



**New  
Democrat  
Coalition**

**Rep. Joseph Crowley, Chair**  
**Rep. Jim Himes, Vice-Chair**  
**Rep. Ron Kind, Vice-Chair**  
**Rep. Rick Larsen, Vice-Chair**  
**Rep. Allyson Schwartz, Vice-Chair**

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February 17, 2012

Honorable Ben Bernanke  
Chairman, Board of Governors  
Federal Reserve System  
Twentieth and Constitution Avenue, NW  
Washington, DC 20551

Honorable Martin Gruenberg  
Acting Chairman  
Federal Deposit Insurance Corporation  
550 Seventeenth Street, NW  
Washington, DC 20429

Honorable Gary Gensler  
Chairman  
Commodities Futures Trading Commission  
Twenty First Street, NW  
Washington, DC 20581

Honorable Mary Schapiro  
Chairman  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Honorable John Walsh  
Acting Comptroller of the Currency  
U.S. Department of Treasury  
250 E Street, SW Room 9048  
Washington, DC 20219

Dear Chairman Bernanke, Acting Chairman Gruenberg, Chairman Gensler, Chairman Schapiro,  
Acting Chairman Walsh:

The Dodd-Frank Wall Street Reform and Consumer Protection Act puts in place strong protections for taxpayers in the event of a default by a financial institution by, among other things, dividing up the risk among the participants in derivatives and swaps products through centralized clearing and ensuring systemically significant financial institutions have sufficient capital on hand to cover their losses. These provisions, coupled with those that encourage as much trading activity as possible to occur on regulated transparent exchanges, will provide regulators with new, detailed, real-time information needed to protect and monitor swap activity. As members of the New Democrat Coalition, we urge you to adopt an approach in the rulemaking process that reduces systemic risk in the financial markets while preserving access to capital for businesses looking to grow, hire, and expand.

As part of an overall approach to managing systemic risk in the financial system, Section 619 of the law, otherwise known as the “Volcker Rule,” was added to prohibit banks that have access to public funds from using these funds to engage in proprietary trading for their own benefit and from investing in or sponsoring hedge funds and private equity funds. Already, this law has resulted in the end of proprietary trading. Finalization of an appropriately structured Volcker Rule will help prevent a recurrence of these activities in the future.

As your agencies look to further define permissible trading activities under the rule, it is important that you take into account any potential effect on access to capital for U.S. companies looking to invest, grow and hire. By including Section 619 in the final statute, Congress intended to prohibit banks with access to public funds from trading on these funds for their own gain. We did not intend for these rules to impact the ability of asset managers, pension funds, individual investors and businesses of all sizes to access liquid capital markets.

This is particularly critical for small companies and municipalities, whose bonds do not trade with the frequency of larger issuers. These corporate and government bonds are also often purchased by asset managers, pension funds, and mutual funds. Such funds must be able to use market makers to buy and sell these bonds to meet the needs of their institutional investors and any requirements of their fund structure.

Market participants need immediate access to liquidity in order to be able to quickly and efficiently execute transactions in a cost effective manner. The pension funds and retirement plans of millions of public school teachers, police officers and private employees depend on liquid markets and low transaction costs so their participants can retire with dignity and ease. Many employer retirement plans’ sponsors and service providers have already expressed concern that the proposed rule will harm their ability to keep investment costs low for employees, resulting in diminished returns and reduced retirement income for hardworking Americans. Market makers often have to hold significant inventories of assets on their books to satisfy customer demands as markets move on a daily basis. This allows U.S. markets to be the deepest and most liquid in the world. The final rule should be flexible, principles-based, and allow for continued access to liquidity for pension funds and other institutional and individual investors..

Finally, the compliance system under the proposed rule should avoid market disruptions and allow market participants to adjust their operations to meet the new requirements. Further coordination and clarity is needed among the agencies to determine which regulators will be responsible for overseeing compliance and reporting with covered banking entities under the rule and how this will interact with other supervisory functions. Once all agencies have submitted their proposals and these can be reviewed together in context, sufficient time will be needed for market participants to review and comply with these proposals.

With the vast new responsibilities mandated under the new law, it will also be imperative that the agencies are sufficiently funded to fulfill these new oversight functions and we stand ready to

work with you to provide that support. Regulatory certainty is urgently needed in the markets, but it is just as important that the rulemaking process be thorough so that we end up with the right result.

We appreciate your agencies' leadership on this issue. We look forward to working with you in coordination with other agencies to create a balanced approach that mitigates risk in the markets while ensuring access to capital for U.S. investors and companies.

Sincerely,

John Bar

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Ray C. Peters

Arnold E. Cannally

John C. Carney

Eliot L. Engel

Eric Higin

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Richard

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Paul ...

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Tom ...

Ernst ...

[Signature]

For Kind

Alan ...

Jason Altman

Joseph ...

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List of Signers:

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13. McCarthy, Carolyn
14. Meeks, Gregory
15. Moran, James
16. Murphy, Chris
17. Owens, William
18. Perlmutter, Ed
19. Pierluisi, Pedro
20. Polis, Jared
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24. Sewell, Terri
25. Smith, Adam
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