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December 20, 2013

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve
System
20th and C Streets, NW
Washington, DC 20551

Re: Volcker Rule and the Treatment of Community Bank-Held CDO TruPS

Dear Chairman Bernanke,

I am writing to share my deep concerns with a provision regarding the accounting treatment of trust preferred securities (TruPS) contained in the final Volcker Rule. I am worried that it will have severe and immediate negative consequences for hundreds of community banks and slow our economic recovery.

The final rule treats collateralized debt obligations (CDOs) backed by TruPS as a type of "covered fund," meaning all banks, including community banks, must divest their holdings of these instruments by July 2015. However, accounting standards require the banks to recognize the divestiture prior to the end of this year. Consequently, mid-sized and community banks across the country, including 18 in Illinois, will have to report significant and unexpected losses with inadequate time to adapt to the circumstances.

In the interest of our community financial institutions and their customers, I ask that you consider potential accommodations and alternatives to ensure these institutions are given a reasonable amount of time to absorb and mitigate their losses. Given the time-sensitive nature of this issue, I ask that you give consideration to this request as soon as possible. Thank you for your attention to this matter.

Very truly yours,

Peter Roskam
Member of Congress