



COMISION NACIONAL  
BANCARIA Y DE VALORES



SHCP

Mr. John G. Walsh  
Acting Comptroller of the Currency  
Office of the Comptroller of the Currency

Mr. Daniel K. Tarullo  
Board of Governors of the Federal Reserve System

Mr. Martin J. Gruenberg  
Acting Chairman  
Federal Deposit Insurance Corporation

Ms. Mary L. Schapiro  
Chairman  
Securities and Exchange Commission

February 13, 2012

Re: Restrictions on Proprietary Trading and Certain Interests in, and Relationships with, Hedge Funds and Private Equity Funds

Dear Madam/Sirs:

In connection with the Notice of Proposed Rulemaking regarding the abovementioned, we would like to take this opportunity to put forward our comments regarding the implementation of the proposed rule, the so called "Volcker Rule".

As you may know, the CNBV (Comision Nacional Bancaria y de Valores) is the authority in Mexico in charge of the regulation and supervision of deposit-taking institutions, broker-dealers, mutual funds, and securities markets among others. In this vein, we would like this opportunity to express the fact that we share the regulatory concerns and support the aims that inspired the Volcker rule, that is ensuring that deposit-taking institutions do not engage in undue risks while carrying out proprietary trading, as well as when dealing with hedge funds. However, it is our perception that certain provisions within the rule may entail unintended consequences that could very well have a negative impact on U.S., Mexican and International financial markets, and on the ability of supervised financial institutions -regardless of their national origin- operating in the Mexican market to operate in a non-disruptive and prudent manner. Furthermore, we believe some of these unintended consequences can result in the situation in which transactions that add economic value will no longer be carried out. We take this opportunity to provide further details below,

1. Due to strong economic and financial inter-linkages in place, Mexican financial institutions' operation in US markets is commonplace, particularly in risk and liquidity management operations. Additionally, there is an important and growing cross-border presence of financial institutions in both directions, both through branches and subsidiaries, including Banamex, a very significant unit of Citigroup.

In this context, we understand that the rule's definitions, scope and restrictions on proprietary trading in non-US sovereign debt would be applicable to this subset of Mexican institutions, thus hampering their ability to manage their liquidity, generating financial distortions and disrupting the Mexican debt markets. We also believe that this distorted situation in the Mexican market would actually not contribute to the US markets' financial stability.



2. A similar situation would be observed regarding transactions for risk management purposes engaged by the aforementioned subset of Mexican financial institutions to which the rules would – it seems, inadvertently – apply. Restrictions on derivative transactions carried out on US systems and exchanges are an integral part of Mexican financial institutions’ risk management practices, and thus any restriction as a consequence of the enforcement of the Volcker rule would result in greater risk in our financial markets, and potentially in the Mexican real sector.

We would like to draw your attention particularly to the fact that the sole use of US trading platforms in a derivatives transaction, even between two non-US parties, in a derivatives transaction is enough to place said parties within the rule’s restrictions on proprietary trading, might seem unwarranted and may carry negative externalities in terms of market liquidity and overall systemic stability.

3. Regarding the proposal’s limited exceptions to institutions’ proprietary trading activities we would eagerly welcome a review to the decision limiting American banks’ ability to acquire government debt solely to US issuers, on the grounds of the global negative effects and potential unintended consequences it would have on foreign sovereign debt markets’ liquidity and overall demand.

4. Finally, we would also welcome further consideration about to the implications for non-US Banks of the exclusion from Federal Assistance facilities (Federal Reserve System and FDIC), when the said financial institutions act in the capacity of “swap entities” (dealers and participants).

While US banks and foreign FDIC-Insured institutions are excluded from the definition of “swap entity”, foreign banks not engaged in deposit taking operations in the US (and thus, not insured by FDIC) are to be banned from the facilities of the Federal Reserve System and FDIC. We find this treatment asymmetric and detrimental to the strengthening of either the US or global financial markets’ stability.



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We appreciate this opportunity to provide our comments and would be open to hold further detailed discussions on the matter if you deem it appropriate. Should you have any questions regarding this, please contact us at [cserrano@cnbv.gob.mx](mailto:cserrano@cnbv.gob.mx) +52 (55) 1474-7940.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'C. Serrano'.

Carlos Serrano  
Vice President for Regulatory Policy  
National Banking and Securities Commission  
Mexico

Cc: Ms. Lael Brainard, Under Secretary for International Affairs, Department of the Treasury