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February 13, 2012

By Electronic Mail

Board of Governors of the Federal
Reserve System
20th Street and Constitution Avenue, NW.,
Washington, DC 20551
Attn: Jennifer Johnson, Secretary
Docket No: R-1432 and RIN 7100-AD82

Federal Deposit Insurance Corporation
550 17th Street NW.,
Washington, DC 20429
RIN 3064-AD85

Office of the Comptroller of the Currency
250 E Street SW., Mail Stop 2-3
Washington, DC 20219
Docket ID: OCC-2011-14

Securities and Exchange Commission
100 F Street NE.,
Washington, DC 20549-1090
File Number S7-41-11

Re: Restrictions on Proprietary Trading and Certain Interests in, and Relationships with, Hedge Funds and Private Equity Funds

Ladies and Gentlemen:

Thank you for the opportunity to comment on the above-referenced proposal (referred to as the Volcker Rule).

Mizuho Corporate Bank, Limited is a Japanese bank with global banking and investment banking operations, including in the US where it has offices in New York, Chicago, Los Angeles, Houston and Atlanta.

We understand that the Japanese Bankers Association and the Institute of International Bankers have submitted more detailed comment letters covering various aspects of the Volcker Rule, both of which we concur with. In this letter we wish to express our views in particular on the extraterritorial aspects of the Volcker Rule's restriction of proprietary trading.

We understand the primary objective of the Volcker Rule to be to reduce the risk to US depository institutions and their affiliates (banking entities) of speculation in financial instruments. In addition, removing US banking entities (and capital) from the universe of trading counterparties may result in a reduction in the overall size of the secondary market for such financial instruments, and presumably, in the long term, result in a concurrent reduction of the financial sector's role in the US economy and its percentage contribution to US GDP.

The policy decisions and implications underlying the foregoing are indisputably the provenance of US government and regulators, founded on the relative benefits, costs, nature and role that the US financial sector plays in the US economy, and are beyond the purview of this letter. As a foreign bank in the US, the Bank defers to all such decisions and conducts its operations in full compliance with laws and regulations emanating therefrom.

However, all foreign banks (including US headquartered banks operating overseas) operate and are subject to two sets of laws and regulations – home and host country, and it is important for the orderly functioning of the global financial system that home-host country regulation of banks be coordinated and balanced to accommodate the legal and economic needs of the home country while also respecting the same needs of the host country. Although this is true for all countries, it is especially important when the US is involved inasmuch as the US constitutes the largest economy and banking system in the world, giving US financial regulation a significant influence on world financial markets and US regulators a responsibility to be cognizant of such influence in fashioning regulation.

Without commenting on the underlying policy rationale of the Volcker Rule and its impact on the US banking system and economy, we note that the circumstances that may have led to adoption of the Volcker Rule in the US and that may justify its adoption, are not necessarily the same in other countries. Each country's financial sector may play a different role in its economy and every country's financial sector's composition of banks, funds and investors varies, and it is up to each host country to evaluate and determine how best to regulate its financial and banking sector. In the UK, for example, the Vickers Commission had a similar objective of reducing risk and protecting depositors' funds, but it proposes to do so by "ring-fencing", or limiting a financial institution's ability to use retail depositors' funds for trading.

For this reason, we do not think it appropriate for US regulation to use jurisdiction over foreign banks in the US to introduce into foreign markets restrictions created to address aspects of the US financial sector without consideration of the impact on such markets. In Japan, the Bank and its securities affiliates, along with the other major banks and their securities affiliates, are major sources of liquidity in the secondary market and contribute to the orderly functioning of that market, particularly in JGBs. As proposed, the Volcker Rule would restrict the Bank and its securities affiliate from engaging in proprietary trading in Japan, unless they stopped engaging in trading transactions that are in whole or in part executed in the US and stopped all trading with US based counterparties, even those that have trading operations in Japan. Restricting a foreign bank's ability to engage in trading outside the US only because it may utilize US execution facilities, or its counterparties are US based, and imposing US compliance and reporting burdens on a foreign bank's non US operations, we believe unnecessarily and inappropriately tilts the balance of home-host country regulation too far one way by reaching and significantly impacting banking activities conducted outside the US.

Where a foreign host country has not deemed proprietary trading by banks in that country to constitute an excessive risk, either due to the nature, volume or other aspect of such trading, or where such risks are regulated in another fashion, and where the host country's financial and banking sectors may not play the same role in the economy or pose the same risks to its economy

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as in the US, US regulation should not be constructed so as to impose the Volcker Rule's prohibitions upon global banks' (including US banking entities operating under the laws of the host country) worldwide operations, and thereby effectively limiting or regulating proprietary trading in such host country.

We believe a better balance can be struck to achieve more appropriate home-host country balance while at the same time approaching a degree of competitive equality.

The underlying rationale of the Volcker Rule (to reduce risk to banks and to US depositors) and its possible consequences (to reduce size/impact of US financial sector in general) are not undermined by allowing foreign global banks to engage in proprietary trading when the risk and traders are outside the US, irrespective of whether US execution facilities are used or US counterparties are involved.

Likewise, with respect to the foreign offices of US based banks, allowing such offices to trade in compliance with the laws of the foreign country can be permitted in a manner that is consistent with the Volcker Rule's purpose, and at the same time be less intrusive to the banking systems of other countries, further the orderly functioning of foreign markets and address competitive equality concerns. For example, limiting proprietary trading activities to a percentage of the economic capital supporting the US banking entities' foreign business, or to the extent funded by non-US deposits or some other limitation which would place a limit on the exposure of such trading activities would be consistent with the underlying Volcker Rule purpose, while at the same time allowing US banking entities located overseas to play an appropriate role in the host country's financial system.

The Volcker Rule was devised to limit risks in and otherwise address concerns about US banks and US financial sector. Given the size and influence of the US financial sector, the Volcker Rule's impact, whatever its final formulation, will be felt beyond the US border. Some of that impact may be unavoidable and is understandable, but we believe US regulators should draw the line on the Volcker Rule's extraterritorial reach when the result would be that global banks operating in other countries will be prohibited from engaging in trading activities which such countries have deemed not only permissible but a necessary component for the normal functioning of their financial markets, markets the participants of which may be different in nature and relative importance than in the US, particularly when it relates to the role of banks.

Again, we appreciate the opportunity to comment.

Sincerely,

Angelo R. Aldana
General Manager

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