Meeting between Governor Tarullo and Representatives of Americans for Financial Reform December 19, 2011

Participants: Governor Daniel K. Tarullo and Mark Van der Weide (Federal Reserve Board)

David Arkush, Damon Silvers and Marcus Stanley (Americans for Financial Reform)

Summary: Staff of the Federal Reserve Board met with representatives of Americans for Financial Reform ("AFR") to discuss the restrictions on proprietary trading and hedge fund and private equity fund activities under section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (also known as the "Volcker Rule").

AFR encouraged the Board to make more use of the high-risk asset/strategy, threat to safety and soundness, and material conflicts of interest provisions of the Volcker Rule. AFR also urged the Board generally to make more use of activity restrictions like the Volcker Rule to ensure the safety and soundness of regulated financial firms and to not rely excessively on regulatory capital requirements.

AFR criticized the liquidity management exception in the proposed rule and encouraged the Board to interpret the hedging exception in the statute more narrowly. AFR stated their belief that that the financial system would be safer if banks were restricted in the extent to which they could engage in exotic trading activity.

AFR also encouraged the Board to use presumptive bright-line quantitative triggers to help enforce the Volcker Rule's prohibition on proprietary trading.