



# Volcker Rule

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**The Volcker Rule is a provision of the Dodd-Frank Act designed to limit trading and investment activities by banks. Regulators voted to adopt final rules implementing the Volcker Rule on Dec. 10, 2013.**

- The Volcker Rule prohibits banks and their affiliates from engaging in proprietary trading (i.e. trading for their own account), with some exceptions for certain types of assets and certain categories of transactions.
- The rule also prohibits banks and affiliates from sponsoring/investing in hedge funds and private equity funds ("covered funds").
- As ABA had advocated, community banks – with under \$10 billion in assets – won some relief provisions in the final rules. These provisions exempt banks' and affiliates' proprietary trading in Treasuries, the securities of government-sponsored enterprises, municipal securities and bonds issued by the FDIC.
- In spite of nearly 1,000 pages of rules and explanatory text, the final rules do not clarify the parameters of permitted versus prohibited trading and investment activities. This has made compliance efforts daunting, time-consuming, and expensive.
- The rules took effect on July 21, 2015. Banks must now have a Volcker Rule compliance program in place. However, the Federal Reserve has given banks and affiliates until July 21, 2017 to come into compliance for covered funds that the bank/affiliate invested in or sponsored prior to the final rules.

**The banking industry has significant concerns with the Volcker Rule.**

- The final Volcker Rule, which was intended to apply to the largest banks, instead applies to every bank, regardless of size or activity. Applying requirements designed for the largest banks to every bank results in needless and burdensome regulation for the vast majority of banks that pose no systemic risk.
- With the exceptionally elusive task of defining, disentangling and dissecting permissible from prohibited activities, banks continue to expend precious labor and resources puzzling through a highly complex and burdensome rule instead of serving their customers.
- It's still unclear which regulatory agency has the ultimate interpretative authority on the Volcker Rule, which will prove challenging for banks supervised by more than one agency.
- It will be important for the regulatory agencies to work together to help banks and customers who are affected, and be willing to work with Congress and among themselves to adjust the rules where needed. Customers, communities and the broader economy need a rule that is practical and minimizes the harm that comes with banks being forced to exit well-functioning markets.