



CENTER FOR CAPITAL MARKETS  
C O M P E T I T I V E N E S S

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July 24, 2012

Ms. Jennifer J. Johnson  
Secretary  
Board of Governors of the  
Federal Reserve  
20<sup>th</sup> Street and Constitution Avenue  
Washington, DC 20551

Mr. Robert E. Feldman  
Executive Secretary  
Federal Deposit Insurance Corporation  
550 17th Street, NW  
Washington, DC 20429

Ms. Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Office of the Comptroller of the  
Currency  
250 E Street, SW  
Washington, DC 20219

Mr. David Stanwick  
Secretary  
Commodities and Futures Trading  
Commission  
Three Lafayette Center  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

**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 Ms. Johnson, Mr. Feldman, Ms. Murphy, Mr. Stanwick, and To Whom It May Concern:

The U.S. Chamber of Commerce (“Chamber”) is the world’s largest business federation representing the interests of over three million companies of every size,

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sector and region. The Chamber created the Center for Capital Markets Competitiveness (“CCMC”) to promote a modern and effective regulatory structure for the capital markets to fully function in a 21st century economy. The CCMC welcomes the opportunity to provide input and comment on the proposed rule, ***Prohibitions and Restrictions on Proprietary Trading and Certain Interests in and Relationships With, Hedge Funds and Private Equity Funds*** (“the Volcker Rule Proposal”) issued by the Board of Governors of the Federal Reserve (“Federal Reserve”), Federal Deposit Insurance Corporation (“FDIC”), Securities and Exchange Commission (“SEC”), the Office of the Comptroller of the Currency (“OCC”) and the Commodities and Futures Trading Commission (“CFTC”) (collectively as the “Regulators”).

While the CCMC commented extensively during the comment period with each of the agencies involved in the Volcker Rule Proposal, we would like to submit for the record a study released by the Chamber: [\*The Economic Consequences of the Volcker Rule\*](#) conducted by Professor Anjan V. Thakor of Washington University in St. Louis (“Thakor Study”). We understand that the comment period is closed, but the agencies engaged in this rulemaking have the discretion to accept comments after the deadline. In the interest of ensuring that they base any final rule on the best available information, we hope that this discretion will be exercised so that regulators can have the benefit of this important academic study.

In reviewing the impacts of the Volcker Rule, upon the ability of non-financial companies to raise capital, the Thakor Study reaches four major conclusions:

- 1) The Volcker Rule will have a negative effect on market making and liquidity provisions for many securities;
- 2) The Volcker Rule will reduce the network benefits of market making for financial institutions and businesses;

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- 3) The Volcker Rule is likely to lead to higher costs of capital for businesses and potentially lower capital investments, with a possible greater focus on riskier or more short-term oriented investments; and
- 4) The Volcker Rule will make risk management for financial institutions less efficient and harm the ability of businesses to raise capital.

In our previous comments on the Volcker Rule, the CCMC has focused on many issues including the adverse impacts on non-financial businesses. Among those impacts are the rise in capital formation costs resulting in reduced investments, restriction on choices and options available to companies to raise capital, and the potential for some businesses to be shut out of certain capital markets entirely. This will lead to a restructuring of the financing system that will be less efficient and less productive, harming business expansion and economic recovery.

We remain concerned that the Regulators have not fully taken into account the impacts of the proposed Volcker Rule upon main street businesses. The Thakor Study provides more evidence of these potential impacts, and we would urge the Regulators to address potential inefficiencies that the Volcker Rule could impose upon a non-financial company's ability to raise capital and manage risk..

In submitting this study as part of the record, we will be happy to meet to discuss these issues further.

Sincerely,

A handwritten signature in black ink, appearing to read 'TK' followed by a long horizontal flourish.

Tom Quaadman