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B. Dan Berger
President & Chief Executive Officer

National Association of Federally-Insured Credit Unions

June 22, 2018

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve
System
20th Street and Constitution Avenue NW
Washington, DC 20551

Christopher Kirkpatrick
Secretary
Commodity Futures Trading Commission
1155 21st Street, NW
Washington, DC 20581

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

Stuart Feldstein
Director
Legislative and Regulatory Activities
Division
Office of the Comptroller of the Currency
400 7th Street, SW, Suite 3E-218
Washington, DC 20219

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NW
Washington, DC 20549

RE: Proposed Revisions to Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships With, Hedge Funds and Private Equity Funds

Dear Sirs/Madams:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), the only trade association exclusively representing the federal interests of our nation's federally-insured credit unions, I write today to urge your reconsideration of planned deregulatory action under section 13 of the *Bank Holding Company Act* (BHC Act), commonly referred to as the Volcker Rule, as described in the Agencies' joint notice of proposed rulemaking.

NAFCU fully supports appropriate tailoring of regulations; however, when Congress acted to provide additional relief under the Volcker Rule, it specifically limited this relief to community banks. By contrast, the proposed rule goes much further than what Congress envisioned and relaxes compliance requirements for all banking entities, including those with significant trading assets. If Congress believed that additional relief from the Volcker Rule was necessary for large banks, it would have included relevant provisions in the *Economic Growth, Regulatory Relief, and Consumer Protection Act*. Yet the absence of any such provision illustrates an important fact: large banks are accumulating tremendous profits despite the existence of the Volcker Rule.

Such profitability is entirely inconsistent with bankers' claims they have been negatively impacted by the Rule's requirements.

The Volcker Rule is a critical reform that emerged from the Great Recession which restricts proprietary trading by bank entities. It is the logical and essential response to the mantra of "too big to fail." The restrictions contained in section 13 of the BHC Act represent common sense: banks should not be able to gamble with consumer deposits on speculative investments that could imperil the safety and soundness of the financial system. The Volcker Rule addresses, among other things, the riskiest of all investment behaviors—investing in private equity or hedge funds using a bank's own accounts for the bank's own benefit. The infamy of individual traders like the "London Whale" demonstrates the destabilizing effect of proprietary trading; when banks maintain large, illiquid positions in opaque derivatives contracts, the risk of substantial loss is greatly magnified. While banks may claim that the Volcker Rule is unreasonably limiting—or that trading losses are merely the result of modeling errors—there is ample research that links proprietary trading to significant losses incurred by banks during the Great Recession.

Importantly, the Volcker Rule is not nearly as growth-inhibiting as its critics claim. The Volcker Rule maintains the depth and liquidity of U.S. capital markets while promoting stability. It explicitly permits banks to engage in market-making, underwriting, hedging to mitigate risk, and trading in certain U.S. and foreign government obligations. In addition, the rule exempts smaller banks that do not engage in a significant amount of proprietary trading or investments in covered funds from unnecessary compliance and reporting requirements. Compliance with the rule is also based on a tiered regime that prioritizes flexibility by adjusting requirements based on the nature and size of a banking entity's activities.

Loosening requirements under section 13 of the BHC Act would revive the risky trading practices that contributed to the Great Recession and fundamentally degrade the stability and liquidity of capital markets. Accordingly, NAFCU asks that the federal banking regulators jointly conducting this rulemaking put Main Street financial principles ahead of the speculative and potentially destabilizing priorities of large, multinational banks.

NAFCU appreciates the opportunity to provide comments on the Agencies' joint notice of proposed rulemaking. If you have any questions or would like us to provide you with further information, please do not hesitate to contact me or Carrie Hunt, NAFCU's Executive Vice President of Government Affairs and General Counsel, at (703) 842-2234.

Sincerely,



B. Dan Berger
President and CEO