Meeting between Federal Reserve Board
and Greg Smith
September 17, 2013

Participants: Sean Campbell, Anna Harrington, and Christopher Paridon (Federal Reserve Board)

Greg Smith (former Goldman Sachs employee)

Summary: Staff of the Federal Reserve Board met with Greg Smith at the request of staff of Senator Merkley 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"). Mr. Smith indicated that implementing section 619 raised a number of complex and difficult issues, especially regarding how to differentiate permitted market-making and hedging activity from prohibited proprietary trading. Mr. Smith also expressed a number of views regarding the proposal to implement section 619, including suggesting that: all principal positions should be prohibited and only agency trading on behalf of customers be permitted; trading be considered permitted market-making related activity only if the trade was initiated by a customer of the banking entity and documented as such, including a requirement to tag each trade; portfolio hedging only be permitted if the hedging instrument was limited to one or more liquid or exchange-traded products; banking entities be required to sell or otherwise eliminate all positions within a short-period of time, such as two weeks, in order to prevent proprietary positions from accumulating; and banking entities be required to disclose in detail all profits from customers in order to eliminate material conflicts of interest.