

United States Senate

COMMITTEES:
BANKING, HOUSING
AND URBAN AFFAIRS
FOREIGN RELATIONS
ENERGY AND NATURAL RESOURCES
SPECIAL COMMITTEE ON AGING

February 13, 2012

The Honorable Timothy F. Geithner
Secretary
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

The Honorable Martin J. Gruenberg
Acting Chairman
Federal Deposit Insurance Corporation
550 17th Street NW
Washington DC 20006

The Honorable Mary Schapiro
Chairman
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

The Honorable Ben Bernanke
Chairman
Board of Governors of the
Federal Reserve System
20th Street and Constitution Ave NW
Washington, DC 20551

The Honorable John G. Walsh
Acting Comptroller of the Currency
Office of the Comptroller of the Currency
Washington, DC 20219

The Honorable Gary Gensler
Chairman
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

Dear Sirs and Madam,

I write today in regards to the regulations you will soon put forth on the Dodd-Frank Act's "Volcker Rule." These regulations will have a material impact on our nation and our economy for years to come.

As you know, Section 619 of the Dodd-Frank Act instructs the regulators to promulgate rules that ban proprietary trading at regulated financial institutions. The legislation is clear, however, in saying that while proprietary trading is banned, market-making - or the trading of securities to the extent that such trading is "designed not to exceed the reasonably expected near term demands of clients, customers, and counterparties" is permissible. This "permitted activity" is broadly defined, but says that the normal business of providing liquidity to end-user firms is allowed at regulated banks.

I think you should take this statutory language seriously. Financial institutions provide a critical function to our economy via their market-making activities. All private firms in America who have ever issued debt or stock have relied on a financial institution to bring those capital instruments to market. This capital fuels economic growth, innovation, jobs, and entrepreneurship.

I am aware that I have colleagues who wish to have all activities that in any way resemble "investment banking" separated entirely from the system of regulated banks. That is an interesting approach with many challenges and complexities. But the United States Congress has not yet had that debate. If we are moving in that direction, it deserves Congressional deliberation.

Private businesses in our country that rely on banks to make markets in the security instruments that finance their businesses will be materially impacted by the final rules that you issue here. I have been on record with my displeasure that government securities received a complete carve-out in the final legislative text, as I believe this hypocrisy will only make it harder for private firms to compete against the crowding-out effects of record government debt. Private non-financial end-user firms that did not receive such a generous carve-out should not have to live with the consequences of an overly-strict interpretation of the Volcker provision by regulatory agencies. As such, I encourage you to make sure your rules do not define "proprietary trading" so broadly, or put in place sufficient ambiguity and confusion, that you drain liquidity from the capital markets or drive risk-taking into the non-regulated shadow banking system. Neither of those outcomes would be beneficial to our economy.

Sincerely,

A handwritten signature in blue ink, appearing to read "B. Corker", with a long horizontal flourish extending to the right.

Bob Corker
United States Senator