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The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Hensarling and Ranking Member Waters:

The Institute of International Bankers (“IIB”) would like to express its strong support for HR 4167, *the Restoring Proven Financing for American Employers Act*.

Foreign banks operating in the U.S. play a significant role in lending to businesses in the U.S. They directly fund nearly 25% of all commercial and industrial bank loans made in this country and support the additional lending to U.S. businesses provided by the collateralized loan obligation (CLO) market through their investment in approximately \$60 billion of the \$300 billion in CLO notes.

HR 4167 revises the Volcker Rule to address concerns that have arisen with respect to certain aspects of the final Volcker regulations, which threaten the CLO market’s vitality.

First, it will grandfather CLO notes held by banks that were issued before January 31, 2014 and that may otherwise, for one or more reasons, be classified as interests in “covered funds” and thus subject to forced divestiture under the final Volcker regulations. CLOs have proven to be a safe asset class composed mainly of business loans that have experienced minimal losses over the years, and a wide-spread forced divestiture of CLO notes by banks could, contrary to the purposes underlying the Volcker Rule, create greater risks by depressing market prices for such notes, thereby imposing losses on banks and unnecessarily impairing their earnings and capital.

Second, HR 4167 will insure that moving forward the “removal for cause” creditor rights normally and typically granted to CLO note holders will not disqualify such notes as impermissible “ownership interests” under the final Volcker regulations, thereby enabling banks to continue to make such investments and receive the protections afforded similarly situated non-bank investors.

IIB urges the Committee’s support for HR 4167, *the Restoring Proven Financing for American Employers Act*. Thank you for considering our views.

Sincerely,

A handwritten signature in black ink that reads "Sarah A. Miller". The signature is written in a cursive, flowing style.

Sarah A. Miller
Chief Executive Officer