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Opening Statement on the Volcker Rule Proposal  
by Vice Chairman for Supervision Randal K. Quarles

I want to begin by noting that the proposal we are considering today is the result of an intense period of hard work by our staff and the staffs of the four other agencies responsible for implementing and enforcing the Volcker rule, and I'd like to thank them all for a quite exceptionally high level of professionalism and dedication in this project.

It is easy in a meeting like this, where we are of course appropriately focused on the concepts and principles embodied in the proposal at hand, to take for granted the combined skill, vast and varied experience, and long days of negotiation among five agencies that lie behind turning those ideas into detailed regulatory text on the short timeline that I encouraged us to adopt. I would like these dedicated people to know that, to the contrary, I have not taken any of that for granted--not for one minute--nor should the public. We have high standards at the Fed, but this was unusually good work.

Turning now to concepts and principles, the objective behind this proposal is straightforward: simplifying and tailoring the Volcker rule in light of our experience with the rule in practice. This is a goal that is shared among all five agencies and among policymakers at those agencies with many different backgrounds. Since the agencies finalized the Volcker rule regulation more than four years ago, each agency has collected and reflected on many lessons learned, resulting in the proposal before us today. Far from being the result of the a priori assumptions of a few recently appointed individuals, it is the fruit of long and shared experience.

Finally, before turning things over to our staff to explain the key features of this proposal, I want to highlight two thoughts. First, just last week, the Economic Growth, Regulatory Reform, and Consumer Protection Act became law. The Act contained measures to further focus the Volcker rule and reduce its compliance burden, and we expect to implement those statutory changes in a separate rulemaking process. Among other things, the Act exempts banks with less than \$10 billion in assets and small trading books from the Volcker rule. As a result, the proposal before us today, and the regulation more broadly, quite appropriately no longer applies to those firms.

The proposed rule, however, would recognize that small asset size is not the only indicator of reduced proprietary trading risk. The proposal would group firms that remain subject to the Volcker rule based on the risk arising from their trading activity. Specifically, the proposal includes three tiers of firms based on trading activity levels, with the resulting compliance requirements tailored based on level of trading activity. So firms with “limited trading activity”--defined as less than \$1 billion of trading assets and liabilities--would be presumed to comply with the Volcker rule. This proposal is a good example of the general principle that we should tailor our regulations and supervision to the size and risk profile of individual firms.

Second, this proposal represents our best *first* effort at simplifying and tailoring the Volcker rule. This is a complex regulation, and achieving those goals while maintaining fidelity to the statute is not an easy undertaking. To add to the difficulty of that task, we set out to propose these changes in relatively short order. By Volcker rule standards, the product you see has been formulated and delivered on a remarkably short timeline in the belief that deadlines are good for the soul. All of that is to say, I view this proposal as an important milestone in

comprehensive Volcker rule reform, but not the completion of our work. The proposal seeks comment on a variety of fronts, ranging from narrow to broad, and I encourage views from all sides to weigh in on how the proposal can be improved while maintaining the safety and soundness of firms and complying with statutory requirements. We will genuinely listen to those comments and take them into account as we formulate a final rule.

With that, I will turn to our General Counsel, Mark Van Der Weide.