Volcker Rule

Why in News

Recently, **Paul Volcker,** former Federal Reserve chairman who helped in tackling U.S. inflation in the 1980s and inspired Wall Street reforms in the wake of the global financial crisis, passed away.

- To help the U.S. economy in **recovering from the 2008 crisis,** he **proposed the Volcker rule** that **restricted banks from making high-risk investments with depositors' cash.**
- The Rule **prohibits banking entities** from:
    - engaging in short-term proprietary trading of securities, derivatives, commodity futures and options on these instruments for their own account. **Proprietary trading** is when a firm invests its own money with the aim of a direct own profit
    - owning, sponsoring, or having certain relationships with hedge funds or private equity funds, referred to as ‘covered funds’.

Source: BS