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OTS 04-01 - Policy Statement Issued on Financial Institutions Providing Financial Support to Advised Investment Funds

Office of Thrift Supervision

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For further information

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Joint Release

**Office of the Comptroller of the Currency
Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
Office of Thrift Supervision**

Policy Statement Issued on Financial Institutions Providing Financial Support to Advised Investment Funds

The federal banking and thrift supervisory agencies issued a policy statement today alerting financial institutions to the safety and soundness and legal issues involved in providing financial support to investment funds advised by the institution or its subsidiaries or affiliates.

Today's policy statement is prompted by recent market developments, including market volatility, the continued low interest rate environment, and operational and corporate governance weaknesses. It warns that investment advisory services can pose material risks to a financial institution's liquidity, earnings, capital and reputation and can harm investors, if the associated risks are not effectively controlled.

To ensure safe and sound banking practices, today's policy statement makes clear that a financial institution should not inappropriately place its resources and reputation at risk for the benefit of the fund's investors and creditors. In addition, financial institutions should not violate the limits and requirements contained in applicable legal requirements or in any supervisory conditions imposed by the agencies, and should not create an expectation that they will prop up an advised fund.

The statement sets forth the agencies' expectations regarding the nature of controls that financial institutions should have in place over investment advisory activities and further

provides that financial institutions should notify and consult with their primary federal regulator prior to, or in the event of an emergency, immediately after, providing financial support to an advised fund.

Attachment:

Policy Statement - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2004-01a.pdf>

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents visit the OTS web page at www.ots.treas.gov.