

## Proposed Rules under Dodd-Frank (in particular the Volcker Rule) Draw Criticism

### —An Update and a Reminder

In early December last year, EMTA circulated a short summary regarding the pending regulatory threats to the EM debt markets posed by the US Dodd-Frank Act and the Basel III recommendations, which tend to impose greater capital requirements on and otherwise limit the profitability of trading activities. At the time, the deadline for submitting comments on the proposed rules under Dodd-Frank was January 13, 2012. This deadline was later extended to February 13, 2012. For some time, banks and other market participants have been expressing concerns about the effect that these new regulatory developments are already having on the liquidity of the trading markets. For more background on the specific nature of the Dodd-Frank regulatory proposals, and on the financial industry's efforts to shape them, please see the SIFMA Volcker Rule Resource Center (<http://www.sifma.org/issues/regulatory-reform/volcker-rule/overview/>).

In recent weeks, a number of foreign governments and their bank regulatory bodies (most notably the UK, Japan, Canada and the EU) have expressed their concerns about the effects that the proposed regulations relating to the so-called Volcker Rule (which generally prohibits proprietary trading by banks effective mid-year 2012, subject to some narrow exceptions for certain trading activities such as market-making) are likely to have on the market for their sovereign debt. At the same time, several academic studies have shown the adverse effects that the new rules are likely to have on the trading markets (see, eg, the Wyman Study (<http://www.emta.org/newdev.aspx>) and the Duffie Study (<http://www.sifma.org/issues/item.aspx?id=858993702>)). These concerns and studies demonstrate in no uncertain terms the need for the proposed rules to be reconsidered.

Market participants are reminded of the upcoming deadline of February 13 for expressing comments to the regulatory authorities, and are encouraged to make their voices heard. There is no substitute for making your views known.