



BIPARTISAN POLICY CENTER
December 20, 2012

The Honorable Tim Geithner
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

The Honorable Ben Bernanke
Chairman
Board of Governors of the Federal Reserve
System
20th Street and Constitution Avenue, NW
Washington, DC 20051

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

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

The Honorable Elisse Walter
Chairman
U.S. Securities and Exchange Commission
100 F. Street, NE
Washington, DC 20549

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

Dear Secretary Geithner, Comptroller Curry, and Chairmen Bernanke, Gruenberg, Walter, and Gensler:

The undersigned members of the Bipartisan Policy Center's Financial Regulatory Reform Initiative working group on Capital Markets and the Volcker Rule write to express our concern with recent reports that the five federal financial regulators (the "**Agencies**") tasked with adopting Volcker Rule regulations may not adopt a single, unified set of regulations. We understand that such regulations may not be subjected to another round of notice and comment from the public, which raises concerns given the numerous questions posed by, and equally numerous responses to, the proposed regulations.

We support the policy goal underpinning the Volcker Rule: federally supported banking institutions should not engage in activities detrimental to the stability of those institutions or to U.S. financial markets. The legislative and regulatory efforts to implement the Volcker Rule have demonstrated, however, that this straightforward premise requires

nuance and flexibility to be effectively applied to banking institutions with diversified businesses that operate internationally. We appreciate how difficult the task facing the Agencies is in developing regulations to implement the Volcker Rule.

The statutory provisions of the Volcker Rule, found in Section 619 of the Dodd-Frank Act, direct the Agencies to adopt regulations to implement the statutory restrictions on proprietary trading and investments in hedge funds and private equity funds by banking entities and to further define key terms contained in the statute. In October 2011, four of the five Agencies proposed Volcker Rule implementing regulations. In January 2012, the remaining Agency proposed substantively identical regulations. The proposed regulations are detailed and complex and have been the subject of significant comment from Congress, financial market participants, consumer advocacy groups, and foreign regulators. The Agencies are currently working to revise the proposed regulations in light of the many comments received.

We believe that the goal of Section 619 of the Dodd-Frank Act was the adoption of one consistent Volcker Rule by all of the Agencies. However, recent statements by senior officials at the Securities and Exchange Commission and Commodity Futures Trading Commission leave open the possibility that those two agencies could adopt different regulations to implement the Volcker Rule than the Federal Reserve, the FDIC, and the Treasury Department have proposed.

Without regard to the underlying substantive differences among the Agencies, we believe it is very important that the Agencies act in a coordinated manner to adopt final Volcker Rule regulations that are substantively identical and issued at the same time. If the Agencies' rulemaking efforts are not coordinated, market participants could be faced with different and potentially conflicting requirements that are subject to inconsistent interpretation by different Agencies. This would unnecessarily increase the complexity of an already complex regulatory framework and would result in additional uncertainty for market participants, their customers, and U.S. financial markets overall.

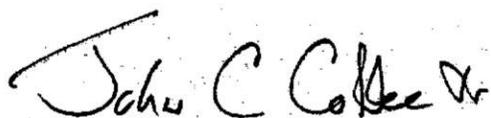
Moreover, lack of uniformity across agency rules introduces another danger, as disparate rules inevitably lead to regulatory arbitrage and competitive inequality. Furthermore, multiple regulatory approaches, as discussed earlier, will raise compliance costs and therefore necessarily reduce the net benefits associated with implementation.

There have been extensive comments on the initial rule proposals by the Agencies. The robust comment process associated with the initial proposed regulations served to

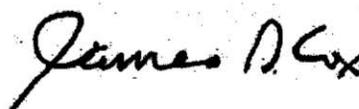
inform the Agencies, market participants, and Congress about potential advantages and concerns with the proposal. Because of the complexity of this issue and the potential value from additional public commentary, we believe that substantive changes to the proposed regulations would benefit from the same comment process. By re-proposing Volcker Rule implementing regulations, the Agencies would be promoting an open rulemaking process that would result in better final regulations.

We believe that in drafting the re-proposed rules, the agencies should seek to i) reduce complexity, ii) minimize the rules' burdens, and iii) retain the goal of reducing the risk of financial crisis. We believe each of these objectives is interdependent: clear and non-complex standards are more likely to reduce compliance costs for regulated parties.

Respectfully,



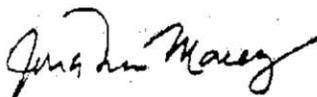
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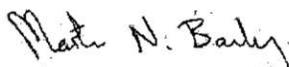
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