November 11, 2024

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

I am writing to voice my concerns regarding the proposed rulemaking that will impose changes to the Change in Bank Control Act (CBCA). After consultation with experts in the FSIC network, I question whether these changes to the CBCA are necessary and wonder if the FDIC has fully explored if they would create a rippling effect of restricted capital that will affect the entire market – (especially as it relates to underserved communities.)

I am the Founder and CEO of the Financial Services Innovation Coalition (FSIC), a growing network of Industry Innovators, Legislators, Community groups, and Academics who share a passion for applying emerging technology and market innovation to create a more inclusive economy and advocate for policy that promotes economic empowerment in underserved communities.

The proposed rule change would create a repetitive step, as these companies are already regulated by the Federal Reserve. In fact, four investment and asset managers already have passivity agreements with the Federal Reserve, strongly suggesting action by the FDIC is an unnecessary, confusing, and inconsistent regulatory process. A vigilant and effective regulatory regime is critical to a functioning marketplace, especially in the financial services area (as we have learned from mistakes in the past.) However, overregulation – particularly in an area that already has working rules – can sometimes restrict the market in an unhelpful way.

As founder of the FSIC, I have initiated and administered studies and programs related to solving problems experienced by those who are poorly served by the financial services industry. In reviewing this proposed rule, I worry the downstream effects will create restricted access to capital for historically disadvantaged communities. Currently, many of these communities and institutions are severely underfunded, and giving these targeted entities more reasons to neglect them is not in anyone's best interest.

Because these targeted entities **(fund managers that manage passive index funds)** are already overseen by the US Federal Reserve or other regulators, we wonder if you have adequately reviewed the potential negative impacts of additional regulations with a different regulator. In conversations, these firms noted that if this rule is implemented, it could also make it "costlier and harder for banks to raise capital in the US stock market."

Regional banks predominantly fund smaller community businesses. These small businesses obviously play a crucial role in the broader economy and the local workforce. Small businesses generate approximately 44% of US economic activity and create two-thirds of net new jobs in the country, so it's not hard to see the concern if they begin to lack funding.

These regional banks are also more likely to provide loans to low-income businesses compared to larger financial institutions. This tendency is often due to their closer ties and deeper understanding of the local communities they serve. Smaller banks may have more flexibility in their lending criteria and a greater willingness to work with borrowers who might not meet the stringent requirements of larger banks.

But if these larger investment managers are forced to get approval to invest over 10% in US banks, it's not hard to see how this will ultimately impact underserved communities. They will be the first ones to be turned away when smaller banks lack funds.

Given these unintended and probable consequences, I urge the FDIC to proceed with caution. It's vital that all potential—even unintended—outcomes are considered before ushering in a duplicative rule like this one. Historically underserved communities are so because they have not typically been considered during these processes. We must ensure they are included as this rulemaking process moves forward.

Sincerely,

Kevin Kimble
Founder and CEO, Financial Services Innovation Coalition (FSIC)