

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

December 13, 2013

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

Agencies Issue Final Rules Implementing the Volcker Rule

Federal Reserve Board Announces Banking Entities Covered by Section 619 of the Dodd-Frank Act Are Required to Fully Conform Their Activities by July 21, 2015

On December 10, 2013, five federal agencies [issued final rules](#) developed jointly to implement section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Volcker Rule").

The final rules prohibit insured depository institutions and companies affiliated with insured depository institutions ("banking entities") from engaging in short-term proprietary trading of certain securities, derivatives, commodity futures and options on these instruments, for their own account. The final rules also impose limits on banking entities' investments in, and other relationships with, hedge funds or private equity funds.

Like the Dodd-Frank Act, the final rules provide exemptions for certain activities, including market making, underwriting, hedging, trading in government obligations, insurance company activities, and organizing and offering hedge funds or private equity funds. The final rules also clarify that certain activities are not prohibited, including acting as agent, broker, or custodian.

The compliance requirements under the final rules vary based on the size of the banking entity and the scope of activities conducted. Banking entities with significant trading operations will be required to establish a detailed compliance program and their CEOs will be required to attest that the program is reasonably designed to achieve compliance with the final rule. Independent testing and analysis of an institution's compliance program will also be required. The final rules reduce the burden on smaller, less-complex institutions by limiting their compliance and reporting requirements. Additionally, a banking entity that does not engage in covered trading activities will not need to establish a compliance program.

Separately, the Federal Reserve Board [announced](#) on December 10, 2013, that banking organizations covered by section 619 will be required to fully conform their activities and investments by July 21, 2015. The Dodd-Frank Act directed the Board to adopt rules governing the conformance period for section 619 and requires banking entities to conform by July 21, 2014, unless extended by the Board. To ensure effective compliance, the Board is extending the conformance period by one year.

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-supervision/publications/district-circular-letters/>.

For additional information, please contact:

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Attachments:

[Statement by Chairman Ben S. Bernanke](#)

[Statement by Governor Daniel K. Tarullo](#)

[Final Rule](#)

[Final Rule - Preamble](#)

[Fact Sheet](#)

[Community Bank Guide](#)

[Order Approving Extension of Conformance Period](#)