

## **MEMORANDUM**

TO: File  
FROM: Division of Trading and Markets  
RE: Meeting with representatives from Canadian Banks and the Canadian Bankers' Association  
DATE: February 6, 2012

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On February 6, 2012, staff from the Division of Trading and Markets, Division of Investment Management, Division of Corporation Finance, Division of Risk, Strategy, and Financial Innovation, Office of the General Counsel, Office of International Affairs, and Office of Compliance Inspections and Examinations met with the following individuals: Roger A. Blisset (Royal Bank of Canada); Bruce James Buckley (The Bank of Nova Scotia); Toni Dale Evans (The Toronto-Dominion Bank); Andrew Karp (Bank of Montreal); Richard Koo (National Bank of Canada); Shawn Paul Maher (Royal Bank of Canada); Marina Mandal (Canadian Bankers Association); David K. McGown (Canadian Imperial Bank of Commerce); Achilles M. Perry (Canadian Imperial Bank of Commerce); James E. Reilly (The Toronto-Dominion Bank); Douglas Landy (Allen & Overy LLP); Barbara Stettner (Allen & Overy LLP); and John Williams (Allen & Overy LLP).

The purpose of the meeting was to discuss the proposed implementation of the Volcker Rule. A list of the topics discussed is attached.

Attachment

## Discussion Points on Implementing Section 619 of the Dodd-Frank Act (Volcker Rule)

Monday, February 6, 2012

*Meeting with: Canadian Bankers' Association, Bank of Montreal, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada, The Toronto-Dominion Bank*

- Background on Canadian Banks and Canadian capital markets.
- Canada and U.S. share a unique history of regulatory cooperation including legislative, regulatory and diplomatic attempts to increase economic integration and reduce dual or duplicative regulation. We hope to work with the Agencies to build upon that.
- Primary concern is the difficulty of limiting the extraterritorial effects of the Volcker Rule by permitting international banks to engage in proprietary trading (the **SOTUS Trading Exceptions**), and to sponsor and invest in covered funds (the **SOTUS Funds Exceptions**), pursuant to Section \_\_.9 and Section \_\_.13 where such activity takes place solely outside of the United States (collectively, the **SOTUS Exceptions**).
- In light of deep and diverse economic connections and geographic proximity, SOTUS Exceptions, as drafted in the Proposed Rule, will leave most aspects of Canadian capital markets subject to the Proposed Rule.
- Canadian capital markets, which may be less liquid in some cases, particularly after a withdrawal of U.S. institutional activity due to the application of the Proposed Rule, may be harmed by a reduction in proprietary trading activity by the Canadian Banks. This may have an effect on the safety and soundness of U.S. banks.
- The application of other exemptions, such as the market-making exception, the risk-reducing hedging exception and the *bona fide* liquidity management exemption, may not apply to Canadian markets in the same manner as they do to U.S. markets and will require special attention from resource-constrained U.S. regulators.
- Similarly, the large population of Canadians temporarily resident in the U.S. makes the SOTUS Funds Exception unworkable. Existing sponsorship activities of Canadian funds, both public and non-public, should be permitted to proceed pursuant to existing Canadian regulations and relevant U.S. no action relief, such as the "Snowbird" no action letters for Canadian funds. Canadian mutual funds which are regulated in a manner similar to U.S. mutual funds should be exempted to the same extent.
- Without the ability to rely on sufficiently robust SOTUS Exceptions, the Proposed Rule will force Canadian Banks to drastically adjust their business model and to comply with a multitude of specific reporting and compliance obligations to U.S. regulators in respect of Canadian capital market activities that overlap and may conflict with existing obligations to Canadian regulators.