

FACT SHEET

Financial Regulators Issue Rule to Modify Volcker ‘Covered Fund’ Provisions and Support Capital Formation

- Section 619 of the Dodd-Frank Act, commonly referred to as the Volcker Rule, generally prohibits banking entities from engaging in proprietary trading and from acquiring or retaining ownership interests in, sponsoring, or having certain relationships with a hedge fund or private equity fund.
- Since the Volcker Rule’s implementation in 2014, the “covered fund” provisions have generated considerable market uncertainty and hindered capital formation, particularly for small businesses in areas where financing may not be readily available.
- The Federal Deposit Insurance Corporation, Federal Reserve Board of Governors, Office of the Comptroller of the Currency, Securities and Exchange Commission, and Commodity Futures Trading Commission are issuing a final rule to modify and clarify the covered fund provisions of the Volcker Rule in order to:
 - **Facilitate capital formation** by providing banking entities greater flexibility in sponsoring funds that provide loans to companies (e.g., allow investments in qualifying venture capital funds) so banking entities can allocate resources to a more diverse array of long-term investments in a broader range of geographic areas, industries, and sectors than they may be able to access directly.
 - **Protect safety and soundness and financial stability** by not allowing banks to engage in any activity that is not currently permissible if conducted on their balance sheets, and limiting banks’ exposures to potential risks by including protections that restrict the ability to conduct certain transactions with covered funds.
 - **Provide greater clarity and certainty** about what activities are permitted, which will improve supervision and implementation of the Volcker Rule (e.g., clarify the existing foreign public fund exclusion, which is intended to provide consistent treatment between U.S. registered investment companies and their foreign equivalents).