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

November 24, 2010

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

Federal Reserve Issues Proposal to Implement Volcker Rule Conformance Period

The Federal Reserve Board on November 17, 2010 requested comment on a proposed rule to implement provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act that give banking firms a defined period of time to conform their activities and investments to 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 with the Volcker Rule, and allows the Board to extend this conformance period for specified periods under certain conditions. The Dodd-Frank Act requires that the Board issue rules implementing the Volcker Rule's conformance period.

In developing the proposed 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.

Comments on the proposal must be submitted within 45 days after publication in the *Federal Register*.

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) 974-3166

Attachment: Proposal to Implement Volcker Rule Conformance Period