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Statement on Volcker Rule Covered Funds Proposal
and Control Framework Final Rule
By Chair Jerome H. Powell

Good morning. I'd like to welcome our guests here at the Federal Reserve Board and our online viewers.

This morning, we will consider two items. The first is a proposal to simplify and clarify the restrictions applying to investment funds covered by the Volcker rule, known as covered funds. The second is a final rule to increase transparency and simplify the way we determine who controls a banking organization.

As I have said before, the intent behind the Volcker rule is the right one—banks should not use deposits that are insured by taxpayers to make risky proprietary trades or investments in hedge funds and private equity funds. We now have considerable supervisory experience putting that common sense prohibition into practice, and we have learned that a simpler, clearer approach to implementing the rule makes it easier for both banks and regulators to carry out the intent of the rule. We have already taken several steps in that direction and the proposal before us continues that work.

For example, the proposal addresses the extraterritorial treatment of certain foreign funds that have been unintentionally affected by the rule. In addition, the proposal would simplify and clarify the application of various provisions of the Volcker rule to covered funds. And, as staff members will detail, the proposal will also permit banks to provide limited services to covered funds in ways that do not raise the types of concerns the Volcker rule was intended to address.

After discussing covered funds, we will then turn to a final rule that would significantly improve transparency around how we determine who controls a banking organization and who a banking organization controls. The rule clearly lays out the key factors and thresholds that the Board will take into account and the combination of factors that would and would not trigger control. This should reduce complexity and reduce compliance burdens for banks and their investors.

I look forward to hearing the staff presentations.