February 13, 2012

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

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

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

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

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

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,

Bob Corker
United States Senator