

MEMBERS INCLUDE

Abacus Australian Mutuals  
Australian Bankers' Association  
Australian Finance Conference  
Australian Financial Markets Association  
Australian Securitisation Forum  
Financial Services Council  
Insurance Council of Australia

15 February 2012

Ms Jennifer Johnson  
Secretary  
Board of Governors of the  
Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551  
USA  
[regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

Office of the Comptroller of the Currency  
250 E Street, SW  
Mail Stop 2-3  
Washington, DC 20219  
USA  
[regs.comments@occ.treas.gov](mailto:regs.comments@occ.treas.gov)

Mr Robert Feldman  
Executive Secretary  
Attention: Comments Federal Deposit  
Insurance Corporation  
550 17th Street, NW  
Washington, DC 20429  
USA  
[Comments@fdic.gov](mailto:Comments@fdic.gov)

Ms Elizabeth Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-1090  
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[rule-comments@sec.gov](mailto:rule-comments@sec.gov)

**Restrictions on Proprietary Trading and Certain Interests in,  
and Relationships with, Hedge Funds and Private Equity Funds  
Joint Notice of Proposed Rulemaking Implementing the Volcker Rule:**  
Federal Reserve Docket No. R 1432 and RIN 7100 AD 82;  
OCC Docket ID OCC 2011 14; FDIC RIN 36064 AD85; SEC File No. S7 41 11

The Finance Industry Council of Australia (FICA)<sup>1</sup> represents the main industry associations covering the financial services industry in Australia. FICA is taking the opportunity of the public consultation on aspects of proposed rules implementing section 619 of Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), commonly known as the 'Volcker Rule', to raise concerns about effects of the proposed implementing rules (Proposed Rules).

<sup>1</sup> FICA consists of Abacus – Australian Mutuals, Australian Bankers' Association, Australian Finance Conference, Australian Financial Markets Association, Australian Securitisation Forum, Financial Services Council, and Insurance Council.

The restrictions placed on the activities of non-US banks outside of the US by the Proposed Rules would have a substantial detrimental impact on financial markets in a broad range of countries, including Australia. FICA is concerned that the Proposed Rules as it currently stands could have a number of adverse consequences, including increased sovereign funding costs for governments other than those of the US, reduced liquidity and increased funding costs in non-US as well as the US corporate debt market, inhibitions on the development of mutual funds and similar types of savings and investment vehicles outside of the US, and restrictions on the ability of non-US financial firms to provide their non-US clients with core asset management services.

Under the Non-US Trading and Fund Provisions, the legislators appear to have sought to limit the extra-territorial effects of the Volcker Rule by permitting non-US financial firms with operations in the US to engage in proprietary trading and to sponsor and invest in covered funds as long as those activities were carried out solely outside of the US. However, the narrow interpretation of the legislation through the additional restrictions in the Proposed Rules would substantially restrict the activities of non-US banks and securities firms' outside of the US in ways we believe has unintended consequences.

Detailed comments on these effects and consequences are made by FICA members, namely the Australian Bankers' Association and the Australian Financial Markets Association, in their respective comment letters. FICA endorses these comments.

A core understanding that came out of the 2008 global financial crisis is the degree of global interconnectedness between financial institutions and financial markets is very great. As a result, the September 2009 G-20 commitments included the undertaking to – *"take action at the national and international level to raise standards together so that our national authorities implement global standards consistently in a way that ensures a level playing field and avoids fragmentation of markets, protectionism, and regulatory arbitrage"*. Consistent with the collective intention of the G-20, FICA requests the Agencies consider the issues raised in its member associations' comment letters in order to promote coherent and consistent regulation of financial markets across the globe.

Thank you for consideration of our views.

Yours sincerely



**Duncan Fairweather**  
**Chair**