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U.S. CHAMBER OF COMMERCE

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1615 H Street, NW  
Washington, DC 20062-2000  
www.uschamber.com

December 10, 2012

Ms. Jennifer J. Johnson  
Secretary  
Board of Governors of the  
Federal Reserve  
20<sup>th</sup> Street and Constitution Avenue  
Washington, DC 20551

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

Ms. Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

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

Mr. David A. Stawick  
Secretary  
Commodities and Futures Trading  
Commission  
Three Lafayette Center  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

**Re: Prohibitions and Restrictions on Proprietary Trading and Certain Interests in and Relationships With, Hedge Funds and Private Equity Funds. Docket ID OCC-2011-0014, RIN 1557-AD44; Docket No. R-1432, RIN 7100 AD 82; RIN 3064-AD85; Release No. 34, RIN 3235-AL07; File Number S7-41-11.**

Dear Ms. Johnson, Mr. Feldman, Ms. Murphy, Mr. Stanwick and To Whom It May Concern:

The U.S. Chamber of Commerce (“Chamber”) is the world’s largest business federation representing the interests of over three million companies of every size, sector and region. The Chamber is submitting this letter and attachment as a comment letter for **Prohibitions and Restrictions on Proprietary Trading and Certain Interests in and Relationships With, Hedge Funds and Private Equity Funds** (“the Volcker Rule”).

Attached is a letter that the Chamber has sent to the office of the United States Trade Representative (“USTR”) requesting a review of the Volcker Rule before it is finalized. The

Ms. Jennifer J. Johnson  
Mr. Robert E. Feldman  
Ms. Elizabeth M. Murphy  
Mr. David A. Stawick  
To Whom it May Concern  
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purpose of this USTR review is to determine if the Volcker Rule violates any World Trade Organization or free trade agreement obligations. It is important for regulators to understand the costs to the American economy and potential retaliatory actions the United States faces if other nations treat the Volcker Rule as a trade violation or choose to adopt similar restrictions on U.S. sovereign debt.

The Chamber has previously raised this issue in our Volcker Rule comment letters of February 13, 2012 and April 16, 2012. We also request that an assessment of the potential consequences if the Volcker Rule is considered as a trade violation, be included in an economic assessment of the Volcker Rule and that such an assessment be released for comment before the Volcker Rule has been finalized. As we have stated in previous comment letters of December 15, 2011, February 13, 2012, and April 16, 2012, there has been an inadequate cost-benefit analysis of the Volcker Rule and stakeholders have not been provided information in order to provide adequate commentary on the subject.

We reiterate our belief that a comprehensive economic assessment of the Volcker Rule is needed and should be released for public comment before the proposal is finalized. The need to conduct a review of the impact of the Volcker Rule upon existing trade obligations is indicative of a potential lack of understanding of the full economic implications of the proposal.

Thank you for your consideration of this matter and we are prepared to discuss this with you more fully at your convenience.

Sincerely,



David Hirschmann  
President and CEO,  
Center for Capital Markets Competitiveness  
U.S. Chamber of Commerce



Myron Brilliant  
Senior Vice President  
International Affairs  
U.S. Chamber of Commerce



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U.S. CHAMBER OF COMMERCE

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Washington, DC 20062-2000  
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December 10, 2012

The Honorable Ron Kirk  
Office of the U.S. Trade Representative  
600 17<sup>th</sup> Street NW  
Washington, DC 20508

Dear Mr. Ambassador:

The U.S. Chamber of Commerce (“Chamber”) is the world’s largest business federation representing the interests of more than three million companies of every size, sector, and region.

The Chamber respectfully requests that the Office of the U.S. Trade Representative (“USTR”) review the proposed rule, ***Prohibitions and Restrictions on Proprietary Trading and Certain Interests in and Relationships With, Hedge Funds and Private Equity Funds*** (“the Volcker Rule”) issued by the Board of Governors of the Federal Reserve (“Federal Reserve”), Federal Deposit Insurance Corporation (“FDIC”), Securities and Exchange Commission (“SEC”), Office of the Comptroller of the Currency (“OCC”) and the Commodities and Futures Trading Commission (“CFTC”) (also collectively “the regulators”) before it is finalized. The purpose of such a USTR review would be to determine if the Volcker Rule undermines U.S. trade policy and whether the Volcker Rule, as drafted, violates our World Trade Organization and free trade agreement commitments.

On January 21, 2010, President Barack Obama proposed a ban on proprietary trading by financial institutions and named it after former Federal Reserve Chairman Paul Volcker, its chief architect. The Obama Administration requested that other prominent nations follow suit, but they universally declined.<sup>1</sup> Prohibitions on proprietary trading and relationships with hedge funds and private equity funds were eventually made part of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) through the passage of an amendment by Senators Merkley and Levin.

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<sup>1</sup> See E.U. Ministers to Resist Obama’s Proposal for Banking Overhaul, *Bloomberg News*, Feb. 16, 2010.

International rejection of the Volcker Rule continued after the passage of the Dodd-Frank Act and in the two and a half years since the passage of the Dodd-Frank Act, no other nation has enacted legislation or regulations analogous to the Volcker Rule. Yet the regulatory efforts continue here at home and, if they reach fruition the U.S. financial services sector will not be able to engage in certain types of activities, adversely impacting capital formation activities by U.S. businesses and putting them at a competitive disadvantage in a global economy.<sup>2</sup>

In addition, many nations including Canada, Japan, the United Kingdom, and Singapore have objected to the Volcker Rule, citing adverse consequences to *their* ability to issue sovereign debt.<sup>3</sup> The Volcker Rule is discriminatory, as foreign sovereign debt is subject to the regulation, while U.S. Treasury debt instruments are exempt. This creates a discord in G20 and invites foreign governments to retaliate at a time when we need those same regulators in foreign countries to support initiatives to liberalize trade in financial services. Further, USTR should conduct a very close examination to ensure the Volcker Rule does not violate any of our trade obligations. Ultimately it may not, but the Volcker Rule's discriminatory provision certainly does, at a minimum, send the wrong message internationally and gravely complicates the long-standing U.S. goal of liberalizing trade in financial services in addition to creating a potential problem for U.S. sovereign debt if foreign governments decide to retaliate.

The Chamber believes it is important that USTR evaluate the Volcker Rule in the context of our trade commitments and be an active voice in the inter-agency process so that regulators understand the costs to the American economy and potential retaliatory actions the United States faces if other nations treat the Volcker Rule as a trade violation or choose to adopt similar restrictions on U.S. sovereign debt.

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<sup>2</sup> Representative Peter King has also introduced H.R. 6524, the "U.S. Financial Services Global Viability Act" which would stay the enforcement of the Volcker Rule pending a certification that other nations are also abiding by a similar regulatory framework.

<sup>3</sup> See Japan and Canada Warn on Volcker Rule Impact, *Financial Times*, January 11, 2012; Canada Regulator, Banks Take Aim at U.S. Volcker Rule, *Reuters*, January 6, 2012; U.K.'s Osborne Lodges 'Volcker Rule' Complaint, *The Wall Street Journal*, February 1, 2012;

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We believe that such a USTR review is an important step to prevent potential harm to the economy and America's standing in the worldwide economy. The findings of the USTR review can better inform regulators of the potential negative consequences of the Volcker Rule as they contemplate the drafting of a final rule.

Thank you for your consideration of this request, and we are prepared to discuss these issues further at your convenience.

Sincerely,



David Hirschmann  
President and CEO  
Center for Capital Markets Competitiveness  
U.S. Chamber of Commerce



Myron Brilliant  
Senior Vice President  
International Affairs  
U.S. Chamber of Commerce