

United States House of Representatives  
Committee on Financial Services  
Washington, D.C. 20515

January 7, 2014

The Honorable Mary Jo White, Chair  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

The Honorable Mark P. Wetjen, Acting Chair  
U.S. Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

The Honorable Martin J. Gruenberg, Chair  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429

The Honorable Thomas J. Curry, Director  
Office of the Comptroller of the Currency  
Independence Square, 250 E Street, SW  
Washington, DC 20219

The Honorable Ben S. Bernanke, Chair  
Board of Governors, Federal Reserve System  
Constitution Avenue and 20<sup>th</sup> Street, NW  
Washington, DC 20551

Dear Chairmen White, Wetjen, Gruenberg, Bernanke and Director Curry:

We are strongly supportive of your agencies as you work to implement a clear and strong Volcker Rule. As you know, a number of community banks have brought to our attention concerns with regard to the treatment of investments in Collateralized Debt Obligations (CDOs) backed by Trust Preferred Securities (TruPS).

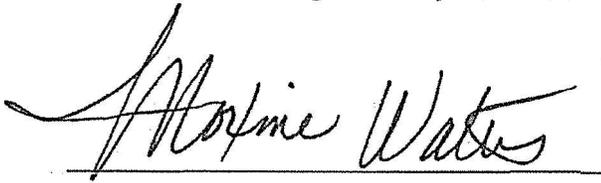
TruPS CDOs, which are held by hundreds of community banks, would be designated as "Covered Funds" under the final rule. It is important to us that the Volcker rule maintain strong controls on banks' investments in external funds, including securitizations such as CDOs which were at the heart of the 2008 financial crisis.

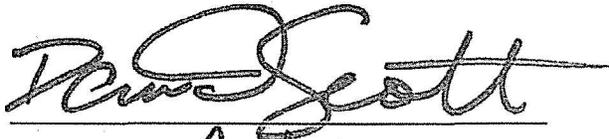
In Section 171 of the Dodd Frank Act, however, Congress very deliberately defined its intended treatment of TruPS issued by banks with less than \$15 billion in assets. As you have recognized in your December 27<sup>th</sup> joint statement, implementation of the Volcker Rule may be inconsistent with Congress's intention for treatment of these specific investments. For many small banks, ability to pool via a CDO structure was a prerequisite for issuance of TruPS, and we appreciate that regulators have taken that fact into account as they review whether they can help provide guidance to restructure TruPS CDOs such that banks may be able to continue to hold them. We also understand that the agencies have been reviewing whether it would be appropriate to exempt TruPS CDOs from the definition of "Covered Funds" altogether. Consistent with Section 171 of the Dodd-Frank Act, we believe regulators have the authority to exempt banks with less than \$15 billion in assets from the requirement to divest of TruPS CDOs, providing important relief to the community banking sector.

The Honorable Mary Jo White  
The Honorable Mark Wetjen  
The Honorable Martin Gruenberg  
The Honorable Thomas Curry  
The Honorable Ben S. Bernanke  
Page Two  
January 7, 2014

Your agencies have stated that minimizing the regulatory impact on small banks was a guiding principle for drafting and implementation of the rule. You have made clear by your actions in reviewing this issue so quickly that the agencies are committed to responding to the concerns of our community banks. We applaud your efforts to address these important concerns without undermining the safety and soundness of our banking system by weakening the rule.

Sincerely,

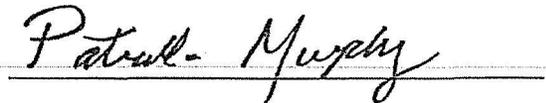
  
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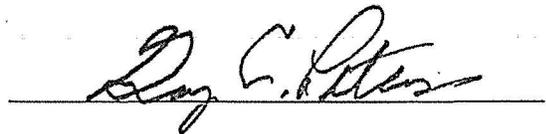
  
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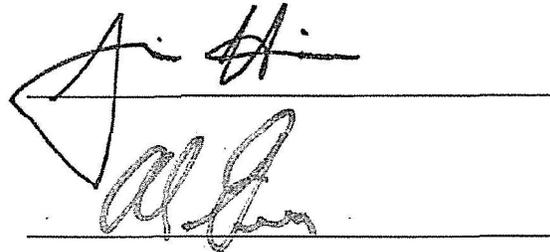
  
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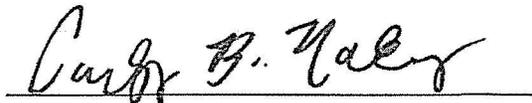
  
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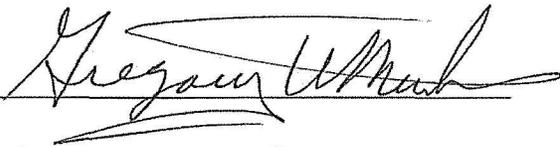
  
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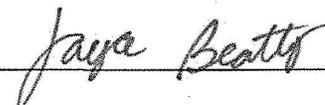
  
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The Honorable Martin Gruenberg  
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The Honorable Ben S. Bernanke  
Page Three  
January 7, 2014













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