

# Board of Governors of the Federal Reserve System

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## Press Release


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*Release Date: April 7, 2014*

### For immediate release

The Federal Reserve Board announced today that it intends to exercise its authority to give banking entities two additional one-year extensions to conform their ownership interests in and sponsorship of certain collateralized loan obligations (CLOs) covered by section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, commonly referred to as the Volcker rule. CLOs are securitization vehicles backed predominantly by commercial loans.

Section 619 generally prohibits insured depository institutions and any company affiliated with an insured depository institution 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. These prohibitions are subject to a number of statutory exemptions, restrictions, and definitions.

Section 619 of the Dodd-Frank Act directed the Board to adopt rules for the conformance period and the Board previously extended the conformance period for all activities and investments by one year to July 21, 2015. To ensure effective compliance, the Board intends to grant banking entities two additional one-year extensions, which together would extend until July 21, 2017, to conform their ownership interests in and sponsorship of CLOs to the statute. Only CLOs in place as of December 31, 2013, that do not qualify for the exclusion in the final rule for loan securitizations would be eligible for the extension. The Board intends to act on these extensions in August of this year and the next year.

A banking entity would not have to include ownership interests in CLOs to determine its investment limits under the final rule, and a banking entity would not be required to deduct CLO investments from tier 1 capital under the final rule until the end of the relevant conformance period.

The Federal Reserve Board consulted with staffs of the other agencies charged with enforcing the requirements of section 619, including the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Securities and Exchange Commission, and the Commodity Futures Trading Commission, and the agencies plan to administer their oversight of banking entities under their respective jurisdictions in accordance with the Board's conformance rule, including any extension of the conformance period applicable to CLOs.

For media inquiries, call 202-452-2955.

[Attachment \(19 KB PDF\)](#)

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**Last update: April 7, 2014**

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