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4TH DISTRICT, WISCONSIN  
COMMITTEE ON  
FINANCIAL SERVICES

CAPITAL MARKETS AND GSEs  
INTERNATIONAL MONETARY POLICY AND TRADE

COMMITTEE ON BUDGET



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April 11, 2012

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

Dear Chairman Bernanke:

It was a pleasure getting your views on U.S. monetary policy and the state of the economy, including global conditions, at the February 29, 2012, House Financial Services Committee "Humphrey-Hawkins" hearing. I am writing for clarification regarding an issue that was raised by my colleague pertaining to the extraterritorial impact of the Volcker Rule. Particularly, I would appreciate hearing more regarding the application of the Volcker Rule on foreign bank transactions with entities that, while they are affiliated with an underlying U.S. legal entity, are operating in a foreign jurisdiction. I remain committed to Dodd-Frank and to the Volcker Rule, but I have an ongoing interest in the application of the rules and would be grateful for the Federal Reserve's insight on this issue.

My underlying concern is that the proposed rules may go beyond the constraints of Regulation K by applying Volcker Rule to foreign banks that transact with foreign affiliates of U.S. corporations or banks. It is my understanding that the "solely outside the U.S." qualification included in the statute was not intended to capture these types of transactions. Clarification on how the Federal Reserve has interpreted this provision of the law and why it would be necessary to go beyond the constraints of Regulation K would aid my understanding of the rules going forward.

I understand that some countries have departed from our approach to financial reform in the wake of the 2008 financial crisis, and know that these types of conflicts were considered during the agency's deliberations on the Volcker Rule. However, I urge the Federal Reserve to continue to give due consideration to global commerce and liquidity as you work to complete and implement the rule later this year.

Again, I applaud the tremendous amount of work being done by U.S. agencies to strengthen the U.S. banking system and to reduce the risk of it contributing to a future financial crisis, but in implementing reforms we urge the agencies to be mindful of the fact that U.S. financial institutions and markets (and their supporting infrastructure) are deeply connected to the broader global financial system. Indeed, in many cases they represent core segments for global financial institutions. Thus, when implementing reforms like the Volcker Rule, it is important to not only

focus on the implications for the U.S. financial system, but also to take care that these restrictions do not give rise to prudential issues for other jurisdictions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gwen Moore".

Gwen Moore  
MEMBER OF CONGRESS