



**PROMONTORY**  
an IBM Company

# Volcker Rule

STRATEGIC ADVICE, TAILORED SOLUTIONS,  
AND PRACTICAL EXPERTISE





# Managing Uncertainty

The Volcker rule became effective on the five-year anniversary of the Dodd-Frank Act and is one of the cornerstones of the U.S. regulatory framework that emerged in response to the global financial crisis.

Risky trading and investment activities are no longer acceptable for banking entities that rely on government support. The rule gives new meaning to terms long understood in the industry, such as “proprietary trading,” “trading account,” and “hedging.” The rule outlines clear regulatory priorities: strengthening governance, communicating risk tolerance, enhancing compliance processes and controls, establishing quantitative metrics, and mitigating conflicts of interest.

Banking entities subject to the rule — including some broker-dealers and security-based swaps — have undertaken considerable implementation efforts. They must shed impermissible trading and investments, design comprehensive compliance programs, train affected employees, and develop extensive metrics and reporting capabilities. Regulators at the same time are training examiners in enforcement of the rule, developing a framework for regulatory reporting of metrics, and collecting their interpretative questions that have arisen from the final rule’s complexity and ambiguity.

Regulators will continue to discuss the Volcker rule and refine its enforcement, as issues arise through bank inquiries and examiner escalation. The agencies will publish new guidance, in the form of examination procedures and answers to firms’ frequently asked questions. A clear understanding of regulatory expectations and industry best practices with respect to the Volcker rule will take years to develop.

# Tailored Solutions

The five agencies charged with enforcing the Volcker rule — the Office of the Comptroller of the Currency, Federal Reserve Board, Federal Deposit Insurance Corp., Securities and Exchange Commission, and Commodity Futures Trading Commission — are working independently and together to determine how they will discharge their duties. Each agency will develop a strategy and supervisory process for overseeing industry compliance with the Volcker rule. The agencies' differing regulatory priorities and resources create considerable implementation challenges for covered firms.

## Large U.S. Banks

Large U.S. banks with significant trading activities are the Volcker rule's focus. Promontory offers these banks highly tailored advice on their existing Volcker rule compliance, assessing individual program components like policies, procedures, reporting, and documentation. Our subject-matter experts in data analytics and modeling will build the solutions needed to meet exemption and metrics requirements. Promontory can also support management in designing and implementing a framework for the chief executive officer's attestation that withstands regulatory scrutiny.

## Midsized/Small Banks

The final rule provides flexibility for midsize and small banks without significant trading activities. Promontory can help these firms develop and implement compliance with the rule by benchmarking existing programs and closing any identified gaps. We can also advise on Volcker rule implications for new activities or products and assist banks that need to transition from standard compliance into an enhanced compliance program.

## Foreign Banks

Promontory offers comprehensive assistance to foreign banks subject to the Volcker rule. We can assess these banks' impacted activities, enhance compliance programs, and provide advice on independent testing requirements. Promontory professionals also provide advice on aspects of the Volcker rule that apply only to foreign banks, such as requirements for trading outside of the U.S.

# Practical Expertise

Banking entities face uncertainty in evaluating their current situation and determining whether they meet regulatory expectations for the rule. Our professionals work closely with clients to ensure that key business objectives, time, resources, and costs are considered throughout any engagement. This client-specific approach assists firms through the life cycle of building, managing, and sustaining Volcker rule compliance programs.

## Core Volcker Rule Services and Areas of Expertise

### Programwide Assistance

- Gap analysis of existing Volcker rule compliance programs
- Expanding standard programs into enhanced programs
- Evaluating Volcker rule implications for new products or activities
- Initial program development for new banking entities

### Independent Testing

- Determining the scope of testing and timing
- Designing test methodology
- Planning the testing process
- Writing test scripts
- Conducting the tests and assessing results
- Developing and implementing remediation efforts

### Data Analytics and Modeling

- Developing processes for meeting quantitative requirements for market-making and hedging
- Providing models for credible challenge
- Analyzing valuations and other Volcker-related considerations

### Regulatory Relations

- Preparing for examinations
- Examination response and remediation
- Strategies for engagement with regulators

### Training

- Preparing and conducting training for boards and senior management
- Training compliance, risk, and internal-audit personnel

### Reporting

- Establishing a process for required reporting
- Designing internal metrics
- Developing frameworks for CEO attestation

# The Promontory Difference

The Volcker rule represents an unprecedented compliance challenge for financial companies — not just because of the breadth and complexity of the activities it covers, but also because of the evolving standards to which companies are held. Anticipating where the bar will be raised depends upon uncommon insight. Promontory's clients benefit from our strong conceptual understanding of the Volcker rule, and from our practical experience in helping companies interpret regulatory expectations and achieve compliance.

Our professionals are subject-matter experts with the vision and experience. Promontory offers an unparalleled combination of former leaders from the highest ranks of global financial supervisory authorities and Fortune 100 corporations in the financial sector. We have extensive knowledge of the Volcker rule and the expertise to help financial services companies implement and manage large-scale compliance programs, as well as the experience to reconcile operational needs and regulatory requirements.

Promontory Operates at the Intersection of Strategy, Risk Management, and Regulation



# About Promontory, an IBM Company

Promontory, an IBM Company, excels at helping clients resolve critical issues, particularly those with a regulatory dimension. Promontory professionals have unparalleled regulatory experience and insight, and provide our clients with frank, proactive advice informed by best practices and regulatory expectations.

Promontory is a leading strategy, risk management, and regulatory-compliance consulting firm focusing on the financial services industry. Our professionals, with deep expertise gained through decades of leadership at regulatory bodies and Fortune 100 corporations, help entities understand and implement global and national financial services regulation.

Founded in 2001 by Chief Executive Officer Eugene A. Ludwig, former U.S. comptroller of the currency, Promontory became a wholly owned subsidiary of IBM in 2016. Our unique domain expertise, combined with IBM's world-class technology, allows us to resolve challenging national and cross-border issues in banking, securities, commodities, financial instruments, markets, and insurance.



## Contact Us

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