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COMMITTEE ON  
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SUBCOMMITTEE ON COMMERCE,  
MANUFACTURING AND TRADE  
SUBCOMMITTEE ON  
OVERSIGHT AND INVESTIGATIONS

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

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 I understand will cause grave, unintended and immediate harm to hundreds of community banks and hamper our nation's economic recovery.

The final Volcker Rule requires all banks, including community banks, to divest their holdings of collateralized debt obligations (CDOs) backed by trust preferred securities by July 2015. I am told that the impact of this provision will be immediate because accounting standards require community banks to recognize an impairment of their investments prior to year-end 2013. The divestment requirement will immediately drive down the value of these instruments, and the write down will be based on fire sale prices that bear no relation to their true long term value.

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. Historically low interest rates and high regulatory compliance costs only magnify the risk created by this unexpected write down requirement. Especially at a time when the number of America's

smaller banks has reached lows not seen since the Great Depression, it is especially troubling to see a harmful provision that bears little evidence of decreasing systemic risk.

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 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.

I urge you to issue guidance immediately which clarifies that banks do not have to permanently write these instruments down to liquidation value prior to year-end under current accounting standards. Furthermore, I urge you to reconsider these investments as ownership of "covered funds" under the Volcker Rule.

Thank you for your immediate attention to this pressing issue.

Very respectfully,

A handwritten signature in cursive script that reads "Pete Olson". The signature is written in dark ink and is positioned above a horizontal line.

Pete Olson  
Member of Congress