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How the Volcker Rule Affected Tender Option Bonds.

The Volcker Rule is a federal regulation that went to effect on April 1, 2014. The rule, which is named after former Federal Reserve Chairman Paul Volcker, is actually section 619 of the *Dodd-Frank Street Reform and Consumer Protection Act.*

This rule prohibits banks from using their own accounts for short-term proprietary trading or to invest in hedge or private equity funds. Essentially, this rule prohibits banks from taking on too much risk in an effort to increase profits.

Tender Option Bonds, or TOBs, are structured products that use leverage to increase the overall yield of a municipal bond portfolio. So, let us take a look at how the Volcker Rule impacts these structured muni debt instruments.

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