Comment Letter

BDA Bond Dealers of America

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Ben S. Bernanke, Chairman
Board of Governors of the Federal Reserve System
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Washington, DC 20551
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Mary L Schapiro, Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
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John G. Walsh, Acting Comptroller
Office of the Comptroller of the Currency
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Martin J. Gruenberg, Acting Chairman
Federal Deposit Insurance Corporation
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Gary Gensler, Chairman
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581
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RE: Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships with, Hedge Funds and Private Equity Funds ("Volcker Rule")

Dear Sirs and Madam:

The Bond Dealers of America ("BDA")[1] are writing to express our concern over the adverse market ramifications that may result from the absence of coordinated joint guidance with respect to the July 21, 2012, requirement of a final Volcker Rule.[2] At a House Financial Services Committee hearing less than

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[1] The BDA is the only trade association exclusively focused on the U.S. fixed-income market and represents middle-market brokers and dealers who are headquartered in cities all over the country, doing business throughout the United States coast to coast. BDA members assist communities around the country in financing their schools, roads and bridges and help businesses raise the capital they need to grow. BDA members provide individuals and institutions with fixed income investment opportunities in all fixed income products and provide liquidity for the investors in those securities.

[2] Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") requires that the Volcker Rule take effect two years after the date of enactment, which would be July 21, 2012.

a month ago, Chairman Bernanke stated that the Volcker Rule was unlikely to be finalized by this July 21 deadline. Federal Reserve Board Governor Daniel Tarullo, during testimony before the Senate Banking Committee on March 22, also mentioned the possibility of missing this deadline.

If the deadline for a final Volcker Rule will be missed, the BDA suggests that coordinated joint regulatory guidance should be issued to the marketplace as soon as possible. This guidance should set forth clearly the obligations of market participants, if any, until a final Volcker Rule is issued. The BDA is of the view that there should not be any obligations imposed on market participants until the Volcker Rule is finalized. No one can comply with a rule that does not exist.

This guidance should also set forth clearly the obligations of market participants during the two-year conformance period after the issuance of a final Volcker Rule. The BDA hopes that this aspect of the guidance will recognize that there should be few, if any, obligations imposed on market participants during this two-year conformance period. It would be unduly onerous for market participants to be forced into compliance with obligations of any significance until they have had at least two years to adapt to the final Volcker Rule.

In our comment letter dated February 13, 2012, the BDA expressed serious concerns that the final Volcker Rule, if not drafted properly, could significantly reduce liquidity in the fixed-income market in general and in the municipal securities market in particular. As July 21 draws closer, and in the absence of coordinated joint regulatory guidance regarding the obligations of market participants as mentioned above, the BDA fears that the marketplace will assume the worst. The result could be that our liquidity concerns become a self-fulfilling prophecy, even prior to the issuance of a final Volcker Rule.

As Governor Tarullo stated at the Senate Banking Committee hearing on March 22, clear and coordinated regulatory guidance could "calm the waters" and avoid a costly market disruption. There can be a smooth transition to a final Volcker Rule if the affected market participants know their obligations well enough in advance to develop and implement the effective compliance procedures necessary.

The BDA strongly urges that the agencies jointly provide clarity to the marketplace as soon as possible. It is vitally important that this guidance be issued. Further, we would appreciate your consideration of our view that this guidance should impose, at most, only minimal obligations.

Respectfully submitted,

Mike Nicholas
Chief Executive Officer