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6TH DISTRICT, ALABAMA

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REGULATORY REFORM, COMMERCIAL,
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Congress of the United States
House of Representatives
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December 18, 2013

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 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:

As Ranking Member and then Chairman of the House Financial Services Committee, I have closely monitored the development of the Volcker Rule since it was originally proposed in concept form. One of my concerns has been with the competitive and economic impacts of the Rule, some of which I discussed with Treasury Secretary Lew during his testimony to the Financial Services Committee on December 12, 2013.

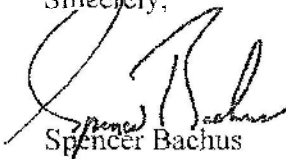
After conversations with community bankers, I want to express considerable concern with what appears to be a late addition to the Volcker Rule that will severely impact smaller institutions already dealing with higher compliance costs imposed by other provisions of the Dodd-Frank Act. The final version of the Rule altered the treatment of pooled trust preferred securities held by community banks, potentially forcing them to immediately write down the value of these securities in such a rapid fashion that it will deplete capital levels and create a "fire sale" environment. In essence, this definition of a covered fund along with associated accounting standards could have the effect of artificially creating a distressed asset, and we know from the bitter experience of the financial crisis of the fall of 2008 just how destabilizing distressed assets are to our banking system.

Forcing the divestiture of securities held in portfolio by community banks is not in keeping with the original intent of the Volcker Rule to address proprietary trading allegedly deemed to have contributed to the financial crisis and certainly not in the interest of preserving the safety and soundness of our local financial institutions. From an economic viewpoint, it will significantly damage the balance sheets of community banks, making it more difficult for them to lend to small businesses and help our weak economy grow.

Given that time is of the most urgent essence, I would respectfully request a prompt clarification of the term ownership interest contained within the covered fund provisions or grandfathering of pooled trust preferred securities that will prevent these institutions from having to mark down certain of these securities in the near term. Beyond that, there needs to be a more broad-based and transparent assessment of the Volcker Rule's treatment of the unique circumstances pertaining to community banks. It is with the greatest concern that I await your timely reply.

As you know, I am always receptive to cooperating with you to address challenges which new legislation inevitably creates. My door is open to assist you in your efforts to sustain a viable and vibrant financial structure. Thank you for your valuable service to our country and let me personally wish you a joyous and happy holiday and New Year.

Sincerely,



Spencer Bachus
Member of Congress

STB/kr