

+1 212 450 4296
luigi.deghenghi@davispolk.com

Daniel E. Newman

+1 212 450 4992
daniel.newman@davispolk.com

Margaret E. Tahyar

+1 212 450 4379
margaret.tahyar@davispolk.com

This communication, which we believe may be of interest to our clients and friends of the firm, is for general information only. It is not a full analysis of the matters presented and should not be relied upon as legal advice. This may be considered attorney advertising in some jurisdictions. Please refer to the firm's privacy notice for further details.

Related materials

[Read the full update](#)