

ES14078C

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Membre de la Commission européenne

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Dear Chairwoman, *Chère Mary.*

I take note of the recent consultation documents published by US banking and securities regulators concerning the so-called Volcker rule as set out in the Dodd-Frank Act. We welcome the possibility to provide the following observations.

The draft regulation is the result of extensive and impressive work. Here in Europe, a similar debate is taking place around the possible usefulness and design of structural measures imposed on banks with a view to reduce their risk profile and ensure an enhanced protection of depositors and taxpayers. In this context, the work carried out in the United States is extremely helpful.

That said, the proposed regulation raises, however, a number of concerns and would appear to have implications that are disproportionate in light of the objective that the rule is trying to achieve.

First of all, the draft rules as presented have an extensive, global scope. This would seem to lead to a number of unintended, non justifiable consequences for non-US banks, markets and institutions. Whilst fully appreciating the wish to avoid any loopholes or circumvention of the rules, I would invite you to reconsider this approach and limit the scope of the rule only to the territory of the United States. Moreover, the current exemption for non-US banks as well as for activities outside of the US would appear very restrictive. As a consequence, it would appear that the rule would be applied well beyond the US activities of non-US banks, without any justification being provided. I also observe that the rule could have significant ramifications for financial markets outside the US, in particular if some of its elements lead to uncertainty for financial intermediaries. This not only relates to proprietary trading outside the United States, but also to market making. Given the absence of a clear delimitation between what constitutes banned proprietary trading and allowed market making, there is a real risk that banks impacted by the rule would also significantly reduce their market making activities, reducing liquidity in many markets both within and outside the United States.

Mrs Mary Shapiro
Chairwoman
Securities and Exchange Commission

We would also like to signal a very strong concern about one particular exemption to the proprietary trading ban, notably as regards trading in US Government securities. It is not clear to us why this exemption should be limited to trade in US government bonds. All government bonds have similar features and functionalities. The absence of an exemption for non-US bonds would have a negative impact on the liquidity of non-US sovereign markets. This impact would be even more significant if the rule were to apply to foreign banks beyond their territorial presence in the United States. Against this background, we request that EU Government securities be given the same treatment as US Government securities.

Finally, we would like to stress that the principles of proportionality and non-discrimination should be respected throughout the regulation. It appears questionable to consider subjecting non-US banks with a minimal presence in the US to burdensome reporting and compliance requirements that would require them to actively demonstrate that they do not fall within the scope of the rule, or that the transactions they are involved in meet the requirements of the rule.

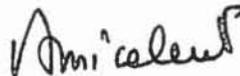
As you know, I fully share your commitment to financial reform, as agreed in the G20 context at the global level. However, I would insist that such reforms should be undertaken in a spirit of mutual trust and cooperation so that regulatory overlaps and direct implications for other jurisdictions are avoided.

We do of course stand ready to discuss this in further detail with you, on an ad hoc basis as well as within the framework of our regular financial regulatory dialogue and the work of the Financial Stability Board.

I look forward to seeing you in Washington D.C later this month.

I have sent a corresponding letter to Secretary Geithner and Chairmen Bernanke, Gensler, Gruenberg and Walsh.

Yours sincerely,



Michel BARNIER