

December 4, 2013

The Honorable Ben Bernanke  
Chairman  
Board of Governors of the Federal  
Reserve  
20<sup>th</sup> Street and Constitution Avenue  
Washington, DC 20551

The Honorable Mary Jo White  
Chair  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

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

The Honorable Martin Gruenberg  
Chairman  
Federal Deposit Insurance Corporation  
550 17th Street, NW  
Washington, DC 20429

The Honorable Thomas Curry  
Comptroller of the Currency  
250 E Street, SW  
Washington, DC 20219

**Re: Prohibitions and Restrictions on Proprietary Trading and Certain Interests in and Relationships With, Hedge Funds and Private Equity Funds. Docket ID OCC-2011-0014, RIN 1557-AD44; Docket No. R-1432, RIN 7100 AD 82; RIN 3064-AD85; Release No. 34, RIN 3235-AL07; File Number S7-41-11.**

Dear Chairman Bernanke, Chairman Gruenberg, Chair White, Comptroller Curry, and Chairman Gensler:

The undersigned companies and organizations, representing a diverse range of industries, believe that the Volcker Rule will have far-reaching negative consequences that will impede non-financial companies' ability to raise capital and manage risk. As such, we have previously written to regulators requesting that they hold a roundtable with stakeholders representing different market participants in order to identify unintended consequences and craft policies to avoid them. To our knowledge only one agency has held such a roundtable.

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We are concerned that without a broader outreach effort, regulators may be left with an incomplete understanding of the Volcker Rule's impact upon the capital formation processes used by non-financial companies. The Rule may have unintended but detrimental impacts upon growth, operations, and cash management. We believe that it is more important to get the Volcker Rule right than meet an artificially imposed deadline and request that the regulators re-propose the Volcker Rule.

Congress, in enacting the Volcker Rule ban on proprietary trading, exempted market making and underwriting activities that are crucial for businesses seeking to raise capital, particularly the issuance of bonds and other securities. These are critical activities for businesses to acquire the capital needed to grow and operate and the impacts of the Volcker Rule on end-users of financial markets may have been overlooked. The complexity of the 298 page draft rule runs the risk of restricting financial institutions from providing businesses with the beneficial market-making and underwriting functions that are needed to raise debt, issue equity and manage risk. Indeed, by asking over 1,200 questions, the regulators seem unsure about the depth, scope, and operation of the Volcker Rule itself.

Under the proposed Volcker Rule, five separate regulatory bodies may investigate activities on a trade-by-trade basis to determine if they fall within these exceptions. As we have written before, the proposed Volcker Rule is likely to severely curtail these essential capital raising and risk management services and result in the following negative consequences for businesses:

- 1. Impairment of Corporate Liquidity and Restricted Cash Management Activities:** We are concerned that the complex regulatory regime envisioned by the proposed Volcker Rule may force financial institutions to curtail their participation in markets in order to avoid potential violations of the law, or not engage in permissible activities in order to avoid a trade-by-trade regulatory analysis. This could result in a curtailing of useful market-making activities such as commercial and municipal debt underwriting, holding inventory in order to make secondary markets, sweep accounts, commercial paper issuance, and foreign exchange services. A reduction of such activities would cause

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market liquidity to shrink significantly, payments to be slower, companies to have greater difficulty managing cash flows, and counterparty risks possibly increase.

- 2. Reduced Ability of Businesses to Raise Capital for Long-Term Growth:** The Volcker Rule would effectively reduce the marketplace for corporate debt and equities. Investors are likely to divert investment dollars only to those large firms that they feel are less likely to represent a liquidity risk. The result would be a severe restriction of the debt markets for small and mid-size companies, resulting in reduced availability of both short and long-term funding mechanisms and forcing them to turn to other higher-cost sources of funding. In addition, the Volcker Rule would restrict investments in entities that finance growing firms.
- 3. Higher Costs for Both Borrowers and Investors:** We are also concerned that, with the reduced market liquidity imposed by the Volcker Rule, typical transaction spreads would widen. Companies that issue debt would need to pay higher rates as a result in order to clear the market. Investors, on the other hand, would have higher costs when they sell their investments into a less liquid market. This will also result in slower executions and force businesses to address borrowing needs over a longer time horizon and hold more cash in reserves hampering growth opportunities.
- 4. Undermining U.S. Competitiveness:** Because no other nation is imposing such a regulatory infrastructure on their markets, businesses accessing U.S. capital markets will be placed at a competitive disadvantage and activities may be forced off-shore.
- 5. Treasury Carve-Out Validates Negative Impacts for Corporate Market:** The existence of the negative impacts we have enumerated is validated by the fact that the proposed rule exempts U.S. Treasury securities from the rule. Imposing the Volcker Rule's restrictions only on the markets that are used by the corporate community is no way to advance our national interests.

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Indeed, differences in the interpretation, application and enforcement of the Volcker Rule by five agencies may have the same impact as the concerns listed above by sowing confusion and inefficiencies in the marketplace that can harm businesses and place America at a competitive disadvantage as well.

Because these consequences may negatively impact business growth and job creation we strongly urge you to thoroughly evaluate the impact of additional regulation on American businesses and the broader economy. Accordingly, we believe that a re-proposal of the Volcker Rule will help your agencies achieve that goal and we stand ready to assist you in that effort.

Sincerely,

Business Roundtable  
Financial Executives International  
National Association of Corporate Treasurers  
The Real Estate Roundtable  
U.S. Chamber of Commerce

cc: The Honorable Jack Lew, Secretary, Department of Treasury  
The Honorable Tim Johnson, Chairman, Senate Committee on Banking  
Housing and Urban Affairs  
The Honorable Michael Crapo, Ranking Member, Senate Committee on  
Banking Housing and Urban Affairs  
The Honorable Jeb Hensarling, Chairman, House Financial Services  
Committee  
The Honorable Maxine Waters, Ranking Member, House Financial Services  
Committee