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June 5, 2013

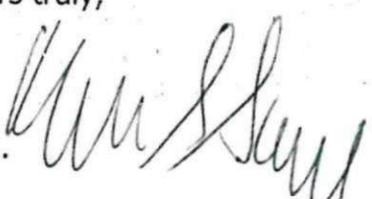
Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Dear Ms. Murphy:

Over a year ago I submitted to the Commission and three of the bank regulators comments on the Volcker Rule proposal. I have attached a copy of these comments.

It strikes me as negligent that the Federal Government has not yet issued a final proposal on this key component of financial reform.

Yours truly,



Encl.

Cc: Office of the Comptroller of the Currency
280 E Street, S.W., Mail Stop 2-3
Washington, DC 20209

Jennifer Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave., NW
Washington, D.C. 20531

Robert E. Feldman, Secretary
Attn: Comments
Federal Deposit Insurance Company
550 17th Street, NW
Washington, DC 20429

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April 9, 2012

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commisson
100 F Street, N.E.
Washington, DC 20549-1090

Dear Ms. Murphy:

It's apparent that the Volcker Rule proposal has aroused a groundswell of comments that no other provision of the Dodd Frank law has stimulated. Major financial institutions, governments and prominent individuals and many others have contributed to the torrent. In light of the many adverse comments, the options for regulators are:

Adopt the current proposal; amend it or issue a new proposal. Recently Barney Frank and an S.E.C. commissioner have recommended that the council rethink the regulatory regime to implement the Volcker Rule and issue a new proposal. I heartily endorse this recommendation.

Before outlining the elements of a new proposal, I have several additional comments on the existing proposal.

Unfortunately the Dodd-Frank Act does not delegate responsibility to one agency for administration and enforcement of the Volcker Rule. It leaves this responsibility to four different agencies without a clear designation of who does what. Moreover the law leaves the regulators with the difficult task of distinguishing market making from proprietary trading where some of the agencies have little or no prior experience. It would appear that the explanation for this splitting of responsibility is the diversity of instruments covered by the rule, e.g. securities, futures, options, commodities. What may be legal marketing making for one agency may be illegal proprietary trading for another. The consequences of this division of responsibility could be chaotic.

Another problem with the proposal is that it fails to give any responsibility to the management of banking entities for its administration and enforcement. Most managers want to do the right thing and particularly want their traders to serve customers – not their own trading account. As much as regulators abhor self-regulation, the Volcker Rule can be more effectively enforced by the industry itself because of its proximity to trading activity. When properly monitored by the government, self-regulation can work and relieve the government of a responsibility that can more effectively be left to those on the scene. Moreover, little consideration has been given to the size and competence of the staff that would be required to monitor the trading activities of banking entities. It would require numerous personnel to monitor in detail those activities and it would place the federal government in a direct line of responsibility to detect illegal proprietary trading. Technology can help but it cannot be a substitute for human judgment or the scene about suspicious activity.

There are lessons to be learned from S.E.C. experience with self-regulation. First to be effective it requires vigorous monitoring by the government. Second, the S.E.C. over the years has come to rely upon the self-regulator to supervise the details of trading activity which the S.E.C. has extreme difficulty supervising because of its lack of proximity to billions of trades. Third, the self-regulator based on its business experience can more easily distinguish improper trading from legitimate activity. Fourth, the self-regulator has to be equipped with an effective compliance regime. When these conditions are met, the government will have in place an effective mechanism for monitoring trading activity.

In light of these considerations, I propose that the regulators issue a new proposal that requires the CEO of each bank holding company to certify that the firm has in place a regime to supervise all trading activity and to detect proprietary trading as distinguished from market making. Finally, the agencies should delegate to a one person from one agency broad authority to monitor all bank holding companies engaged in market making

Ralph S. Saul

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