

**STATEMENT OF REP. BARNEY FRANK
ON VOLCKER RULE IMPLEMENTATION**

March 22, 2012

As our financial regulators implement the Wall Street Reform and Consumer Protection Act, I have urged them to move as quickly as possible to eliminate uncertainty, but have stressed that it is crucial for them to get the regulations right, and therefore have been willing to accept slippage in some regulatory deadlines in the interest of having complete and coherent rules.

Implementation of the Volcker Rule, however, presents a special issue. In the law, we directed that the restrictions become effective at the earlier of (1) a year from the issuance of final rules or (2) two years from enactment, which is July 21 of this year. The agencies' proposed rule is quite complicated, and some regulators have indicated that a final rule might not emerge until after July 21. This would create an untenable situation in which the section would be "in effect," but the regulated would not have clear rules under which to operate or an understanding of what kind of enforcement might ensue.

I therefore call on the regulators to:

- Issue formal guidance well in advance of the July 21 effective date that clearly specifies: what, if any, compliance will be required between the statutory effective date and the date when a rule is issued; specifies what enforcement, if any, can be expected during that period; and provides the strongest possible reassurance from the legal counsels of the regulators that transactions or contracts, that are subject to the rule, and entered into between the July 21, 2012 effective date and the point at which the rule is issued will be given appropriate legal protection pursuant to the guidance that is issued.
- Complete work on a simplified version of the rules and issue them by Labor Day of this year. The agencies tried to accommodate a variety of views on implementation but the results reflected in the proposed rule are far too complex, and the final rules should be simplified significantly.
- Make it clear that the two-year compliance period called for in the statute will be an opportunity for both the regulators and the regulated to learn from actual experience and make appropriate adjustments in the enforcement regime. Clearly the Volcker rule should state basic principles and apply appropriate flexibility, but rather than trying to anticipate what adjustments are required in advance, that should be decided during the two-year period.