

MEMORANDUM

TO: File
FROM: Division of Trading and Markets
RE: Meeting with representatives of Better Markets
DATE: June 4, 2012

On June 4, 2012, staff from the Division of Trading and Markets, Division of Investment Management, Division of Corporation Finance, Division of Risk, Strategy and Financial Innovation, and Office of Compliance Inspections and Examinations met with Dennis Kelleher (President and CEO) and Marc Jarsulic (Chief Economist) from Better Markets.

The purpose of the meeting was to discuss the proposed implementation of the Volcker Rule and Better Markets' comment letters on the proposal. Better Markets also provided an outline of discussion points prior to the meeting.

Attachment

Better Markets supports the efforts of federal regulators to constrain risk-taking by bank traders, as detailed in our comment letters of 2/13/12 and 4/16/12. However, we also emphasize that the implementing regulations must, among other things:

- break the link between proprietary trading and banker bonuses by limiting market making revenue and compensation to an observable bid-ask spread, or fees and commissions
- impose leverage limits on all permitted trading activity to reduce the possibility of destabilizing creditor runs during periods of market stress
- carefully restrict hedging activity, also permitted under the statute, to effectively prevent disguised risk taking
- create an effective enforcement mechanism to deter all forms of evasion