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Embassy of Switzerland in the United States of  
America

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**FDIC**

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**OFFICE OF THE CHAIRMAN**

Mr. Martin J. Gruenberg  
Federal Deposit Insurance Corporation  
550 17th Street, NW  
Washington, D.C. 20429

Washington, D.C., February 29, 2012

**Prohibitions and Restrictions on Proprietary Trading (Volcker rule): Letter to the Deputy Secretary of the Treasury Neal Wolin**

Dear Mr. Gruenberg:

With reference to the subject mentioned above and the role of your agency as a competent authority (regulator) in this matter, I am writing to provide you with a copy of a letter sent by the State Secretary for International Financial Matters, Dr. Michael Ambühl, to the Deputy Secretary of the Treasury, Neal Wolin.

Sincerely,

Manuel Sager  
Ambassador

c.c.

Mr. Daniel K. Tarullo  
Member of the Board  
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Swiss Finance Department  
State Secretariat for International Financial Matters  
The State Secretary

CH-3003 Bern  
SIF/scf

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Mr. Neal Wolin  
Deputy Secretary of the Treasury  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, DC 20220  
USA

Bern, February 28, 2012

### **Restrictions on proprietary trading as proposed by the Volcker rule**

Dear Deputy Secretary,

I am writing you to take the opportunity offered by the U.S. government to comment on your proposal regarding the practical implementation of the Volcker rule as set forth in the Dodd-Frank Act. As one of the world's major financial centers, drawing lessons from the recent financial crisis is an issue for Switzerland as well. As a consequence, I share the view that efficient and effective regulation is needed to make financial markets less fragile. In that context, I would like to mention that, inter alia, our newly imposed capital and liquidity requirements for systemically important banks go well beyond the international standards in the Basle III Accord. Regarding the Dodd-Frank Act, I welcome the impressive efforts made by the U.S. government to reduce the risks in the financial sector. However, I would like to express two concerns about the proposed Volcker rule.

My first concern regards the extraterritorial consequences the draft proposal would entail. The restrictive exemption rules would restrict Swiss banks not only in their U.S. activities, but they would have serious consequences also for their non-U.S. activities, in particular in their business in Switzerland. To me, these consequences can hardly be justified since they pose neither a risk to U.S. taxpayers nor to U.S. financial stability.

The second concern relates to the effects the proposed rules would have on market liquidity, especially in the bond markets. The exclusion of U.S. government securities from the Volcker rule is motivated by the fact that a liquid government bond market necessitates banks providing certain market-making functions. In my view, the same logic should also be applied to government securities issued by other jurisdictions, including Switzerland. Failing to do so would have negative consequences for the Swiss government bond market and would result in higher spreads. I therefore would like to suggest extending the proposed exemption from proprietary trading to also include bonds of foreign governments.

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I highly appreciate the opportunity to provide comments offered by the U.S. government and would be pleased to further discuss our common goal of strengthening the international financial system, while at the same time limiting unintended consequences of regulatory reforms as much as possible.

Sincerely, *Kind regards,*

*M. Ambühl*

Michael Ambühl  
State Secretary