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Congress of the United States
House of Representatives
Washington, DC 20515

December 20, 2013

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20552

The Honorable Thomas Curry
Comptroller of the Currency
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, DC 20219

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve
System
20th and C Streets, NW
Washington, DC 20551

Re: Volcker Rule and the Treatment of Community Bank-Held CDO TruPS

Dear Chairman Gruenberg, Comptroller Curry and Chairman Bernanke:

I write to request your prompt and immediate action to correct a provision of the final Volcker Rule that will cause grave, unintended and immediate harm to hundreds of community banks and hamper our nation's economic recovery. I have heard from small community banks throughout Western New York and they have urged me to contact you. I have also spoken with the Financial Services Committee leadership about my districts concerns as well.

The final Volcker Rule requires all banks, including community banks, to divest their holdings of collateralized debt obligations (CDOs) backed by trust preferred securities (TruPs) by July 2015. **The impact of this provision will be immediate because accounting standards require these community banks to recognize an impairment of their investments prior to year-end 2013.** The divestment requirement will very likely drive down the value of these instruments, making the write down bear little relation to the true long-term value of these assets. Left unaddressed, this requirement could cause a significant, immediate and permanent loss of capital to hundreds of community banks that are still

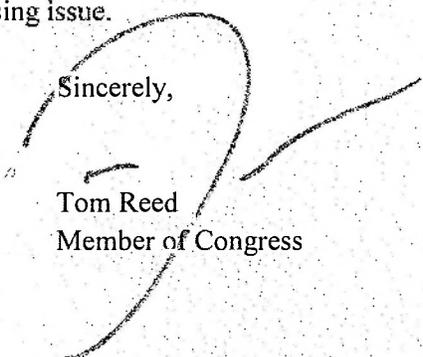
recovering from the financial crash. This is especially important throughout the small towns in my district as well as to job creators and small business owners looking to expand their businesses and add jobs. Historically low interest rates and high regulatory compliance costs only magnify the risk created by this unexpected write down requirement.

As you know, the intent of the Volcker Rule was to prohibit proprietary trading by the large banks and to bar their ownership of hedge funds and private equity funds. The broad definition of "banking activity" confirms that the Volcker Rule will apply to every bank regardless of size or activity. The Rule should not be interpreted in a way that arbitrarily damages the capital and earnings of small community banks that played no part in the financial meltdown. This provision will do nothing to address systemic financial risk.

Within all relevant rules and regulations, I urge you to consider guidance which would remove the negative impact to small town community banks and small business owners throughout my district. If you have any questions or if I can be helpful, please have your staff contact Phillips Hinch in my office at (202) 225-3161.

Thank you for your immediate attention to this pressing issue.

Sincerely,



Tom Reed
Member of Congress