

## Trading Desk

### 2. May a trading desk span multiple affiliated banking entities? If a trading desk spans multiple affiliated banking entities, to which Agency(ies) should a banking entity report metrics?

**Posted: 6/10/2014**

The final rule defines trading desk to mean the smallest discrete unit of organization of a banking entity that purchases or sells financial instruments for the trading account of the banking entity or an affiliate thereof. As discussed in the preamble to the final rule, the Agencies expect that a trading desk would be managed and operated as an individual unit and should reflect the level at which the profit and loss of the traders is attributed. This approach allows more effective management of risks of trading activity by requiring the establishment of limits, management oversight, and accountability at the level where the trading activity occurs. It also allows banking entities to tailor the limits and procedures to the type of instruments traded and markets served by each trading desk.

The definition of "trading desk" specifically recognizes that the desk may buy or sell financial instruments "for the trading account of a banking entity or an affiliate thereof." The preamble to the final rule explains that a trading desk may span more than one legal entity and thus employees may be working on behalf of multiple affiliated legal entities. Additionally, trades and positions managed by the desk may be booked in different affiliated entities. The rules require that if a single trading desk books positions in different affiliated legal entities, it must have records that identify all positions included in the trading desk's financial exposure and the legal entities where such positions are held.

Appendix A to the final rule provides that a banking entity with significant trading assets and liabilities must furnish periodic reports to the Agencies regarding a variety of quantitative measurements of their covered trading activities. If a trading desk spans multiple legal entities, it must report quantitative measurements to each of the agencies with jurisdiction under section 13 of the BHC Act over any of the entities. For a trading desk that spans multiple affiliated banking entities, the quantitative measurements of Appendix A should be calculated at the level of the entire desk; calculations do not need to be performed separately for each subset of positions booked at the various banking entities that compose the trading desk. As indicated above, this same set of desk-wide measurements should be reported to each Agency that has authority under section 13 of the BHC Act over any of the affiliated entities that compose the trading desk so that the Agency may understand the context of the trading activity and discharge its responsibility for the legal entity that the Agency supervises or regulates.