To State Member Banks, Bank Holding Companies, Financial Holding Companies, and Foreign Bank Offices in the Twelfth Federal Reserve District

Federal Reserve Issues Final Rule to Implement Volcker Rule Conformance Period

The Federal Reserve Board on Wednesday February 9, 2011 announced its approval of a final rule to implement the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act that give banking firms a period of time to conform their activities and investments to the prohibitions and restrictions of the so-called Volcker Rule.

The Volcker Rule generally prohibits banking entities from engaging in proprietary trading in securities, derivatives, or certain other financial instruments and from investing in, sponsoring, or having certain relationships with a hedge fund or private equity fund. The statute generally provides banking entities two years to bring their activities and investments into compliance and allows the Board to extend this conformance period under certain conditions.

The Dodd-Frank Act requires that the Board issue rules implementing the Volcker Rule’s conformance period. In developing the rule, the Board consulted with the Department of the Treasury, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Securities and Exchange Commission, and the Commodity Futures Trading Commission. The final rule is substantially similar to the proposal published in November.

The final rule is effective April 1, 2011.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco’s website, at http://www.frbsf.org/banking/letters.

For additional information, please contact:

Federal Reserve Bank of San Francisco
Banking Supervision and Regulation
(415) 974-2136

Attachment: Conformance Period