



PRESS RELEASE

Federal Deposit Insurance Corporation

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FDIC Approves Interagency Final Rule to Simplify and Tailor the “Volcker Rule”

The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) today approved an interagency final rule to simplify and tailor requirements relating to Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, commonly known as the “Volcker Rule.” The Volcker Rule generally prohibits banking entities from engaging in proprietary trading and from owning or controlling hedge funds or private equity funds.

“One of the post-crisis reforms that has been most challenging to implement for regulators and industry is the Volcker Rule, which restricts banks from engaging in proprietary trading and from owning hedge funds and private equity funds. Distinguishing between what qualifies as proprietary trading and what does not has proven to be extremely difficult. Meanwhile, banks that do relatively little trading are required to go through substantial compliance exercises to ensure that activities that have long been considered traditional banking activities do not run afoul of the Volcker Rule,” said FDIC Chairman Jelena McWilliams.

In July 2018, the FDIC, Office of the Comptroller of the Currency, Federal Reserve Board, Securities and Exchange Commission, and Commodity Futures Trading Commission published proposed amendments through a Notice of Proposed Rulemaking. The proposal would have simplified the 2013 rule by providing more certainty for banking entities and tailoring requirements to reflect the size and scope of a banking entity’s trading activities, while still fulfilling the requirements of the law.

Today’s action by the FDIC Board of Directors does not reflect any future action by the other agencies responsible for the implementation of the Volcker Rule.

The final rule will:

- Tailor the rule’s compliance requirements based on the size of a firm’s trading assets and liabilities, with the most stringent requirements applied to banking entities with the most trading activity;
- Retain the short-term intent prong of the “trading account” definition from the 2013 rule only for banking entities that are not, and do not elect to become, subject to the market risk capital rule prong;
- Replace the rebuttable presumption that instruments held for fewer than 60 days are covered under the short-term intent prong with a rebuttable presumption that instruments held for 60 days or longer are not covered;
- Clarify that banking entities that trade within internal risk limits set under the conditions in this final rule are engaged in permissible market making or underwriting activity;

- Streamline the criteria that apply when a banking entity seeks to rely on the hedging exemption from the proprietary trading prohibition;
- Limit the impact of the rule on the foreign activities of foreign banking organizations; and
- Simplify the trading activity information that banking entities are required to provide to the agencies.

Upon its publication in the *Federal Register*, the final rule will have an effective date of January 1, 2020, and a compliance date of January 1, 2021. However, a banking entity may voluntarily comply, in whole or in part, with the changes to the rule prior to January 1, 2021.

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Attachments:

- [Statement by FDIC Chairman Jelena McWilliams](#)
- [Volcker Rule Fact Sheet](#)
- [Final Rule](#)



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. The FDIC insures deposits at the nation's banks and savings associations, 5,362 as of March 31, 2019. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars—insured financial institutions fund its operations.

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