JEB HENSARLING, TX, CHAIRMAN

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

MAXINE WATERS, CA, RANKING MEMBER

December 18, 2013

The Hon Ben Bernanke
Chairman
The Federal Reserve System
20th Street and Constitution Ave, NW
Washington, D.C. 20429

The Hon. Gary Gensler
Chairman
Commodity Futures Trading Commission
1155 21st Street, NW
Washington, D.C. 20581

The Hon. Thomas Curry
Comptroller
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, D.C. 20219

The Hon. Jacob Lew
Secretary
United States Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, D.C. 20220

The Hon. Martin Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C 20429

The Hon. Mary Jo White
Chairman
U.S. Securities and Exchange Commission
100 F St., N.E.
Washington, D.C. 20549-1090

Dear Chairman Bernanke, Comptroller Curry, Chairman Gruenberg, Chairman Gensler, Secretary Lew, and Chairman White:

We are writing you with serious concerns about the recently promulgated Volcker Rule. We are especially concerned about the unintended consequences the Rule will have for community banks.

Proponents of the Volcker Rule asserted that a ban on certain trading activities of large financial institutions was necessary after the financial crisis of 2008. Sec. 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203) directed your respective agencies to promulgate rules banning the practice of proprietary trading. The intent of this provision of Dodd-Frank was to limit certain activities at large, complex financial institutions. Yet the final rule that was released on December 10, 2013 contains provisions that will adversely affect Main Street financial institutions. These lenders did not cause the financial crisis and their continued health is critical to our economic recovery.

We are specifically concerned with the treatment of investments in collateralized debt obligations that are backed by trust-preferred securities (TruPS). Under the final rule, a financial institution that holds these investments will be forced to divest the securities by July 2015; however, under Generally Accepted Accounting Principles (GAAP) these institutions will be required to write down these assets by the end of this year regardless of their current performance. The market for these securities is highly dynamic and we are concerned that a forced liquidation could further depress their value. Furthermore, the immediate write-down of these assets could needlessly harm the capital positions and earnings of the financial institutions holding the assets.

We urge you to consider the ramifications this unintended consequence of the Volcker Rule will have on financial institutions that hold these assets. We believe the Rule provides the regulatory agencies with sufficient flexibility to address the concerns of community banks and provide them with relief from this provision of the Rule. It is imperative that the agencies take swift action to remedy this unfortunate situation. We look forward to your response on this important matter.

Sincerely,

Shelley Moore Capito

SHELLEY MOORE CAPITO
Chairman
Subcommittee on Financial Institutions and Consumer Credit

JEB HENSARLING
Chairman
Committee on Financial Services