

ICI VIEWPOINTS

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Volcker Rule Implementation Threatens Global Investment Funds and Their Shareholders

By Dan Waters

The proposed implementation of the so-called Volcker Rule has serious implications for global investment funds and their shareholders. Like our U.S.-based ICI colleagues, [ICI Global](#) has today voiced concerns about this rule in a statement to the U.S. House subcommittees [examining](#) how the rule will impact markets and investors.

Part of [the comprehensive regulatory overhaul of the U.S. financial system](#) enacted in 2010, the Volcker Rule seeks to limit perceived risks associated with activities of banks and their affiliates related to proprietary trading and investments in—and sponsorship of—hedge funds.

I invite you to read [ICI Global's statement](#), which explains our concerns on the implementation of this rule. In brief, we view the proposed implementation as drafted so broadly that it treats essentially all non-U.S. funds as hedge funds, subject to strict restrictions. This flawed approach sweeps in even non-U.S. funds that are similar to tightly regulated U.S. mutual funds. Although there are exemptions to the Volcker Rule's restrictions for activities outside the United States, the proposal implements those exemptions in a manner that is exceedingly complex and difficult to use.

Thus, the proposal unnecessarily disrupts and harms the activities of non-U.S. retail funds, including those affiliated with U.S. financial institutions, as well as non-U.S. financial markets in which U.S. investors may participate. If non-U.S. retail funds are not accorded the same treatment as U.S. mutual funds, U.S. financial institutions that offer global fund products will be substantially disadvantaged when competing globally in the non-U.S. retail fund business. This is a genuinely inappropriate result. These funds are not hedge funds and do not present the risks intended to be addressed by the Volcker Rule.

Next month, ICI Global will reiterate these views to regulators in a comment letter on the proposal.

Dan Waters is the managing director of ICI Global.