CAPITAL GROUP, WALTER R. BURKLEY, ET. AL.

Proposal and Comment Information

Title: Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks; Bank Holding Companies (Reg O and Y), R-1896

Comment ID: FR-2026-0028-01-C66

Subject

Regulation O (Federal Reserve Docket No. R-1896 and RIN 7100-AH27) - Comments Submitted by The Capital Group Companies, Inc.

Submitter Information

Organization Name: Capital Group

Organization Type: Organization

Name: Walter R. Burkley, et. al.

Submitted Date: 11/04/2026

NONCONFIDENTIAL // EXTERNAL

Good evening:

Attached please find comments on the proposal to modernize Regulation O (Federal Reserve Docket No. R-1896 and RIN 7100-AH27), submitted on behalf of The Capital Group Companies, Inc.

We appreciate your consideration of our comments and would welcome the opportunity to engage further on this topic. If you have any questions, please do not hesitate to contact me or Walt, copied.

Thank you,
Casey

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Casey Solomon
Senior Counsel

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CAPITAL GROUP®

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November 4, 2026

VIA ELECTRONIC SUBMISSION

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551
Attention: Benjamin W. McDonough, Secretary

Re: ***Loans to Executive Officers, Directors and Principal Shareholders of Member Banks; Bank Holding Companies (Federal Reserve Docket No. R-1896 and RIN 7100-AH27)***

Dear Mr. McDonough:

We appreciate the opportunity to comment on the notice of proposed rulemaking (the "Proposal") by the Board of Governors of the Federal Reserve System (the "Board") to amend Regulation O, which governs extensions of credit by member banks to their executive officers, directors and principal shareholders, and to any company or any political or campaign committee controlled by these individuals or entities (collectively, "insiders").[1] We support the Board's effort to modernize Regulation O, which has not been comprehensively updated since 1979. In particular, we commend the Board for recognizing that the application of Regulation O to a bank's lending activities with portfolio companies held by investment fund complexes reflects an "unintended and unnecessarily burdensome evolution" in the regulation's scope.[2]

However, we are concerned with the overly restrictive nature of the proposed criteria that would exempt a fund complex from the presumption of control that applies when determining whether a portfolio company is a "related interest" of the fund complex. The Proposal's restrictive exemption framework, as set forth in the definition of "qualified fund complex," would continue to impose substantial regulatory burdens on banks and portfolio companies in instances that do not give rise to the type of conflict of interest and self-dealing issues that Section 22(h) of the Federal Reserve Act and Regulation O were designed to address. For example, under the Proposal, a fund complex that manages only actively managed funds would not qualify for the exemption, even if the fund complex does not

[1] Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks; Bank Holding Companies, 91 Fed. Reg. 49526 (Aug. 4, 2026).
[2] Memorandum from Board staff to the Board re Proposed Rule to Modernize Regulation O (Bank Lending to Insiders), dated June 30, 2026, at 1 (available at https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20260731b1.pdf).

invest for the purpose of control and is party to a passivity agreement with the Board that establishes strict conditions on its interactions with the member bank designed to ensure its relationship is noncontrolling.

We respectfully request that the Board adopt certain changes to the definition of "qualified fund complex," as described in Section III below, which we believe will appropriately focus the exemption criteria on whether the fund complex has a controlling relationship with the regulated company, rather than the investment style of the fund complex. In addition, we expect the proposed changes will reduce the administrative burden imposed by the proposed rule, as well as the likelihood for inconsistent implementation of the Proposal.

I. Capital Group background

The Capital Group Companies, Inc. ("Capital Group") is one of the oldest asset management organizations in the United States, with 95 years of investment experience and approximately $3.6 trillion of assets under management.[3] Through our investment adviser subsidiaries, we actively manage equity and fixed income investments across all market sectors in various collective investment vehicles and institutional client separate accounts. The majority of these assets are held in the American Funds family of mutual funds, Capital Group exchange-traded funds ("ETFs") and other U.S. registered investment companies managed by Capital Research and Management Company.

Our funds provide retail investors with the opportunity to build wealth by investing in diversified portfolios at low cost. Shares in the American Funds are held by approximately 66 million investor accounts, representing individuals, retirement plans and other institutions. Our funds are among the most used investment options in retirement plans of small- and medium-sized businesses across the U.S.

We are long-only investors, do not invest our own proprietary capital[4] and instead manage only our clients' capital. Our funds and accounts invest in equity securities of over 2,000 global companies. Importantly, we file beneficial ownership reports with the U.S. Securities and Exchange Commission (the "SEC") on Schedule 13G, requiring us not to invest for control or management. Our employees do not serve as officers or directors of portfolio companies and we do not mount proxy solicitations. American Funds and Capital Group ETFs—all of which are actively managed—have a fundamental policy not to invest for control, which cannot be changed without a vote of millions of retail shareholders. In brief, we do not seek to exercise control over the operational or management decisions of the portfolio companies in our investment portfolios.

During the ordinary course of business, the aggregate investments of all funds and accounts managed by Capital Group can, at times, exceed 10 percent of a class of voting securities of a particular portfolio company, which may include U.S. banks and bank holding companies (each, a "Bank"). In August 2002, the Board authorized Capital Group to acquire up to 15 percent of any class of voting securities of a Bank without being deemed to have acquired

[3] As of June 30, 2026.

[4] Capital Group may contribute immaterial amounts of seed capital to assist with the launch of new funds and managed accounts.

control of that institution under the Bank Holding Company Act (the "BHC Act") or the Change in Bank Control Act, so long as the acquisition complies with certain conditions (the "2002 Passivity Agreement"). Among other things, the 2002 Passivity Agreement requires that (i) our investments in any Bank stay within certain quantitative limits, at both the aggregate and the individual fund/account level; (ii) we will not have any director, officer or employee interlocks with the Bank; (iii) we will not seek or accept representation on the board of directors of the Bank; (iv) we will not have or seek to have any Capital Group representative serve as an officer, agent or employee of the Bank; (v) we will not propose a director or slate of directors in opposition to any nominee(s) proposed by the management or board of directors of the Bank; (vi) we will not threaten to dispose of voting shares of the Bank as a condition of specific action or inaction by such entity; (vii) we will cap our votes in any class of securities of the Bank at 10 percent (or engage in mirror voting for the shares we hold in excess of 10 percent); and (viii) we will not otherwise take any action to control the Bank within the meaning of the BHC Act.[5] These conditions provide additional safeguards aimed at ensuring that Capital Group will not exercise control of any Bank.

II. If adopted, the proposed exemption criteria for "qualified fund complexes" would impose substantial additional burdens on portfolio companies and regulated companies (as defined in the Proposal), limiting the utility of the Proposal.

Regulation O currently places restrictions on a bank's ability to lend to a portfolio company of a fund complex where the funds and accounts managed by the fund complex, in the aggregate, (i) hold more than 10 percent of a class of voting securities of the bank (making the fund complex a "principal shareholder" of the bank), and (ii) own more than 10 percent of a class of voting securities and together are the largest shareholder of a portfolio company (triggering a presumption of control and making such portfolio company a "related interest" of the fund complex).[6] The purpose of Regulation O's limitations on a bank's lending activities with insiders, including related interests of the bank's principal shareholders, is to avoid conflicts of interest and issues of self-dealing.[7] However, as noted in the Proposal, "it is highly unlikely that Congress foresaw or intended for section 22(h) [of the Federal Reserve Act] to apply to extensions of credit to portfolio companies . . . or the heavy compliance burden that this would create based on the presumption of control in Regulation O, which is not in the statute."[8]

The Proposal seeks to address this concern by establishing an exemption from the presumption of control that applies when determining whether a portfolio company is a related interest of a fund complex. This exemption framework is set forth in the definition of "qualified fund complex."[9] The Board's intent, as articulated in the Proposal, was to provide an exemption "if the fund complex meets certain requirements designed to ensure that the relationship between the fund complex and the bank is sufficiently passive."[10] We support

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[5] *See* Board General Counsel Letter to James P. Ryan, The Capital Group Companies, Inc. (Aug. 13, 2002).
[6] 12 U.S.C. 375b(9)(F); 12 CFR 215.2(m); 12 CFR 215.2(c)(2)(ii).
[7] *See* 91 Fed. Reg. at 49530.
[8] *Id.*
[9] 91 Fed. Reg. at 49561.
[10] 91 Fed. Reg. at 49531.

this objective. However, the exemption criteria articulated in the Proposal are overly restrictive, preventing the proposed rule from achieving this important purpose.

As a primary example, the Proposal only provides an exemption to fund complexes that manage index funds that own more than 10 percent of a class of voting securities of a regulated company;[11] it does not provide the same relief to fund complexes that manage active funds with this level of ownership.[12] The rationale for taking this approach seems to be the mistaken belief that only index funds[13] do not invest for control. For example, the Proposal states that index funds "are less likely to seek to influence the lending decisions of banks for which they are principal shareholders to make preferential extensions of credit to their other portfolio companies."[14] The Proposal also points out that "index funds typically include prospectus and investment objectives stating that the fund does not seek to acquire control over the management decisions of companies held by the fund."[15] These traits are not exclusive to index funds. Many actively managed funds, including Capital Group's funds, have similar features, as described in Section I above. For example, Capital Group files beneficial ownership filings with the SEC on Schedule 13G, requiring Capital Group funds and accounts not to invest for control or management, and Capital Group's U.S. mutual funds and ETFs have fundamental policies not to invest for control. Simply put, these characteristics should not be used as the basis to exempt index funds, but not actively managed funds, from the presumption of control. Active portfolio management is not synonymous with activist investing or efforts to exert control; an investment can be actively selected and still be passive in the legally relevant sense of being noncontrolling.

Another example of the overly restrictive nature of the exemption framework is the condition that the fund complex must not manage any fund that "owns or controls more than 10 percent of any class of voting securities of a regulated company," where "fund" includes, as a single fund, "any investment funds that share the same or substantially the same investment objective and asset composition."[16] Each investment fund is a separate legal entity that enters into a separate investment advisory agreement with one or more investment management entities at the fund complex. Such investment management entities have an obligation to manage each fund in accordance with such fund's individual investment objective. Aggregating multiple funds for purposes of the proposed limit on individual fund ownership would result in a standard that is inconsistent with this legal framework and

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[11] For purposes of this letter, we use the term "regulated company" as it is defined in the Proposal: an insured depository institution, a bank holding company or savings and loan holding company. *See* 91 Fed. Reg. at 49562.

[12] 91 Fed. Reg. at 49561 (establishing, as one of the criteria for exemption, that non-index funds in the fund complex cannot hold more than 10 percent of any class of voting securities of a regulated company in the aggregate).

[13] The Proposal defines an "index fund" as "a fund that has an investment objective of tracking the risk and return characteristics of a previously specified third-party broad-based index by holding all, or a representative and preset sample of, the securities of the index in approximately the same proportion as their representation in the index and uses rules-based investing to track that broad-based market index in order to replicate the risk and return characteristics of the broad-based market index." 91 Fed. Reg. at 49531 (footnote 49).

[14] 91 Fed. Reg. at 49531.

[15] *Id*. at footnote 44.

[16] 91 Fed. Reg. at 49561-62.

inconsistent with certain existing passivity agreements applicable to fund managers. In addition, it is common for multiple funds managed by a fund complex to have similar investment objectives. As a result, the determination of which funds to include in a single "fund" for purposes of the proposed exemption framework would be subjective and difficult to interpret, resulting in uneven implementation by fund complexes. This would lead, in turn, to uneven lending practices to portfolio companies based on the makeup of such portfolio companies' shareholders.

If the exemption framework is adopted as proposed, regulated companies and the portfolio companies of their principal shareholders will face substantial additional burdens as they seek to comply with the requirements of Regulation O. The Proposal observes that fund complexes may hold securities in a "vast" number of portfolio companies at any given time, and fund ownership in such portfolio companies fluctuates daily.[17] As a result, it can be very difficult for banks to receive the information they need to determine a principal shareholder's related interests in a timely manner. The proposed exemption for "qualified fund complexes" is meant to mitigate this burden by "reducing the number of potential portfolio companies captured as related interests of principal shareholder fund complexes."[18] However, the Proposal fails to fully mitigate this burden due to the overly restrictive nature of the exemption framework. Most importantly, fund complexes with actively managed funds that hold, in the aggregate, more than 10 percent of any class of voting securities in a regulated company, do not qualify for the exemption, even if they do not and cannot invest for control or have controlling relationships with regulated companies. In these situations, there is little risk for the type of conflict of interest and self-dealing issues that Section 22(h) of the Federal Reserve Act and Regulation O were designed to address.

The Proposal will significantly disadvantage regulated companies with actively managed principal shareholder fund complexes, as well as such shareholders' portfolio companies, without adequate justification. The proposed exemption framework also includes criteria that are subjective and prone to inconsistent interpretation. As a result, we encourage the Board to revise the exemption framework as described below.

III. The Board should adopt certain targeted changes to the definition of "qualified fund complex."

The Proposal explains that the exemption framework is meant to focus on the fund complex's "ability to control the bank," addressing the statutory concern that insiders may influence the bank's lending decisions.[19] We agree with this objective. However, the proposed exemption framework includes certain criteria that prevent the proposed rule from achieving this important purpose. We would encourage the Board to adopt the changes to the definition of "qualified fund complex" proposed below.

[17] 91 Fed. Reg. at 49531.
[18] *Id*.
[19] *Id*.

A. *Focus the exemption criteria on whether the fund complex has a controlling relationship with the regulated company, rather than the investment style of the fund complex, by eliminating clause (1)(v).*

Clause (1)(v) of the definition of "qualified fund complex" states that, to be eligible for the exemption from the presumption of control applicable to the related interest determination, a fund complex must not "sponsor, manage or advise non-index funds that in the aggregate own or control more than 10 percent of any class of voting securities of a regulated company."[20] We urge the Board to remove this clause. The manner in which a fund invests—namely, whether securities in a fund are actively selected (non-index funds) or selected to mirror the risk and return characteristics of a third-party index (index funds)—does not determine the nature of the relationship between the fund and the companies in which it invests. In fact, many actively managed funds, like Capital Group funds, do not invest for the purpose of control. Capital Group funds have fundamental policies not to invest for control, and Capital Group must also certify to the SEC when filing beneficial ownership reports on Schedule 13G that the beneficial owner of the shares is not acquiring the securities "for the purpose of or with the effect of changing or influencing the control of the issuer." In short, we agree that a fund complex with the ability to control a regulated company should not meet the definition of "qualified fund complex," but clauses (1)(iii) and (iv) of the proposed definition are sufficient to identify any such controlling relationships. The question of whether a fund complex holds voting securities of the regulated company through index funds or non-index funds is not relevant to the analysis.

B. *Reduce the administrative burden imposed by Regulation O by allowing fund complexes to establish compliance with clauses (1)(iii) and (iv) through the existence of a passivity agreement.*

The Proposal will introduce an administrative burden for regulated companies that must now confirm, on an ongoing basis, whether each principal shareholder fund complex meets the definition of "qualified fund complex." To ease this administrative burden, the Board should clarify that a regulated company can establish the fund complex's compliance with clause (1)(iii) of the definition of "qualified fund complex" if the fund complex confirms it is party to a passivity agreement with a federal banking agency applicable to its investment in the regulated company. To the extent the passivity agreement contains a quantitative limitation on the amount any individual fund may hold in the regulated company, the passivity agreement may also be used to establish compliance with clause (1)(iv).

For purposes of this letter, the term "passivity agreement" means (i) passivity commitments made to the Board and/or any applicable Federal Reserve Bank, (ii) a rebuttal of control acknowledged by the Office of the Comptroller of the Currency ("OCC") or other similar passivity agreements, or (iii) a passivity agreement with the Federal Deposit Insurance Corporation ("FDIC"), in each case allowing the fund complex to acquire, directly or indirectly, 10 percent or more of any class of voting securities of a depository institution, so long as the fund complex abides by the passivity conditions set forth in the relevant agreement. Passivity agreements establish strict conditions on a fund complex's investments in regulated companies, aimed at ensuring that the fund complex will not seek to exercise

[20] 91 Fed. Reg. at 49561.

control of any regulated company. As an example, we encourage the Board to consider the conditions applicable to Capital Group's investments in Banks, set forth in the 2002 Passivity Agreement and described in Section I above. These robust conditions would provide sufficient assurance that a fund complex satisfies the requirements in clauses (1)(iii) and (iv) of the definition of "qualified fund complex."

This approach has several benefits. For example, it is easier than the proposed rule for regulated companies to administer. To the extent a passivity agreement has not been made publicly available, it would be simple for a regulated entity to confirm with any principal shareholder fund complex whether such fund complex has entered into a passivity agreement with the applicable federal banking agency. Indeed, the inquiry (and response) of whether a fund complex has a passivity agreement in place would be straightforward; it would not require subjective interpretation of various exemption criteria. In addition, the approach would provide greater predictability to banks and portfolio companies as they seek to comply with Regulation O. Whereas the proposed exemption framework would require regulated companies to assess various factors on a frequently reoccurring basis, passivity agreements are relatively stable documents. If regulated companies could simply rely on the existence of a passivity agreement to confirm that a fund complex meets the requirements of clauses (1)(iii) and (iv), this would provide greater predictability for regulated companies and portfolio companies and reduce the administrative burden associated with regularly confirming that a principal shareholder fund complex meets the exemption criteria. Finally, we would note that this approach is similar to the supervisory relief the Board and other federal banking agencies have provided since 2019, which presumes a fund complex will meet the eligibility criteria for relief from applicable Regulation O lending restrictions if the fund complex has entered into a passivity agreement with the applicable federal banking agency.[21]

C. *Prevent inconsistent implementation of Regulation O by removing clause (2).*

We respectfully request that the Board remove clause (2) from the definition of "qualified fund complex."[22] This clause would require "investment funds that share the same or substantially the same investment objective and asset composition" to be treated as a single fund for purposes of the 10% individual fund limit set forth in clause (1)(iv) of the "qualified fund complex" definition.[23] As described in Section II above, this requirement is inconsistent with fund managers' legal obligation to manage each fund in accordance with such fund's individual investment objective. In addition, clause (2) conflicts with certain existing passivity agreements applicable to fund managers, and the subjective nature of the requirement will lead to uneven interpretation and implementation.

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[21] *See* Board Statement Regarding Status of Certain Investment Funds and their Portfolio Investments for Purposes of Regulation O and Reporting Requirements under Part 363 of FDIC Regulations, SR 25-6 (Dec. 19, 2025) (available at https://www.federalreserve.gov/supervisionreg/srletters/SR2506a1.pdf); OCC and FDIC Statement Regarding the Status of Certain Investment Funds and Their Portfolio Investments for Purposes of Insider Lending Restrictions and Related Reporting Requirements, OCC Bulletin 2025-47 (Dec. 18, 2025) (available at https://www.occ.gov/news-issuances/bulletins/2025/bulletin-2025-47a.pdf).

[22] 91 Fed. Reg. at 49561-62.

[23] *Id*.

D. *Provide additional clarity on the scope of clause (1)(ii).*

We note that there is some ambiguity regarding the condition in the exemption framework stating that the qualified fund complex must not be, and must not be affiliated with, a bank holding company or savings and loan holding company.[24] In particular, the proposed rule differs from the preamble of the Proposal, which includes the broader condition that the qualified fund complex must not be affiliated with a depository institution or holding company supervised and regulated by the Board, FDIC or OCC.[25] If included in the final rule, we encourage the Board to adopt the formulation of this requirement set forth in the proposed rule, rather than the version described in the preamble. The proposed rule text is appropriate as drafted because it permits fund managers to have affiliated limited purpose trust companies, which are commonly used by asset managers to provide trust and fiduciary services.

IV. Conclusion

We support the Board's efforts to modernize Regulation O, particularly the restrictions applicable to a bank's lending activities with portfolio companies held by fund complexes. However, we are concerned that the overly restrictive exemption criteria for "qualified fund complexes" in the proposed rule will continue to impose substantial burdens on regulated companies and portfolio companies in instances that do not give rise to the type of conflict of interest and self-dealing issues that Section 22(h) of the Federal Reserve Act and Regulation O were designed to address. As such, we encourage the Board to adopt the recommendations described in Section III above.

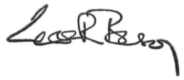
Finally, we urge the federal banking agencies to extend the existing supervisory relief, which is scheduled to expire at the end of 2026, until the effective date of a final rule, and to provide a reasonable transition period thereafter so that banks and fund complexes can implement any new conditions without disrupting existing lending relationships.

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[24] 91 Fed. Reg. at 49561.
[25] 91 Fed. Reg. at 49531.

We appreciate the opportunity to provide our comments in response to the Proposal. If you have any questions regarding our comments, please contact either of us at walt_burkley@capgroup.com or casey.solomon@capgroup.com.

Sincerely,



Walter R. Burkley
Senior Vice President & General Counsel
Capital Research and Management Company



Katherine Z. Solomon
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