



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, DC 20551

December 21, 2020

Annie Loo, Esq.  
Deputy General Counsel  
SVB Financial Group  
3003 Tasman Drive  
Santa Clara, California 95054

Dear Ms. Loo:

SVB Financial Group (together with its subsidiaries and affiliates, “SVBFG”), Santa Clara, California, a financial holding company as defined in the Bank Holding Company Act (“BHC Act”),<sup>1</sup> has requested the Board’s approval under section 13 of the BHC Act (the “Volcker Rule”)<sup>2</sup> and section 225.181 of the Board’s Regulation Y (the “Conformance Rule”)<sup>3</sup> for a one-year extension of the period to conform investments in certain covered funds described herein.

The Volcker Rule generally prohibits any banking entity from engaging in proprietary trading or from acquiring or retaining an ownership interest in, sponsoring, or having certain relationships with a hedge fund or private equity fund (together, a “covered fund”), subject to certain exemptions.<sup>4</sup> The Conformance Rule provides a transition period for new banking entities to bring their activities and investments into compliance with the Volcker Rule. Under the Conformance Rule, a company that was not a banking entity, or a subsidiary or affiliate of a banking entity, as of July 21, 2010, and becomes a banking entity, or

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<sup>1</sup> 12 U.S.C. § 1841(p).

<sup>2</sup> 12 U.S.C. § 1851.

<sup>3</sup> 12 CFR 225.181.

<sup>4</sup> See id. A banking entity is defined by statute as any insured depository institution, any company affiliated with an insured depository institution, as well as any foreign bank that has a branch or agency in the United States, with certain exceptions.

a subsidiary or affiliate of a banking entity, after that date generally must bring its activities and investments into compliance with the requirements of the Volcker Rule within two years of becoming a banking entity or a subsidiary or affiliate of a banking entity (the “conformance period”).<sup>5</sup> The Board may extend the conformance period by not more than three separate one-year periods if, in the judgement of the Board, each such one-year extension is consistent with the purposes of the Volcker Rule and would not be detrimental to the public interest.<sup>6</sup>

On January 4, 2019, SVBFG acquired Leerink Holdings LLC (together with its subsidiaries, “Leerink”), which provides investment banking services focusing on the healthcare and life-science industries. Upon the completion of the acquisition, Leerink became a subsidiary of SVBFG and thus became a banking entity subject to the Volcker Rule. Thus, under the Conformance Rule, Leerink has until January 4, 2021, to bring its activities and investments into compliance with the Volcker Rule unless an extension of the conformance period is granted.

SVBFG has requested a one-year extension of the conformance period for investments held by Leerink in two covered funds, [REDACTED]

[REDACTED] Leerink’s investments in the [REDACTED] total [REDACTED].

The Conformance Rule lists a number of factors that the Board may consider in determining whether to grant a request by a banking entity for an extension of the conformance period.<sup>7</sup> Among the factors the Board may consider are (i) whether the activity or investment (A) involves a material conflict of interest with the banking entity’s clients, customers, or counterparties, (B) would result in a material exposure to high-risk assets or trading strategies, (C) would pose a threat to the safety and soundness of the banking entity, or (D) would pose a threat to the financial stability of the United States; (ii) market conditions; (iii) the cost to the banking entity of disposing of the investments within the applicable period; and (iv) the banking entity’s prior efforts to divest or conform the activities or investments.<sup>8</sup>

Due to the nature of Leerink’s third-party investments in the [REDACTED], they are unlikely to involve a conflict of interest with any of SVBFG’s clients, customers, or counterparties. Also, due to the small size of the investments relative to SVBFG’s total assets and total capital, which were

<sup>5</sup> 12 CFR 225.181(a)(2).

<sup>6</sup> 12 CFR 225.181(a)(3).

<sup>7</sup> See 12 CFR 225.181(d)(1).

<sup>8</sup> See id.

\$85.7 billion and \$7.3 billion, respectively, as of June 30, 2020, these investments would not appear to result in a material exposure to high-risk assets or trading strategies, and would not pose a threat to the safety and soundness of the firm or the financial stability of the United States. [REDACTED]

[REDACTED]. Finally, SVBFG has made or will make progress prior to January 4, 2021, in conforming Leerink's other activities and investments to the Volcker Rule, including by conforming certain other covered fund interests currently held by Leerink, and conforming Leerink's proprietary trading activities, to the requirements of the Volcker Rule.

Based on the relevant statutory and regulatory factors, and on a review of all other facts presented, the Board grants SVBFG's request for a one-year extension of the conformance period until January 4, 2022, with respect to SVBFG's interests in the [REDACTED]. This decision is based on the specific facts and representations in your request and in communications with Board staff, and any change in the facts or representations should be communicated immediately to Board staff and could result in a different conclusion. The Board's approval is limited solely to granting the extension described in this letter and does not confirm any interpretations or strategies that may be described or implied in the materials provided by SVBFG.

Sincerely yours,



Michele Taylor Fennell  
Deputy Associate Secretary of the Board