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MEMORANDUM

October 12, 2011

To Our Clients and Friends

Re: Joint Proposal Implementing the Volcker Rule

The federal banking agencies and Securities and Exchange Commission have jointly issued a proposed rule for public comment implementing the so-called “Volcker Rule” requirements of Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The comment period closes on January 13, 2012.

The Volcker Rule generally prohibits any banking entity from engaging in short-term proprietary trading of securities, derivatives and other financial instruments for its own account and from owning, sponsoring, or having relationships with a hedge fund or private equity fund. The agencies’ proposed rule:

- Describes the key characteristics of prohibited proprietary trading and conditions for permitted underwriting, market-making and risk-mitigating hedging activities
- Implements statutory exemptions for trading: in specified instruments (such as U.S. government obligations), on behalf of customers, by a regulated insurance company, and by certain foreign banking entities
- Prohibits relying on an exemption if the permitted activity would involve a material conflict of interest, exposure to high-risk assets or high-risk trading strategies, or threaten the entity’s safety and soundness or the financial stability of the U.S.
- Requires establishing a comprehensive compliance program, taking into account the nature of the entity’s business
- Requires banking entities with significant trading operations to report quantitative data to their regulators to assist in identifying prohibited proprietary trading and high risk trading assets and strategies

A copy of the proposed rule can be found at our website at <http://www.schwartzandballen.com/news.html>

If you have any questions, please call Gilbert Schwartz, Robert Ballen, Tom Fox, Heidi Wicker or Lauren Bianchini at (202) 776-0700.