Volcker Rule

Return to Glossary

The **Volcker Rule** is a U.S. federal regulation that generally prohibits banks from conducting certain investment activities with their own accounts and limits their dealings with hedge funds and private equity funds, also called covered funds.

- The Volcker Rule prohibits banks from using their own accounts for short-term proprietary trading of securities, derivatives, and commodity futures, as well as options on any of these instruments.
- On June 25, 2020, Federal Deposit Insurance Corp. (FDIC) officials said the agency will loosen the restrictions of the Volcker Rule, allowing banks to more easily make large investments into venture capital and similar funds.
- The main criticism of the Volcker Rule is that it will reduce liquidity due to a reduction in banks' market-making activities.

Source: https://www.investopedia.com/terms/v/volcker-rule.asp