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### **The OCC Issues Volcker Rule Proposal for Public Comment**

WASHINGTON — The Office of the Comptroller of the Currency today requested public comment on a proposed regulation implementing the so-called "Volcker Rule" requirements of section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Section 619 generally contains two prohibitions. First, it prohibits federally insured depository institutions and their affiliates (banking entities) from engaging in short-term proprietary trading of any security, derivative, and certain other financial instruments for a banking entity's own account. Second, it prohibits owning, sponsoring, or having certain relationships with, a hedge fund or private equity fund.

The proposal, which will be issued jointly with the Federal Deposit Insurance Corporation, the Federal Reserve Board, and the Securities and Exchange Commission, clarifies the scope of the Act's prohibitions and, consistent with statutory authority, provides certain exemptions to these prohibitions.

The proposed rule would require banking entities to establish an internal compliance program, subject to supervisory oversight, that is designed to ensure and monitor compliance with the statute's prohibitions and restrictions. The proposal also requires banking entities with significant trading operations to report to the appropriate federal supervisory agency certain quantitative measurements designed to assist the federal supervisory agencies and banking entities in identifying prohibited proprietary trading in the context of certain exempt activities and identifying high risk trading assets and strategies.

Transactions in certain instruments, including obligations of the U.S. government or a U.S. government agency, government-sponsored enterprises, and state and local governments, are exempt from the statute's prohibitions. Activities exempted include market making, underwriting, and risk-mitigating hedging. The statute also permits banking entities to organize and offer a hedge fund or private equity fund subject to a number of conditions, including permitted *de minimis* investments in such funds subject to limitations.

The proposed rule includes regulatory commentary intended to assist banking entities in distinguishing permitted market making-related activities from prohibited proprietary trading activities. It also includes a number of elements intended to reduce the effect of the proposal on smaller, less-complex banking entities. For example, the proposal limits the extent to which smaller banking entities are required to report quantitative measurements.

Comments on the proposal will be received through January 13, 2012.

#### **Related Link**

- [Notice of Proposed Rulemaking \(PDF\)](#)

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