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**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**
12 CFR Part 248
Docket No. R-1432
RIN: 7100 AD82

**DEPARTMENT OF THE TREASURY**
Office of the Comptroller of the Currency
12 CFR Part 44
Docket No. OCC-2011-0014

**FEDERAL DEPOSIT INSURANCE CORPORATION**
12 CFR Part 351
RIN: 3064-AD 85

**SECURITIES AND EXCHANGE COMMISSION**
17 CFR Part 255
Release No. 34-65545; File No. S7-41-11
RIN: 3235-AL07

**COMMODITY FUTURES TRADING COMMISSION**
17 CFR Part 75
RIN: 3038-AC

**Re: Joint Notice of Proposed Rulemaking Implementing the Volcker Rule -- Restrictions on Proprietary Trading and Certain Interests in, and Relationships with, Hedge Funds and Private Equity Funds**

The Norinchukin Bank ("the Bank") functions as the central banking organization primarily for 715 agricultural cooperatives, 1,001 fishery cooperatives as well as prefectural banking federations of the agricultural and fishery cooperatives in Japan. While the total volume of deposits held by the agricultural and fishery cooperatives amounts to approximately JPY89 trillion (1.1 trillion in U.S. Dollars), total lending volume remains at around JPY23 trillion (300 billion in U.S. Dollars).[1] The remaining available funds are systematically collected by the Bank through the prefectural banking federations of the agricultural and fishery cooperatives,

[1] Number of cooperatives and financial data are as of March 31st, 2011.

and are managed in an efficient manner. In other words, responsibilities are divided within the agricultural and fishery cooperative banking business. Thus, while the agricultural and fishery cooperatives engage in offering financial services to retail customers and small and medium-sized enterprises, for instance, the Bank specializes, for instance, in loan services for large companies as well as portfolio investments in overseas markets through its banking account. We take pride in the fact that we are contributing to international financial facilitation and global economic development by aggregating funds that are available in local areas within Japan and investing them in overseas financial and capital markets, notably in the U.S. markets, through portfolio investments on a global scale.

The Bank has maintained a branch office in the United States since 1984 and thus is subject to various laws concerning foreign banks that operate in the U.S., including the Bank Holding Company Act of 1956, the International Banking Act of 1978, and certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act, pursuant to Section 619 of which the current rule has been proposed.

The Bank appreciates the opportunity to submit comments, from our standpoint as described above, on the proposed regulations to implement the Volcker Rule, as published in the Federal Register on November 7, 2011 ("the Rule") by the four supervising authorities addressed in this letter. We hope that our comments will serve as useful reference for the authorities to further the process of finalizing the Rule.

1. Summary

The Bank understands the main objective of the Rule to be to establish new regulations to limit speculative investments by the U.S. depository financial institutions. In terms of preventing a financial crisis from recurring in the U.S. as well as protecting depositors and investors, these rules are essential to discourage the U.S. financial institutions from the types of excessive risk-taking that came to light during the crisis that followed the so-called Lehman Shock of 2008. Nonetheless, in applying the Rule to foreign banks, the U.S authorities should respect financial systems of their respective home countries; regulations and supervisory frameworks which have developed in conjunction with those systems; reasonable accounting systems on which their financial structures are predicated; and various initiatives seen in recent years that are directed at strengthening the global banking supervisory framework. Lack of careful consideration in the process of implementing the Rule will bring about unintended adverse consequences on foreign banks as well as financial and capital markets in general.

The evolution of the financial system in each country to its present form has been closely tied to the history of its economic growth. Effective regulatory and supervisory frameworks are already in place in those respective countries that correspond to their own financial systems which have evolved to suit their unique environments. With respect to regulations and supervision in Japan, adequate internal control and risk management frameworks have been developed by respective financial institutions based on publicly-available and explicit standards, including financial inspection manuals and supervisory guidelines. Furthermore, a supervisory framework has been established to allow Japanese authorities to examine the financial health of financial institutions through thorough communication by means of daily monitoring and regular inspections.

Since the Lehman Shock, efforts have been made in the international arena, mainly by the Financial Stability Board ("the FSB") and the Basel Committee on Banking Supervision ("the BCBS"), to harmonize and reinforce global banking regulations and supervisory frameworks. In applying the Volcker Rule to foreign banks, especially to their branches and other offices outside of the United States, due respect should be paid to the governing laws, regulatory systems, and supervisory frameworks in the home countries of foreign banks, as well as to various initiatives carried out on a global scale by the FSB or the BCBS to harmonize and reinforce supervision and regulations based on such laws, systems, and frameworks.

Specifically, the following circumstances should be taken into account for foreign banks.

(1) Foreign banks should be exempted from the rules with respect to Covered Fund and Proprietary Trading outside of the United States (rather than treating them as "Permitted Activities" as provided in the rule).

The roles of foreign banks in the financial systems of their countries vary, and regulatory and supervisory frameworks have been established accordingly. Without giving due regard to such background in each country, and by applying the Rule to any transactions that take place outside of the United States, including in their home countries, based only on the fact that foreign banks have U.S.-based offices, seems an excessive and extra-territorial application which deviates from one of the main objectives of the Dodd-Frank Act, namely, containing systemic risks.

The FSB is working on strengthening the global supervisory framework for highly complex and interconnected "Systemically Important Financial Institutions (SIFI)" including investment banks whose operations are expected to be strongly affected by the Volcker Rule. The FSB is preparing a framework for capital surcharges and a resolution regime in proportion to the risk profile of each bank. Considering such efforts, the U.S.

authorities should carefully examine the efficacy of this well-balanced and comprehensive regulatory system as well as the probability of unintended fallout that may arise from implementation of the Rule.

(2) The following definition of "covered fund" in proposed Section __.10(b)(1) should not be applied to foreign banks: "(iii) Any issuer, as defined in section 2(a)(22) of the Investment Company Act of 1940 . . ., that is organized or offered outside of the United States that would be a covered fund as defined in paragraphs (b)(1)(i), (ii), or (iv) of this section, were it organized or offered under the laws, or offered to one or more residents, of the United States or of one or more States".

Due to the foregoing provision, funds which are intended for a limited group of investors and are held in part by foreign banks may become subject to the Rule in an unintended way, regardless of the nationalities of the investors or the types of investment assets. This is an excessive and extra-territorial application which substantially deviates from the objectives of the Rule, which is aimed at imposing a ban on investments in hedge funds and private equity funds by U.S.-based banks that operate in the United States.

(3) With respect to the definition of "covered fund" transactions outside of the United States, the provision on offering and sales to residents of the United States ("U.S. residents") should not be applied to transactions undertaken by foreign banks with no intention of offering or selling the funds to U.S. residents. (Proposed Section __.13(c)(3)(iii))

Instead, this provision should be applied strictly for restricting any investments in funds organized outside of the United States ("non-U.S. funds") by foreign banks which intend to offer or sell such funds to U.S. residents.

This provision in its present form will ban foreign banks from making pure investments by means of acquiring funds which were originated by third parties and are offered or sold to U.S. residents. Therefore, this provision will substantially limit the types of investment that are available to foreign banks, and thus will bring about unintended consequences that diverge from the initial objective of the Rule. In fact, it is difficult if not impossible for a foreign bank to monitor or control any offering or sales of funds to U.S. residents, where such funds are originated and sold by third parties and in which the foreign bank might have passively invested its own funds.

(4) Proprietary trading involving U.S. residents should not be excluded from the definition of proprietary trading outside of the United States solely on the ground that a U.S. resident is involved. (Proposed Section __.6(d)(3)(ii))

Prohibiting any foreign banks from engaging in proprietary trading on the basis that a U.S. resident is involved in the transaction, despite the fact that the transaction itself takes place outside of the U.S., creates an unreasonable operational constraint on foreign banks, and thus is deemed an excessive and extra-territorial application.

A complete ban on U.S. financial products transactions which involve U.S. residents may undermine the liquidity of such products to a considerable degree, and as a result, destabilize the U.S. financial system and thus bring about consequences that are contrary to the objective of the Rule.

(5) If a clear definition of "trading account" already exists in the home countries of foreign banks where transactions are implemented, such definition should be applied. (Proposed Section __.3(b)(2))

In Japan, a trading account has already been defined for accounting purposes. Any transactions which are aimed at reaping short-term profits are clearly and an objectively identifiable for all branches and offices, including the ones in the United States. A transfer of transactions or positions between the trading account and the banking account is stringently restricted as well. With respect to foreign banks which have to engage in trading operations under such a rigorous system, applicable systems in their home countries should be taken into account.

(6) Non-U.S. activities by foreign banks, especially those of Japanese banks, should be exempted from the scope of the compliance program requirement. (Proposed Section __.20) Banks by their nature should have an internal compliance framework that is robust and covers the entire organization rather than just the part required by specific regulations. Japanese banks have on their own established an adequate firm-wide compliance regime under clear standards released by the authorities, and undergo thorough inspections by the supervisory authorities. It is an excessive and extra-territorial application to require financial institutions outside of the U.S. to introduce a brand new compliance program solely for ensuring adherence to U.S. regulations, when well-established compliance programs are already in place.

2. Our Response to the Individual Questions

| No. | Question | Comment |
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| 2 | Does the proposed effective date provide banking entities with sufficient time to implement the proposal's compliance program requirement? If not, what are the impediments to implementing specific elements of the compliance program and what would be a more effective time period for implementing each element and why? | System arrangements and human resources are naturally required for introducing a compliance program for the Rule. After the extended deadline for public comments expires on February 13th 2012, the time is very limited between the finalization and public announcement of the envisaged final rules and the scheduled date of enforcement on July 21st. Furthermore, it is practically difficult to establish an internal compliance system, especially when details of the regulation to which we should adhere remain uncertain. Therefore, either a transitional period or phased approach towards the application should be introduced. If definitions that are different from the present regulations or accounting standards are to be adopted while the preparation period is limited, even the slightest interpretational disparity may result in complete denial of our prior-arrangements for the system. |
| 3 | Does the proposed effective date provide banking entities sufficient time to implement the proposal's reporting and recordkeeping requirements? If not, what are the impediments to implementing specific elements of the proposed reporting and recordkeeping requirements and what would be a more effective time period for implementing each element and why? | |
| 14 | Is the proposed rule's definition of trading account effective? Is it over- or under-inclusive in this context? What alternative definition might be more effective in light of the language and purpose of the statute? How would such definition better identify the accounts that are intended to be covered by section 13 of the BHC Act? | • With respect to the accounting classifications for foreign banks, the governing law of home countries should be respected. Japanese banks in particular are legally required to establish a special account for transactions that are aimed at reaping short-term profits from market price fluctuations, and are banned from transferring such transactions or positions to or from a banking account. For this reason, Japanese banks should be allowed to use such legally-mandated special account as a trading account specified in the Volcker Rule. |

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| 18 | Are there particular transactions or positions to which the application of the proposed definition of trading account is unclear? Is additional regulatory language, guidance, or clarity necessary? | • See Comment to Question No. 14 above.<br><br>• Hedge accounting transactions which are undertaken through a banking account are obviously not aimed at reaping short-term profits, and therefore should be exempted explicitly from the proprietary trading definition.<br><br>• Even in the cases of investment securities or derivatives which are intended to be held for the long term, the position may have to be closed within 60 days due to abrupt market fluctuations. Such move is aimed at minimizing losses and controlling risks rather than reaping short-term profits. Thus, transactions which are evidently intended for long-term investment at the inception should not require additional substantiation or validation as such, nor be subject to reporting and recordkeeping requirements. |
| 23 | Is the rebuttable presumption included in the proposed rule appropriate and effective? Are there more effective ways in which to provide clarity regarding the determination of whether or not a position is included within the definition of trading account? If so, what are they? | See last bullet point Comment to Question No. 18 above. |
| 52 | Is the proposed exclusion of any position that is a loan, a commodity, or foreign exchange or currency effective? If not, what alternative | Foreign Exchange Forwards and Currency Swaps are, in many cases, used for funding foreign currencies, and thereby constitute essential part of banking |

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| | approaches might be more effective in light of the language and purpose of section 13 of the BHC Act? Should additional positions be excluded? If so, why and under what authority? | operations. These transactions are underpinned by real demand across the world, and should not be banned as part of derivatives transactions. |
| 107 | Are the criteria included in the hedging exemption effective? Is the application of each criterion to potential transactions sufficiently clear? Should any of the criteria be changed or eliminated? Should other requirements be added? | Regardless of the provision set forth in Section 5 of the Rule, foreign banks should be allowed to adopt their national accounting standards with respect to hedge transaction requirements. |
| 117 | Are there statutory exemptions that should apply to the proposed rule's proprietary trading provisions that were not included? If so, what exemptions and why? | Even in the cases of transactions conducted by foreign banks that involve U.S. residents as their counterparty or of those that take place in the U.S. exchanges, the risks lie with foreign banks rather than U.S. residents. Therefore, such transactions should be classified as non-U.S. transactions. |
| 121 | Should the Agencies adopt an additional exemption for proprietary trading in options or other derivatives referencing an enumerated government obligation under section 13(d)(1)(J) of the BHC Act? For example, should the Agencies provide an exemption for options or other derivatives with respect to U.S. government debt obligations? If so, how would such an exemption promote and protect the safety and soundness of banking entities and the financial stability of the United States? | It is critical that the liquidity and the size of derivatives markets are maintained so that banks can utilize derivatives with U.S. government bonds as underlying assets to hedge against interest risks to their portfolios. For this reason, derivatives transactions with U.S. government bonds as underlying assets should be permitted. |
| 122 | Should the Agencies adopt an additional exemption for proprietary trading in the obligations of foreign governments and/or international | Non-U.S. government bonds, bonds issued by the home country of a foreign bank for instance, should also be permitted. |

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| | and multinational development banks under section 13(d)(1)(J) of the BHC Act? If so, what types of obligations should be exempt? How would such an exemption promote and protect the safety and soundness of banking entities and the financial stability of the United States? | |
| 136 | Is the proposed rule's implementation of the foreign trading exemption effectively delineated? If not, what alternative would be more effective and/or clearer? | • Standards which permit activities of proprietary trading because they are outside of the U.S. should be established based on a location in which either the transaction risk is taken or the final decision is made. The Commission states, in its draft proposals, the reason for not permitting the definition of "outside of the U.S." to be determined at a location in which the final decision is made as follows, "*as such an approach would appear to permit foreign banking entities to structure transactions so as to be "outside of the U.S." for risk and booking purposes while engaging in transactions within U.S. markets that are prohibited for U.S. banking entities*". However, it is an irrational restriction of foreign banking operations to ban foreign banks from engaging in trading transactions without providing specific examples of worrisome transactions, solely on ground that the transaction involves U.S. residents.<br><br>• One alternative approach would be to categorize transactions by the following three criteria: "Location in which a transaction occurred (in the U.S. or outside of the U.S.)", "Parties involved (between resident vs. non-resident *, resident vs. resident, or non-resident vs. non-resident)", and "Transaction attributes of |
| 138 | Are the proposed rule's provisions regarding when an activity will be considered to have occurred solely outside the United States effective and sufficiently clear? If not, what alternative would be more effective and/or clearer? Should any requirements be modified or removed? If so, which requirements and why? Should additional requirements be added? If so, what requirements and why?<br><br>* *as such an approach would appear to permit foreign banking entities to structure transactions so as to be "outside of the U.S." for risk and booking purposes while engaging in transactions within U.S. markets that are prohibited for U.S. banking entities* | |

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| | | parties involved (trading or banking accounts under the rules of home countries)", and to impose a ban only on transactions which meet all of the three criteria, i.e. "in the U.S.", "Resident vs. resident" and "from a trading account to a trading account".<br><br>※ Resident: Persons who live in the U.S., Non-resident: Persons who do not live in the U.S. |
| 143 | Is the use of the proposed reporting requirements as part of the multi-faceted approach to implementing the prohibition on proprietary trading appropriate? Why or why not? | Foreign banking activities outside of the United States should be exempted from the provisions set forth in Section 7 (Reporting and recordkeeping requirements applicable to trading activities). Japanese banks have established an adequate market risk management regime on their own under clear standards presented by the authorities, and undergo thorough inspections by the supervisory authorities. It is an excessive and extra-territorial application to require financial institutions which already have such a framework in place to submit detailed reports to the U.S. authorities. |
| 146 | Is there an alternative manner in which the Agencies should develop and propose the reporting requirements for quantitative measurements? If so, how should they do so? | The Agencies should avoid imposing excessive burden on foreign banks. For instance, foreign banks should be exempted from reporting requirements if the U.S. authorities are able to utilize monitoring information gathered by the authorities in their home countries, while maintaining information security by establishing an international supervisory framework. |
| 225 | Are there any entities that are captured by the proposed rule's definition of "covered fund," the inclusion of which does not appear to be consistent with the language and purpose of the statute? If so, | With the assumption set forth in §10(b)(1)(iii) that states "were it organized or offered under the laws, or offered to one or more residents, of the United States or of one or more States", almost all of the privately-offered minority funds can be |

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| | which entities and why? | interpreted as "covered funds" by the proposed rule.<br>Such funds include funds through which banks conduct their customary lending and investment operations, for instance, long-only loan funds and senior corporate bond funds which are invested without using any leverage, operated by asset management firms, and are strictly bound by guidelines.<br>An extended interpretation of "covered fund" based on this assumption is an excessive application of fund investment ban outside of the U.S., and thus jeopardizes the fundamental objective of prohibiting banks from making risky fund investments. |
| 293 | Are the proposed rule's provisions regarding when a transaction or activity will be considered to have occurred solely outside the United States effective and sufficiently clear? If not, what alternative would be more effective and/or clearer? Should additional requirements be added? If so, what requirements and why? Should additional requirements be modified or removed? If so, what requirements and why or how? | With respect to the provision set forth in §13(c)(3)(iii) that states "No ownership interest in such covered fund is offered for sale or sold to a resident of the United States", both or either one of the following methods should be allowed as a means to provide conclusive evidence that covered funds have not been sold to the U.S. residents: 1) A fund is structurally designed, in the form of sales prospectus and offering, to prevent U.S. residents from purchasing, and/or 2) Confirmation is made when purchasing to ensure that U.S. residents are not included in the list of investors. |
| 294 | Is the proposed exemption consistent with the purpose of the statute? Is the proposed exemption consistent with respect to national treatment for foreign banking organizations? Is the proposed exemption consistent with the concept of competitive equity? | With respect to the provision set forth in §13(c)(3)(iii) that states, "No ownership interest in such covered fund is offered for sale or sold to a resident of the United States", foreign banks are prohibited to invest in funds solely because a U.S. resident may invest in funds outside of the U.S. This is considered an excessive application of the rules to entities outside of the U.S. On the other hand, some funds may favor foreign banks over U.S. residents and become reluctant to engage |

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| | | in sales to U.S. residents. This may penalize U.S. residents, depriving them of potential investment opportunities.<br>Such restriction on foreign banks is justified only when foreign banks are selling their invested funds to U.S. residents. Therefore, this provision should be presented in a way that would imply more specific targets, such as "No ownership interest in such covered fund is offered for sale or sold by the banking entity to a resident of the United States". |
| 319 | Is the proposed rule's inclusion of a compliance program requirement effective in light of the purpose and language of the statute? If not, what alternative would be more effective? | Under the proposed definitions of "proprietary trading" and "covered fund" activities and investments, foreign banks are required to introduce a compliance program even for transactions and investments that are carried out in their own countries based on their respective operational missions. This is an excessive application to entities outside of the U.S., and deviates from the fundamental objective of the Rule. Therefore, application of the compliance program should be limited to U.S.-based subsidiaries or branches of foreign banks.<br>At the least, the compliance program should not be required for proprietary trading as well as "covered fund" activities and investments which are permitted by the exemption clause as transactions "solely outside of the U.S.". |
| 328 | Should the proposed rule permit banking entities to comply with Appendix C of the proposed rule on an enterprise-wide basis? If so, why? What are the advantages and disadvantages of an enterprise-wide compliance program? Should the proposed appendix provide additional clarity or discretion regarding how such an enterprise-wide program should be structured? If so, how? Please | A compliance program requirement, rather than being imposed on an "enterprise-wide basis", should be waived for subsidiaries for which "proprietary trading" and "covered fund" activities and investments are less important (Consolidated vs. Non-consolidated ratio is negligibly low, for instance). The requirement mandating even less-important subsidiaries to introduce and maintain the program will generate excess burden. |

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| | include a discussion relating to the infrastructure of an enterprise-wide compliance program and its management. If enterprise-wide compliance or similar programs are used in other contexts, please describe your experience with such programs and how those experiences influence your judgment concerning whether or not you would choose an enterprise-wide compliance program in this context. | |
| 333 | Should only outside parties be permitted to conduct independent testing for the effectiveness of the proposed compliance program to satisfy certain minimum standards? If so, why? Under the proposal, the independent testing requirement may be satisfied by testing conducted by an internal audit department or a third party. Should the rule specify the minimum standards for "independence" as applied to internal and/or external parties testing the effectiveness of the compliance program? For example, would an internal audit be deemed to be independent if none of the persons involved in the testing are involved with, or report to persons that are involved with, activities implicated by section 13 of the BHC Act? Why or why not? | Parties who conduct independent testing for the effectiveness of the proposed compliance program should not necessarily be limited to outside parties. An internal audit should be adequate. Japanese banks, for instance, have on their own established adequate internal control and risk management frameworks including an internal audit system in line with clear standards released by the authorities. There is also a legal framework which allows Japanese authorities to examine the financial health of the Bank through thorough communication by means of daily monitoring and regular inspections.<br>Additional requirement of an external review is deemed unnecessary for such Japanese banks. |
| 337 | Should proposed rule's Appendix C be revised to require a banking entity' s CEO to annually certify that the banking entity has in place processes to establish, maintain, enforce, review, test and modify the compliance program established pursuant to Appendix C in a manner that is reasonably designed to achieve compliance with section 13 of | Certification by a CEO is considered unnecessary for banks which already have in place a framework for an internal audit division to conduct verification. Japanese banks, for instance, have on their own established adequate internal control and risk management frameworks including an internal audit system in line with clear standards released by the authorities. There is also a legal framework which allows |

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| | the BHC Act and this proposal? If so, why? If so, what would be the most useful, efficient method of certification (e.g., a new stand-alone certification, a certification incorporated into an existing form or filing, web site certification, or certification filed directly with the relevant Agency)? Would a central data repository with a CEO attestation to the Agencies be a preferable approach? | Japanese authorities to examine the financial health of the Bank through thorough communication by means of daily monitoring and regular inspections. Certification by a CEO is deemed unnecessary for such Japanese banks. |