SHERROD BROWN
OHIO

COMMITTEES:
AGRICULTURE, NUTRITION, AND FORESTRY
BANKING, HOUSING, AND URBAN AFFAIRS
FINANCE
VETERANS' AFFAIRS
SELECT COMMITTEE ON ETHICS

United States Senate

WASHINGTON, DC 20510 - 3505

January 9, 2014

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

The Honorable Mary Jo White
Chairman
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

The Honorable Thomas J. Curry
Comptroller of the Currency
Administrator of National Banks
Washington, D.C. 20219

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

Dear Chairman Bernanke, Chairman Gruenberg, Chairman White, Comptroller Curry, and Acting Chairman Wetjen:

As a cosponsor of the new Section 13 of the Bank Holding Company Act, otherwise known as the "Volcker Rule," I fully support placing restrictions on banks engaging in proprietary trading and maintaining relationships with hedge funds or private equity funds. However, a number of institutions have brought to both your and my attention their concerns that your agencies' final rules, issued on December 10, 2013,[1] would designate Collateralized Debt Obligations (CDOs) backed by Trust Preferred Securities (TruPS) as "Covered Funds." As a strong supporter of the Volcker Rule, I urge you to provide equitable treatment for institutions' investments in TruPS CDOs.

Section 171 of the Dodd-Frank Act prevents institutions with more than $15 billion in assets from counting TruPS as capital, addressing some of the risks associated with these instruments. Because section 171 already addresses certain TruPS-related risk, and because the statute does not appear to allow your agencies to differentiate between institutions based upon their size for the purposes of determining who may invest in certain instruments, I urge your agencies to act in

[1] *See* Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation & Securities and Exchange Commission, Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships With, Hedge Funds and Private Equity Funds, Dec 10, 2013 available at http://www.sec.gov/rules/final/2013/bhca-1.pdf; *see also* Commodities Futures Trading Commission, Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships With, Hedge Funds and Private Equity Funds, Dec 10, 2013 available at http://www.cftc.gov/ucm/groups/public/@newsroom/documents/file/federalregister121013.pdf.

an equitable manner. While they may be larger than their community bank colleagues, regional institutions engage in traditional banking services – loans account for two-thirds of their assets, and regional banks account for less than one percent of notional derivatives contracts and about one percent of trading assets. If a practice is sound for one group of institutions, then it should be sound for the other.

Thank you for considering my views on this important matter as you consider making any revisions to your rules.

Sincerely,

Sherrod Brown

Sherrod Brown
United States Senator