FACT SHEET: Final Rule Amendments to the Volcker Rule

Compliance Program Requirements and Thresholds

Similar to the proposal, the final rule includes a three-tiered approach to tailoring the compliance program requirements.

1. Banking entities with total consolidated trading assets and liabilities of at least $20 billion would be considered to have “significant” trading assets and liabilities. Banking entities with significant trading assets and liabilities would be subject to a six-pillar compliance program, annual CEO attestation, and metrics requirements.

2. Banking entities with total consolidated trading assets and liabilities between $1 billion and $20 billion would be considered to have “moderate” trading assets and liabilities. Banking entities with moderate trading assets and liabilities would be subject to a simplified compliance program.

3. Banking entities with total consolidated trading assets and liabilities of less than $1 billion would be considered to have “limited” trading assets and liabilities. Banking entities with limited trading assets and liabilities would be subject to a presumption of compliance.

The final rule would include modifications to the metrics collection requirements to, among other things, eliminate certain metrics and reduce the compliance burdens associated with the remaining metrics requirements. Metrics filers must submit metrics on a quarterly basis with a reporting schedule of 30 days after the end of each quarter.

Proprietary Trading

The final rule would include many of the proposal’s changes to the proprietary trading restrictions, with certain changes based on comments received. In particular, the final rule would not include the proposed accounting prong in the “trading account” definition. Instead, the final rule would retain a modified version of the short-term intent prong, eliminate the 2013 rule’s rebuttable presumption that financial instruments held for fewer than 60 days are within the short-term intent prong of the trading account, and add a rebuttable presumption that financial instruments held for 60 days or longer are not within the short-term intent prong of the trading account.

The final rule also would provide that a banking entity that is subject to the market risk capital rule prong, which the final rule would retain in a manner substantially similar to the 2013 rule, would not also be subject to the short-term intent prong. In addition, under the final rule, a banking entity that is not subject to the market risk capital rule prong could elect to apply the market risk capital rule prong, as an alternative to the short-term intent prong under certain conditions. Further, the final rule would revise the trading desk definition to provide for consistent treatment across different regulatory regimes, including the market risk capital rule.
**Exclusions from the Definition of “Proprietary Trading”**

Consistent with the proposal, the final rule would modify the liquidity management exclusion from the definition of proprietary trading to permit banking entities to use a broader range of financial instruments to manage liquidity, and it would add new exclusions for error trades, certain customer-driven swaps, hedges of mortgage servicing rights, and purchases or sales of instruments that do not meet the definition of “trading assets and liabilities” under the applicable reporting form.

**Exemptions for Permitted Proprietary Trading**

The final rule would include the proposal’s changes to the exemptions from the prohibitions for underwriting and market marking-related activities, risk-mitigating hedging, and trading by foreign banking entities solely outside the United States. With respect to the exemptions for underwriting and market making-related activities, the final rule would adopt the notice of proposed rulemaking’s presumption of compliance with the reasonably expected near-term demand requirement for trading within certain internal limits. However, instead of requiring banking entities to promptly report limit breaches or increases to the agencies, banking entities would be required to maintain and make available upon request records of any such breaches or increases and follow certain internal escalation and approval procedures in order to remain qualified for the presumption of compliance.

**Covered Funds**

The final rule would include the proposed changes to the covered funds provisions for which specific rule text was proposed, including with respect to permitted underwriting and market making and risk-mitigating hedging with respect to a covered fund, as well as investment in or sponsorship of covered funds by foreign banking entities solely outside the United States, and the exemption for prime brokerage transactions.

Furthermore, the agencies intend to issue an additional notice of proposed rulemaking that would propose additional, specific changes to the restrictions on covered fund investments and activities and other issues related to the treatment of investment funds. These proposed changes will include revisions to limitations on relationships between a banking entity and a covered fund for purposes of section 23A of the Federal Reserve Act.