



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-86-2018
December 18, 2018

Volcker Rule: Proposed Revisions to Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships With, Hedge Funds and Private Equity Funds

Summary: The FDIC, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the U.S. Securities and Exchange Commission, and the U.S. Commodity Futures Trading Commission (collectively, the Agencies) are issuing a Notice of Proposed Rulemaking and requesting comment on a proposal to amend regulations implementing Section 13 of the *Bank Holding Company Act* (the Volcker Rule) in a manner consistent with the statutory amendments made pursuant to Sections 203 and 204 of the *Economic Growth, Regulatory Relief, and Consumer Protection Act* (EGRRCPA). These statutory amendments modified the Volcker Rule to exclude certain community banks from the Volcker Rule and to permit banking entities subject to the Volcker Rule to share a name with a hedge fund or private equity fund that it organizes and offers under certain circumstances.

Statement of Applicability to Institutions with Total Assets Under \$1 Billion: This Financial Institution Letter is applicable to all FDIC-supervised institutions.

Distribution:

FDIC-Supervised Institutions

Suggested Routing:

Chief Executive Officer
Chief Financial Officer
Chief Risk Officer

Related Topics:

[Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships With, Hedge Funds and Private Equity Funds, 12 CFR Part 351](#) (Volcker Rule)

Attachment:

[Proposed Revisions to Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships With, Hedge Funds and Private Equity Funds](#)

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Note:

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Highlights:

- The Agencies are proposing to amend regulations implementing the Volcker Rule in a manner consistent with the statutory amendments made by EGRRCPA.
- Pursuant to Section 203 of the EGRRCPA, the proposal would exclude a community bank from the restrictions of the Volcker Rule if it meets the following conditions:
 - The community bank, and every entity that controls it, must have total consolidated assets equal to or less than \$10 billion; and
 - Trading assets and liabilities of the community bank, and every entity that controls it, must be equal to or less than five percent of its total consolidated assets.
- Additionally, pursuant to Section 204 of the EGRRCPA, the proposal would, under certain circumstances, permit a hedge fund or private equity fund to share the same name or a variation of the same name with an investment adviser that is not an insured depository institution or bank holding company.