

February 21, 2012

Ms. Jennifer Johnson  
Secretary  
Board of Governors of the Federal  
Reserve  
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Washington, DC 20551

Ms. Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Mr. David Stawick  
Secretary  
Commodities and Futures Trading  
Commission  
Three Lafayette Square  
1155 21st Street, NW  
Washington, DC 20581

Mr. Robert E. Feldman  
Executive Secretary  
Federal Deposit Insurance Corporation  
550 17th Street, NW  
Washington, DC 20429

Office of the Comptroller of the  
Currency  
250 E Street, SW  
Washington, DC 20219

**Re: Prohibitions and Restrictions on Proprietary Trading and Certain Interests  
in and Relationships With, Hedge Funds and Private Equity Funds.**

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

The undersigned companies and organizations, representing a diverse range of  
industries, believe that the Volcker Rule will have far-reaching negative consequences  
that will impede our ability to raise capital and manage risk. As such, we urge  
regulators to refrain from implementing the rule in its current form, hold a roundtable  
with stakeholders representing different market participants, and re-propose the  
Volcker Rule to provide additional time to identify unintended consequences and  
craft policies to avoid them.

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Congress, in enacting the Volcker Rule ban on proprietary trading, exempted market making and underwriting activities that are crucial for businesses to issue bonds and securities. While the effects of these restrictions on Wall Street have been much-discussed, it appears from the proposed rule that its impact on end-users of financial markets may have been overlooked. The extensive and granular infrastructure created by the 298 page draft rule runs the risk of restricting financial institutions from providing businesses with the beneficial market making and underwriting functions that are needed to raise debt, issue equities, and manage risk.

Under the proposed Volcker Rule, five separate regulatory bodies may investigate activities on a trade-by-trade basis to determine if they fall within these exceptions. The proposed Volcker Rule is likely to severely curtail these essential capital raising and risk management services and result in the following negative **consequences for businesses:**

**Impairment of Corporate Liquidity and Restricted Cash Management Activities:** We are concerned that the Byzantine regulatory regime envisioned by the proposed Volcker Rule may force financial institutions to curtail their participation in markets in order to avoid accidentally violating this complex and unwieldy law. This would undoubtedly result in a curtailing of useful market-making activities such as commercial and municipal debt underwriting, holding inventory in order to make secondary markets, sweep accounts, commercial paper issuance, and foreign exchange services. A reduction of such activities would cause market liquidity to dry up, payments to be slower, companies to have greater difficulty managing cash flows, and counterparty risks to possibly increase dramatically.

**Reduced Ability of Businesses to Raise Capital for Long-Term Growth:** The Volcker Rule would effectively reduce the marketplace for corporate debt and equities. Investors are likely to divert investment dollars only to those large firms that they feel are less likely to represent a liquidity risk. The result would be a severe restriction of the debt markets for small and mid-size companies, resulting in reduced availability of both short and long-term funding mechanisms and forcing them to turn

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to other higher-cost sources of funding. In addition, the Volcker Rule would restrict investments in entities that finance growing firms and innovative solutions to societal problems.

**Higher Costs for Both Borrowers and Investors:** We are also concerned that, with the reduced market liquidity imposed by the Volcker Rule, typical transaction spreads would widen. Companies that issue debt would need to pay higher rates as a result in order to clear the market. Investors, on the other hand, would have higher costs when they sell their investments into a less liquid market. This will also result in slower executions and force businesses to address borrowing needs over a longer time horizon and hold more cash in reserves hampering growth opportunities.

**Undermining U.S. Competitiveness:** Because no other nation is imposing such a regulatory infrastructure on their markets, businesses accessing U.S. capital markets will be placed at a competitive disadvantage. This will hit all such businesses, but will be most problematic for narrow margin companies for whom increased costs could decimate their ability to compete with their foreign competitors.

**Treasury Carve-Out Validates Negative Impacts for Corporate Market:** The existence of the negative impacts we have enumerated is validated by the fact that the proposed rule exempts U.S. Treasury securities from the rule. Imposing the Volcker Rule's restrictions only on the markets that are used by the corporate community is no way to advance our national interests.

Because these consequences may negatively impact business growth and job creation we strongly urge you to thoroughly evaluate the impact of additional regulation on American businesses and the broader economy and not move forward with the implementation of the Volcker Rule in its current form. Accordingly, we believe that a roundtable and subsequent re-proposal of the Volcker Rule will help your agencies achieve that goal and we stand ready to assist you in that effort.

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Sincerely,

Abbott Laboratories  
American Insurance Corporation  
Anadarko Petroleum Corporation  
Arch Coal, Inc.  
Association for Financial Professionals  
Business Roundtable  
Caterpillar Inc.  
Chesapeake Energy Corporation  
Convergys  
Darden Restaurants, Inc.  
Devon Energy Corporation  
DuPont Co.  
Eaton Corporation  
Financial Executives International  
FMC  
GE  
Goodrich  
HCA  
Macy's Inc.  
Motorola Solutions  
National Association of Corporate Treasurers  
National Association of Manufacturers  
Nissan Motor Acceptance Corporation  
Qualcomm Incorporated  
Safeway Inc.  
The Boeing Company  
The Real Estate Roundtable  
The U.S. Chamber of Commerce  
UPS  
Yocum Oil Company, Inc.

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cc: The Honorable Timothy Geithner, Secretary of the Treasury  
The Honorable Tim Johnson, Chairman, Senate Committee on Banking  
Housing and Urban Affairs  
The Honorable Richard Shelby, Ranking Member, Senate Committee on  
Banking Housing and Urban Affairs  
The Honorable Spencer Bachus, Chairman, House Financial Services  
Committee  
The Honorable Barney Frank, Ranking Member, House Financial Services  
Committee