

RICHARD E. NEAL  
FIRST DISTRICT, MASSACHUSETTS

AT-LARGE WHIP



COMMITTEE ON WAYS AND MEANS

RANKING MEMBER,  
SUBCOMMITTEE ON SELECT  
REVENUE MEASURES

DEMOCRATIC LEADER,  
FRIENDS OF IRELAND CAUCUS

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

January 3, 2014

Chairman Ben Bernanke  
Federal Reserve System  
c/o Linda Robertson  
Assistant to the Board for Congressional Liaison  
Board of Governors of the Federal Reserve System  
Twentieth and Constitution Avenue, NW  
Washington, DC 20551

**RE: Volcker Rule**

Dear Chairman Bernanke, Chairman Gruenberg and Comptroller Curry:

I am writing with respect to the recently finalized Volcker Rule as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act. My office has received a number of inquiries by concerned community banks regarding this matter. As I understand it, the Volcker Rule's purpose is to limit the proprietary trading of the biggest banks and financial institutions in order to maintain financial stability and protect the economy. As someone that voted for and supported Dodd-Frank from Day One, I appreciate the efforts that have been made in developing this rule and believe it takes the necessary and important steps needed to curb speculative and risky investment activities.

However, it has come to my attention that community banks across the country will be adversely affected by the rule in a way not originally intended. According to some reports, these community banks will face an immediate negative financial impact due to the treatment of collateralized debt obligations backed by trust-preferred securities (TruPS CDOs) they own.

Under the Rule, community banks may be forced to liquidate their TruPS CDOs and take sizeable losses. This problem is exacerbated by the potential market reaction and the buyer's market this creates. Due to the glut of securities that will be sold in a relatively short period of time, community banks may have to sell at lower prices and take further losses. Even worse still, these write-downs and negative impacts on capital will occur now, not in the future, leading community banks to take an immediate accounting loss for a Rule that will not even take effect until 2015.

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Given the serious concerns raised by the community banks, I am requesting that you clarify the rule and your intent, as well work with the community banks so that they can implement and comply the regulation.

Thank you for your prompt attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard E. Neal". The signature is fluid and cursive, with a large initial "R" and "E".

Richard E. Neal  
Member of Congress

REN/bc

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