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United States Senate
COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

October 1, 2018

The Honorable Steven T. Mnuchin
Secretary
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

The Honorable Jerome H. Powell
Chairman
Board of Governors of the Federal Reserve
System
20th Street and Constitution Avenue, NW
Washington, DC 20551

The Honorable Jay Clayton
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

The Honorable Joseph M. Otting
Comptroller
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, DC 20219

The Honorable Jelena McWilliams
Chairman
Federal Deposit Insurance Corporation
17th Street, NW
Washington, DC 20429

The Honorable Christopher Giancarlo
Chairman
Commodity Futures Trading Commission
1155 21st Street, NW
Washington, DC 20581

Dear Secretary Mnuchin, Comptroller Otting, Chairman Powell, Chairman McWilliams,
Chairman Clayton and Chairman Giancarlo:

We write to express our support for your interagency efforts¹ to revise the Volcker Rule.² Since its enactment as part of the Dodd-Frank Act in 2010, the agencies charged with implementing and enforcing the Volcker Rule as well as those banking entities that must comply with it have grappled with understanding and appropriately balancing the tensions inherent in the Volcker Rule. This includes questions around which entities and activities are covered, the impact to market liquidity, coordination of supervision and enforcement, and the collateral damage to smaller entities. Although the Economic Growth, Regulatory Relief, and Consumer Protection Act helped to address the impact of the Volcker Rule on smaller entities, many of these issues remain outstanding.

¹ Section 619 of the Dodd-Frank Act states that the Secretary of the Treasury, in his capacity as Chairperson of the Financial Stability Oversight Council, “shall be responsible for coordination of the regulations issued under this section [619].” We encourage and expect the Treasury Secretary to fulfill this important statutory responsibility.

² See OCC, Federal Reserve, FDIC, SEC and CFTC, *Proposed Revisions to Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships With, Hedge Funds and Private Equity Funds*, 83 Fed. Reg. 33432 (July 17, 2018).

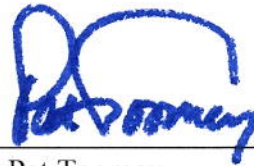
With the benefit of four years' experience with the Volcker Rule, it is altogether appropriate to revisit the decisions the agencies made in the final rule.³ The Notice of Proposed Rulemaking is a first step in that process. We urge you to reexamine all aspects of the Volcker Rule's implementation as you consider the comments you receive and the recommendations made by the Treasury Department in its 2017 report (the "Treasury Report").⁴ In particular, we note that you proposed few changes to the Volcker Rule's "covered funds" provisions. We encourage the agencies to use the discretion granted them by Congress in Section 619 to revise the definition of "covered fund" or include additional exclusions to address the current definition's overly-broad application to venture capital, other long-term investments and loan creation and recommendations from the Treasury Report. As a general matter, any activity permissible for a banking entity to do directly, especially those that provide stable capital and encourage economic growth, should be permissible through a fund structure as well. As Chairman Powell recently stated, these permissible activities do not threaten safety and soundness and themselves are subject to a comprehensive regulatory framework that imposes various requirements and limitations to address inherent risks.

We look forward to your prompt next steps to reevaluate and tailor the Volcker Rule further.

Sincerely,



Mike Crapo
Chairman



Pat Toomey
United States Senator



Tim Scott
United States Senator



Tom Cotton
United States Senator

³ Indeed, the agencies themselves committed to revisit certain aspects of the final rule at the time it was approved. See, e.g., OCC, Federal Reserve, FDIC, SEC and CFTC, *Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships With, Hedge Funds and Private Equity Funds*, 79 Fed. Reg. 5536 (Jan. 31, 2014), at 5765 (stating "[t]he Agencies will review the data collected and revise this collection requirement as appropriate...").

⁴ U.S. Department of the Treasury, *A Financial System That Creates Economic Opportunities: Banks and Credit Unions* (June 12, 2017).



M. Michael Rounds
United States Senator



David Perdue
United States Senator



Thom Tillis
United States Senator