Office of the Comptroller of the Currency
U.S. Department of the Treasury

OCC BULLETIN 2015-43

Subject: Volcker Rule
Date: November 6, 2015

To: Chief Executive Officers of All National Banks and Federal Savings Associations, Federal Branches and Agencies, Department and Division Heads All Examining Personnel, and Other Interested Parties

Description: Interagency Guidance on Capital Deduction Methodology

Summary

The Office of the Comptroller of the Currency (OCC), along with the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation, is issuing the attached interagency guidance to banking organizations. For the OCC, the interagency guidance pertains to national banks and federal savings associations (collectively, banks). The interagency guidance addresses the deduction from regulatory capital for certain investments in covered funds pursuant to section 13 of the Bank Holding Company Act, also known as the Volcker rule. The guidance clarifies the interaction between the deduction for covered funds under the Volcker rule and the deductions required for certain investments in non-consolidated financial institutions under the regulatory capital rule at 12 CFR 3.

The Volcker rule deduction became effective on July 21, 2015, for investments in covered funds made after December 31, 2013. The September 30, 2015, call report is the first in which banking organizations must report Volcker rule deduction amounts.

For legacy covered fund investments (that is, investments made before December 31, 2013), the Volcker rule deduction does not become effective until July 21, 2017.

Note for Community Banks

Community banks are subject to the Volcker rule deduction only if they engage in covered fund activities that result in holding an ownership interest in covered funds.

Community banks should contact their OCC Assistant Deputy Comptroller if they need assistance determining whether they are engaged in covered fund activities and whether such activities are subject to the Volcker rule deduction discussed in the attached interagency guidance.

Highlights

- The interagency guidance describes the steps that a bank should follow to determine its deduction for covered funds subject to the Volcker rule.
- An investment that must be deducted from regulatory capital because it is a covered fund under the Volcker rule also may be subject to a deduction from regulatory capital because the investment meets the definition of an “investment in the capital of an unconsolidated financial institution” under the regulatory capital rule. Therefore, the Volcker rule and regulatory capital rule deduction requirements may overlap. The purpose of the steps in the interagency guidance is to prevent a double deduction.
- Deductions made according to requirements of the regulatory capital rule at 12 CFR 3 take precedence and should be deducted first. To the extent the deduction requirements overlap, the

interagency guidance clarifies that the 12 CFR 3 deductions may count toward the required Volcker rule deduction at 12 CFR 44, which should be calculated after 12 CFR 3 deductions have been made.
- Amounts deducted according to the regulatory capital rule or the Volcker rule are deducted from the numerator and the denominator for purposes of calculating regulatory capital ratios.

Further Information

Please contact Margot Schwadron, Senior Risk Expert, or Christine Smith, Risk Analyst, Capital Policy Division, (202) 649-6370; or Carl Kaminski, Special Counsel, Legislative and Regulatory Activities Division, at (202) 649-5490.

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Related Link

- "Deduction Methodology for Investments in Volcker Rule Covered Funds" (PDF)