

From: Concerned Citizen  
Proposal: 1480 (RIN7100-AE11) - Trust Preferred Securities - Collateralized Debt Obligations  
Subject: Trust Preferred Securities

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Comments:

Date: Jun 27, 2015

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Proposal: Treatment of Certain Collateralized Debt Obligations Backed Primarily by Trust Preferred Securities with Regard to Prohibitions and Restrictions on Certain Interests in, and Relationships with, Hedge Funds and Private Equity Funds [R-1480]

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Your comment: There are banking institutions which have purchased CDOs backed by trust preferred securities in there broker dealer entities, who are now moving these assets to non-broker dealer entities so that they can be removed from the metrics that have to be reported for the propriety trading portion of the volcker rule. However, the banks are still classifying these assets as trading for accounting purposes (although they are classified as non-covered for market risk regulatory capital purposes) and are taking customer reverse inquiries for the assets. The exemption being granted here is essentially allowing institutions to get around the volcker rule and do a longer term prop trade in these assets. I can confirm that there is at least one institution that has done this.