THE FINANCIAL SERVICES ROUNDTABLE

Financing America's Economy

To: Fast Facts List

Fast Facts: ECONOMIC IMPACT OF THE VOLCKER RULE

Context: The Volcker rule – as currently proposed – would prohibit U.S. banks from speculative proprietary trading (trading for their own accounts), among other activities. It applies not only to U.S. banks but to *any foreign bank with U.S. operations or any foreign branch of a U.S. bank.* Comments on the proposed rule were due on February 13, 2012.[1]

Estimates of the economic impact of the Volcker rule include:

- **Cost American businesses up to $315 billion**
- **Increase borrowing costs by up to $43 billion per year**
- **Require 6,600,000 hours for implementation**
- **Dramatically reduce liquidity**
- **Lower investment returns for mutual fund, pension plans, etc.**
- **Increase the cost of credit for consumers**
- **Put U.S. banking institutions at a competitive disadvantage**

FACT: Implementation of the Volcker rule will dramatically reduce liquidity, costing American businesses up to $315 billion in initial costs and increasing borrowing costs by up to $43 billion per year, according to a 2012 Oliver Wyman report.

FACT: Regulators' own estimates indicate banks will have to spend nearly 6.6 million hours to implement the Volcker rule, of which more than 1.8 million hours would be required every year in perpetuity. That translates into 3,292 years, or more than 3,000 bank employees whose sole job will be complying with this rule.

FACT: No other country has taken up or implemented any form of the Volcker Rule.

FACT: "Because other member countries of the Basel Committee have not embraced the Volcker rule, its implementation in the United States may lower U.S. bank profits domestically," according to the Congressional Research Service.

FACT: **"**The macroeconomic implications <of Volcker> could be considerable….The ability of affected banks to extend credit (in all its forms) would be reduced and regulatory arbitrage would inevitably result in a reconfiguration of financial intermediation," according to the Institute of International Finance.

[1] The Commodity Futures Trading Commission's comment period runs through April 16, 2012.

THE FINANCIAL SERVICES ROUNDTABLE

Financing America's Economy

FACT: The Volcker Rule will harm global liquidity and international cooperation, according to letters received by the Treasury Department from officials from Canada, Japan, the United Kingdom and the European Banking Federation as reported by Bloomberg.

FACT: The reduction of liquidity will not only impact banks. A 2011 Oliver Wyman study highlights how Volcker Rule will negatively impact the economy and everyday consumers, in the following ways:

- Higher funding and debt costs for U.S. companies
- Lower returns over time for investors, such as pension and mutual funds
- Reduced ability of households to build wealth through the securities markets
- Reduced ability for companies to manage risk
- Reduced access to credit for small or growing businesses
- Higher trading costs

For more information, please contact Abby McCloskey, Director of Research at the Financial Services Roundtable, at abbyresearch@fsround.org, or Scott Talbott, Senior Vice President of Government Affairs, at scott@fsround.org.

Financial Services HOTLINE: If you have questions about this topic or any other issue facing financial services, please reach out to Abby directly at 202-589-2531.

Learn more about the Financial Services Industry at www.OurFinancialFuture.com. OurFinancialFuture.com is continuously updated to bring you the most useful information about the industry in real-time.