Congress of the United States
Washington, DC 20515

February 12, 2014

The Honorable Janet L. Yellen
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave NW
Washington, DC 20551

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

The Honorable Mary Jo White
Chair
The Securities and Exchange Commission
100 F Street NE, Room 10700
Washington, DC 20549

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

The Honorable Mark P. Wetjen
Acting Chairman
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

Dear Chair Yellen, Chairman Gruenberg, Chair White, Comptroller Curry, and Chairman Wetjen:

We are writing to express our support for interpretive guidance on the Volcker Rule's definition of an "ownership interest" that protects the intent of the Volcker Rule, while also recognizing that certain traditional creditor-protective voting rights should not, by themselves, cause senior debt securities of collateralized loan obligations (CLOs) to be treated as equity interests.

The Volcker Rule's prohibition on banks owning hedge funds and private equity funds is critically important, because it prevents banks from evading the ban on proprietary trading. We strongly support the prohibition on banks holding equity interests in hedge funds and private equity funds.

However, as you acknowledged in the proposed rule, the distinction between debt and equity securities is particularly complicated in the context of securitizations such as CLOs. In fact, the final rule recognized that, in certain circumstances (*i.e.*, in an event of default or acceleration event), the right to vote on removing an investment manager does *not* necessarily trigger an "ownership interest," because such voting rights are customary creditor-protective rights.

In the case of CLOs, the senior debt securities issued by the CLO typically include the right to vote to remove the investment manager not just in an event of default, but also "for cause," which typically includes a material breach of contract, fraud, and criminal activity. While

recognizing the need to prevent evasion of the final rule, we believe that the right to vote on removing an investment manager in traditional creditor-protective circumstances such as a material breach of contract should not, by itself, trigger an "ownership interest." Such a narrowly-tailored interpretation will align the definition of "ownership interest" with Congressional intent, while also guarding against evasion of the ownership restrictions.

As the agencies consider how to enable a smooth transition for existing senior CLO debt securities under any interpretive guidance, we urge the agencies to find a solution that, to the extent possible, avoids the need for unduly disruptive, market-wide renegotiations of existing CLOs.

We are strongly supportive of your work to craft and implement a strong Volcker Rule, and we appreciate your willingness to address these important concerns.

Sincerely,

Maxine Waters
Member of Congress

Carolyn B. Maloney
Member of Congress

David Scott
Member of Congress

Stephen F. Lynch
Member of Congress

Bill Foster
Member of Congress

Michael E. Capuano
Member of Congress

John C. Carney
Member of Congress

Gregory W. Meeks
Member of Congress

Gwen Moore
Member of Congress

Terri A. Sewell
Member of Congress

Cedric L. Richmond
Member of Congress

Brian Higgins
Member of Congress

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Denny Heck
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Joyce Beatty
Member of Congress

John K. Delaney
Member of Congress

James A. Himes
Member of Congress