Insights

Agencies Adopt Final Rule Excluding Community Banks from Volcker Rule

July 11, 2019

On July 9, 2019, the FRB, FDIC, OCC, CFTC and SEC announced the adoption of a final rule to exclude certain community banks from the Volcker Rule's restrictions on proprietary trading, consistent with the Economic Growth, Regulatory Relief, and Consumer Protection Act. The final rule was proposed in December 2018 and is being adopted without change.

The final rule excludes from the Volcker Rule community banks with:

- $10 billion or less in total consolidated assets; and
- Total trading assets and liabilities of five percent or less of its total consolidated assets.

The final rule also permits, under certain circumstances, a hedge fund or private equity fund to share the same name or a variation of the same name with an investment adviser as long as the adviser is not an insured depository institution (IDI), a company that controls an IDI, or a bank holding company (BHC). The Volcker Rule, or Section 13 of the Bank Holding Company Act of 1956 (BHC Act), generally prohibits banking entities, including IDIs, BHCs, and thrift holding companies, from engaging in proprietary trading or acquiring or retaining any ownership interest in or sponsoring a hedge fund or private equity fund.

The agencies’ joint press release is available here.

For more information, please contact Lori Jean.