

Joint Press Release

July 21, 2017

Federal regulatory agencies announce coordination of reviews for certain foreign funds under "Volcker Rule"

Board of Governors of the Federal Reserve System

Commodity Futures Trading Commission

Federal Deposit Insurance Corporation

Office of the Comptroller of the Currency

Securities and Exchange Commission

For release at 3:30 p.m. EDT

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Five federal financial regulatory agencies today announced that they are coordinating their respective reviews of the treatment of certain foreign funds under section 619 of the Dodd-Frank Act, commonly known as the Volcker Rule, and the agencies' implementing regulations.

These foreign funds are investment funds organized and offered outside of the United States that are excluded from the definition of "covered fund" under the agencies' implementing regulations ("foreign excluded funds"). Section 619, and the implementing regulations, generally do not apply to investments in, or sponsorship of, these foreign excluded funds by a foreign banking entity.

However, complexities in the statute and the implementing regulations may result in certain foreign excluded funds becoming subject to regulation under section 619 because of governance arrangements with or investments by a foreign bank. As a result, a number of foreign banking entities, foreign government officials, and other market participants have expressed concern about possible unintended consequences and extraterritorial impact.

The staff of the agencies are considering ways in which the implementing regulations may be amended, or other appropriate action may be taken. It may also be the case that congressional action is necessary to fully address the issue. To aid full consideration, the federal banking regulators, which generally oversee foreign banks, announced that they would not take action under section 619 for qualifying foreign excluded funds, subject to certain conditions, for a period of one year.

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 covered fund. These prohibitions are subject to a number of statutory exemptions, restrictions, and definitions.

Final regulations implementing section 619 were previously issued by five agencies--the Federal Reserve Board, the Commodity Futures Trading Commission, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Securities and Exchange Commission.

Today's announcement does not otherwise modify the rules implementing section 619 and is limited to certain foreign excluded funds that may be subject to the Volcker Rule and implementing regulations due to their relationships with or investments by foreign banking entities.

 [Attachment \(PDF\)](#)

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