CENTER FOR INDIVIDUAL FREEDOM

[redacted]
Fairfax, VA [redacted]
www.cfif.org

November 17, 2024

James Sheesley
Assistant Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street NW
Washington D.C. 20429

Re: Regulations Implementing the Change in Bank Control Act (RIN 3064-AG04)

Dear Mr. Sheesley,

On behalf of over 300,000 supporters and activists across the nation, the Center for Individual Freedom (CFIF) submits this letter regarding the Federal Deposit Insurance Corporation's (FDIC) proposed changes to the Change in Bank Control Act (CBCA).

Founded in 1998, CFIF is a non-profit organization with the mission of protecting and defending individual freedom and economic liberty for American citizens. Pursuant to that ongoing mission, CFIF believes that the FDIC's proposed rulemaking constitutes naked politicization of its authority and undermines American consumers pursuit of individual choice and prosperity for numerous reasons, including adverse consequences that the proposed changes would inflict upon everyday investors.

As an initial matter, the proposed amendments to the CBCA are unnecessary because they would create a duplicative and burdensome disclosure process, since the Federal Reserve currently reviews transactions through which investors would acquire a stake of 10 percent or more in banks. That overlap would do nothing more than impose additional red tape, confusion and costs upon an industry on which many individual investors rely upon for longer-term earnings and retirement security.

Additionally, however, the proposed changes would adversely affect passive index funds, on which many small and regional banks rely for capital investment. As you know, index funds have exploded in popularity over the last few decades, largely due to their low-cost structure, and have become increasingly essential investment vehicles to support retirement plans overseen by asset managers. Should the FDIC's proposed rule be adopted, investment firms would be forced to alter the manner in which these passive index funds are managed, thereby increasing costs and restricting much-needed capital for state and local banks.

Obviously, small businesses and investors would suddenly bear the brunt of those downstream effects, curtailing their flexibility to invest assets as necessary to maximize investment returns on which they rely.

Equally disturbing is the fact that some within the FDIC appear committed to these harmful policy changes before the public comment period has even concluded. Specifically, FDIC board member and director of the Consumer Financial Protection Bureau (CFPB) Rohit Chopra's flagrantly targeted specific asset managers during a speech at Harvard University last month. Irresponsibly, Director Chopra labeled the sector a "natural oligopoly" that's "difficult to disrupt" absent any "subsidy or policy change."

Such comments are out of place given the ongoing comment period and politicize a policy decision with real-world consequences.

Given that impropriety and the potentially destructive consequences, we urge the FDIC to carefully reflect upon all relevant information and implications regarding its proposal, and work alongside the Federal Reserve before imposing additional regulations upon an industry on which so many Americans rely. Otherwise, the fallout will be felt not just by investment firms, but also individual Americans whose financial freedom relies upon downstream effects of access to capital and low-cost investing.

Thank you for your attention to this important matter, and for the opportunity to comment on this proposal.

Sincerely,

Timothy Lee
Senior Vice President of Legal and Public Affairs