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United States Senate

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May 24, 2012

Hon. Ben Bernanke, Chairman
Federal Reserve Board
20th Street and Constitution Avenue NW
Washington, DC 20551

Hon. Thomas Curry
Comptroller of the Currency
Department of the Treasury
Washington, DC 20219

Hon. Gary Gensler, Chairman
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Hon. Martin Gruenberg, Acting Chairman
Federal Deposit Insurance Commission
550 17th Street, NW
Washington, DC 20429

Hon. Mary Shapiro, Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Messrs. Bernanke, Curry, Gensler, and Gruenberg, and Ms. Shapiro:

JPMorgan Chase recently announced losses expected to exceed $2 billion from risky trades in derivatives markets. This news provides a stark reminder of the need for strong regulation of proprietary trading – a concept commonly known as the "Volcker Rule" – to protect our taxpayers and our financial markets. I write to urge you once again to implement a Volcker Rule that clearly prevents this kind of trading at federally insured financial institutions. Such restrictions are essential protections for both taxpayers and investors in my state, including the New Hampshire Retirement System.

Through the Dodd-Frank Wall Street Reform and Consumer Protection Act, Congress clearly intended to wall off high-risk trading from the core banking activities at large, federally insured banks. This wall, if implemented properly, should help prevent taxpayers from being asked to bail out financial institutions that make high-risk trades. However, the trades that resulted in the recent losses at JPMorgan Chase would have been allowed under your proposed rule. It is clear that your proposed rule does not sufficiently prevent this kind of risk from entering our federally insured banking system.

As a cosponsor of the Merkley-Levin amendment to institute the Volcker Rule and an opponent of bailouts in 2009, I urge you to eliminate any loopholes in the Volcker Rule that would allow large financial institutions to take massive bets in the derivatives markets that put taxpayers and investors at risk. I am fully aware of the aggressive efforts undertaken by large banks, including JPMorgan Chase, to lobby for these kinds of loopholes. However, the recent losses at JPMorgan Chase show that large banks will take advantage of any regulatory gaps when possible.

These trades raise serious concerns for individuals who expect their savings and investments to be managed with care. The New Hampshire Retirement System's (NHRS) nearly 77,000 active or retired members expect security and stability from their retirement plans. As of June 2011, NHRS's fifth largest stock holding was in JPMorgan Chase, for a total of $35.3 million. Investors in large financial institutions deserve a strong Volcker Rule to ensure that the banking system will be stable.

I urge you to develop a clear, strong rule that protects investors from disastrous losses and shields taxpayers from risky financial activities. Americans everywhere are still feeling costs of the 2008 financial crisis. We should not forget the lessons of that crisis. We cannot afford to let high-risk trading continue to occur at federally insured institutions.

Sincerely,

Jeanne Shaheen

Jeanne Shaheen
United States Senator