EARL BLUMENAUER
THIRD DISTRICT, OREGON

COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HEALTH

COMMITTEE ON BUDGET

Congress of the United States
House of Representatives
Washington, DC 20515-3703

WASHINGTON OFFICE:
1502 LONGWORTH BUILDING
WASHINGTON, DC 20515
(202) 225-4811
FAX: (202) 225-8941

DISTRICT OFFICE:
729 N.E. OREGON STREET
SUITE 115
PORTLAND, OR 97232
(503) 231-2300
FAX: (503) 230-5413

website: blumenauer.house.gov

October 7, 2011

The Honorable Ben Bernanke
Chairman
Board of Governors for the Federal Reserve System
20th Street and Constitution Avenue, Northwest
Washington, D.C. 20551

Dear Chairman Bernanke:

We are extremely concerned about recent reports in the press alleging that initial proposals on section 619 of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (the Act), popularly known as the "Volcker Rule," are significantly weaker than intended by Congress. The Act clearly intends the Volcker Rule to prohibit proprietary trading by U.S. banking entities in order to limit risk, protect shareholders, and protect the global financial system. When President Obama first proposed the Volcker Rule he explicitly stated,

> "These kinds of trading operations can create enormous and costly risks, endangering the entire bank if things go wrong . . . . It's for these reasons that I'm proposing a simple and common-sense reform . . . . Banks will no longer be allowed to own, invest, or sponsor hedge funds, private equity funds, or proprietary trading operations for their own profit, unrelated to serving their customers."

Yet, according to press accounts, the draft proposal would provide for broad exceptions to the ban on proprietary trading. By ignoring the intent of Congress and the language of the Act, press reports indicate that the rule allows banks to continue engaging in excessive risk taking activities that once again raise the specter of global financial collapse. We hope that the final rule prohibiting proprietary trading is strong and clear, with narrowly defined exceptions, so that the spirit of the law is upheld.

The United States and countries around the world still suffer the consequences of unregulated and unrestrained risk taking by financial institutions. Nearly one in four homeowners is underwater in the U.S., while the housing market remains choked by more than 8 months of oversupply. Congress passed the Dodd-Frank Act, and specifically the Volcker Rule, to protect the global financial system. As Paul Volker testified, "Curbing the proprietary interests of commercial banks is in the interest of fair and open competition as well as protecting the provision of essential financial services."

As one of the regulators charged with implementing the Volcker Rule, we emphasize that your responsibility is to abide the terms of the statute and the intent of Congress by issuing an ironclad rule to prevent the proprietary trading operations that benefit banks while putting their customers and the entire financial system at risk. I look forward to hearing from your office regarding the implementation of the Volcker Rule. Please contact Ryan Kunkel on Congressman Blumenauer's staff at Ryan.Kunkel@mail.house.gov or (202) 225-4811 to provide an update on your progress.

Sincerely,

Earl Blumenauer

Maurice Hinchey

Peter Welch

John Conyers

Bob Filner

Cc: Acting Chairman of the Federal Deposit Insurance Corporation Board of Directors, Martin Gruenberg, Acting Comptroller of the Currency, John Walsh, Chairman of the Securities and Exchange Commission, Mary Schapiro, and Chairman of the U.S. Commodity Futures Trading Commission, Gary Gensler