§ 1500.3 Duration Limited. A financial holding company may routinely manage or operate a portfolio company only for the period of time as may be necessary to address the cause of the financial holding company’s involvement, to obtain suitable alternative management arrangements, to dispose of the investment, or to otherwise obtain a reasonable return upon the resale or disposition of the investment.

(3) Notice required for extended involvement. A financial holding company may not routinely manage or operate a portfolio company for a period greater than nine months without prior written notice to the Board.

(4) Documentation required. A financial holding company must maintain and make available to the Board upon request a written record describing its involvement in routinely managing or operating a portfolio company.

(f) May a depository institution or its subsidiary routinely manage or operate a portfolio company?—(1) In general. A depository institution and a subsidiary of a depository institution may not routinely manage or operate a portfolio company in which an affiliated company owns or controls an interest under this part.

(2) Definition applying provisions governing routine management or operation. For purposes of this section other than paragraph (e) and for purposes of § 1500.4(d), a financial holding company includes a depository institution controlled by the financial holding company and a subsidiary of such a depository institution.

(3) Exception for certain subsidiaries of depository institutions. For purposes of paragraph (e) of this section, a financial holding company includes a financial subsidiary held in accordance with section 5136A of the Revised Statutes (12 U.S.C. 24a) or section 46 of the Federal Deposit Insurance Act (12 U.S.C. 1831w), and a subsidiary that is a small business investment company under section 661 et seq., and such a subsidiary may, in accordance with the limitations set forth in this section, routinely manage or operate a portfolio company in which an affiliated company owns or controls an interest under this part.

§ 1500.3 What are the holding periods permitted for merchant banking investments?

(a) Must investments be made for resale? A financial holding company may own or control shares, assets and ownership interests pursuant to this part only for a period of time to enable the sale or disposition thereof on a reasonable basis consistent with the financial viability of the financial holding company’s merchant banking investment activities.

(b) What period of time is generally permitted for holding merchant banking investments?—(1) In general. Except as provided in this section or § 1500.4, a financial holding company may not, directly or indirectly, own, control or hold any share, asset or ownership interest pursuant to this part for a period that exceeds 10 years.

(2) Ownership interests acquired from or transferred to companies held under this part. For purposes of paragraph (b)(1) of this section, shares, assets or ownership interests—

(i) Acquired by a financial holding company from a company in which the financial holding company held an interest under this part will be considered to have been acquired by the financial holding company on the date that the share, asset or ownership interest was acquired by the company; and

(ii) Acquired by a company from a financial holding company will be considered to have been acquired by the company on the date that the share, asset or ownership interest was acquired by the financial holding company if—

(A) The financial holding company held the share, asset, or ownership interest under this part; and

(B) The financial holding company holds an interest in the acquiring company under this part.

(3) Interests previously held by a financial holding company under limited authority. For purposes of paragraph (b)(1) of this section, any shares, assets, or ownership interests previously owned or controlled, directly or indirectly, by a financial holding company under any other provision of the Federal banking laws that imposes a limited holding period will if acquired under this part be...
§ 1500.4 How are investments in private equity funds treated under this part?

(a) What is a private equity fund? For purposes of this part, a "private equity fund" is any company that:

1. Is formed for the purpose of and is engaged exclusively in the business of investing in shares, assets, and ownership interests of financial and non-financial companies for resale or other disposition;

2. Is not an operating company;

3. No more than 25 percent of the total equity of which is held, owned or controlled, directly or indirectly, by the financial holding company and its directors, officers, employees and principal shareholders;

4. Has a maximum term of not more than 15 years; and

5. Is not formed or operated for the purpose of making investments inconsistent with the authority granted under section 4(k)(4)(H) of the Bank Holding Company Act (12 U.S.C. 1843(k)(4)(H)) or evading the limitations governing merchant banking investments contained in this part.

(b) What form may a private equity fund take? A private equity fund may be a corporation, partnership, limited