



## Insights

# Interim Final Rule Permits Banks to Retain Certain CDOs Backed Primarily by Trust Preferred Securities

**Regulatory Updates - SFI**  
**January 14, 2014**

On January 14, 2014, five federal agencies approved an interim final rule to permit banks to retain certain collateralized debt obligations backed primarily by trust preferred securities (TruPS CDOs) from the investment prohibitions of the Volcker Rule. More specifically, the interim final rule will permit banks to retain an interest in or sponsorship of covered funds if, among other things:

- the TruPS CDO was established, and the interest was issued, before May 19, 2010;
- the bank reasonably believes that the offered proceeds received by the TruPS CDO were invested primarily in Qualifying TruPS Collateral; and
- the bank's interest in the TruPS CDO was acquired on or before December 10, 2013 (the date the agencies issued the final Volcker Rule).

Qualifying TruPs Collateral means any trust preferred security or subordinated debt instrument that was:

- issued prior to May 19, 2010, by a depository institution with total consolidated assets of less than \$15 billion as reported in 12 months prior to issuance of TruP; or
- issued prior to May 19, 2010, by a mutual holding company.

The interim final rule is effective on April 1, 2014. Comments are due on or before 30 days after publication of the interim final rule in the Federal Register. For a copy of the rule, please [click here](#).