



# JANUARY 2014 BCG TELEPHONE BRIEFING

## BCG MONTHLY TELEPHONE BRIEFING

Friday, January 17, 2014

12:00 - 1:30 p.m.

(with live Q&A)

ALDRICH BONNEFIN & MOORE, PLC

### A Community Bank's Guide to the Volcker Rule

At long last, on December 10, 2013, the banking agencies and the SEC finalized the rule implementing the prohibition on proprietary trading under Section 619 of the Dodd-Frank Act (the so-called "Volcker Rule"). The final rule differs considerably from the original proposal which was released in November 2011. The final rule applies to all commercial banks and their affiliates, including bank holding companies. The final rule is effective April 1, 2014. In a related action, the agencies provided an additional year, until July 21, 2015, for banking institutions to divest their nonconforming investments. Our presentation on the Volcker Rule will focus on the impact on community banks.

The final rule formalizes the ban on proprietary securities trading, and also imposes limits on investment in and sponsorship of hedge funds and private equity funds ("covered funds"). Despite the prohibition and limitations, there are certain important exceptions, such as for underwriting activities, market-making and risk-mitigating activities. Also, trading in certain government securities and trading on behalf of customers is specifically permitted.

Due to certain exceptions, the impact of the Volcker Rule on smaller banks under \$10 billion in assets will be limited. However, certain tasks will still need to be accomplished. For example, if a bank engages in certain permitted risk-mitigating activities (hedging), certain specific documentation will be required. If a bank manages its liquidity through trading activities, the bank will need to adopt a *bona fide* liquidity management plan that meets certain criteria. Also, if a bank invests in certain collateralized loan obligations (CLOs) or collateralized debt obligations (CDOs), including CDOs backed by trust preferred securities, and the bank did not organize or offer the fund, it may need to be divested by July 21, 2015. Moreover, there is pending industry litigation which may affect the treatment of CLO and CDO investments, and we will report on the status of such litigation at the briefing.

Community banks involved in permitted trading activities, even if limited in nature, will need to prepare appropriate policies and procedures. Please join us to explore and understand how the Volcker Rule will apply to your bank.

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**A**ldrich Bonnefin & Moore, PLC is hosting a monthly telephone briefing for Bankers' Compliance Group members. The meeting will be on **Friday, January 17, 2014**. This meeting will be presented live and will include a question and answer session. Members can ask questions by telephone, fax or e-mail. Each member that registers for the monthly telephone briefing will be given a password and instructions, which will allow them to participate in the telephone briefing.

### **Organize Your Participants**

This announcement is sent to our main contacts in order to encourage the institution to organize multiple attendees to participate at one location or several locations concurrently. In this manner, several attendees can be accommodated in one conference room with a speakerphone.

### **Download Handouts**

For convenience, members can go to the BCG website, **[www.bankerscompliancegroup.com](http://www.bankerscompliancegroup.com)**, and easily download this month's handout(s) the day before the briefing.

### **Not Able to Listen to the Program? Log on to Our Website!**

Should you or others at your institution miss the broadcast, you can tune into our streaming audio available on the BCG website. There will also be a package available which includes a CD of the meeting and the handout(s). The package is available upon request at no additional cost. Contact Laura Jagerman at 800-742-3600 or **[LJagerman@ABMLawFirm.com](mailto:LJagerman@ABMLawFirm.com)** to request this package.

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