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# Volcker Rule wrangling shouldn't affect smaller Valley banks

By Katherine Schneider

In Washington, D.C., lawmakers are hotly debating the Volcker Rule aspect of the Dodd–Frank Wall Street Reform and Consumer Protection Act.

The New York Times recently reported that nearly 100 lawmakers have lobbied the Federal Reserve and other authorities either for or against the adoption of the rule.

"The wrangling has been on display at public hearings and in letters posted on regulatory Web sites. Still, some lawmakers have applied pressure behind the scenes," the New York Times reported.

What makes this rule so controversial is its intended purpose.

Named after American economist and former U. S. Federal Reserve Chairman Paul Volcker, the rule seeks to further regulate how banks can invest with consumer money has "drawn an outcry from Republicans who want to mute its effect and some Democrats who want to strengthen it," according to the New York Times.

"The Volcker Rule is designed for the larger banks, those involved in proprietary trading and trading for their own benefit, not to benefit their clients and customers," explained Bob Kafafian, head of the Kafafian Group based in Parsippany, N.J.

In some ways the Volcker Rule also seeks to lessen the burden proprietary trading laid at the feet of the Federal Deposit Insurance Corporation (more commonly known as the FDIC), the investment group CEO and shareholder explained.

The FDIC maintains its primary duties are to preserve and promote "public confidence in the U.S. financial system by insuring depositors for at least $250,000 per insured bank; by identifying, monitoring and addressing risks to the deposit insurance funds; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails."

For those placing their money in the hands of most local banks, the Volcker Rule really doesn't apply.

"The impact is on much larger banks like your Citibanks. Sure there are some banks that are smaller that will be impacted," said Dave Lobach, president and CEO of Embassy Bank.

"It hasn't been high on our radar screen. The whole Dodd Frank, there are so many different components and pieces of legislation. Quite frankly, to keep up with this, it's a nightmare."

"The key is …the majority of those financial institutions (community banks) don't get involved in those kinds of activities so people shouldn't worry about the bank putting their money at risk," noted Kafafian, whose company serves banks throughout Pennsylvania.

Earlier this year, Lehigh Valley Business reported these banks are doing well and continuing to thrive despite the great fall of their larger cousins.

Embassy Bank, for example, reported $600 million in deposits and has seven local branches after having been founded in 2001.

Unfortunately, due to the unsuccessful risks some banks have taken in recent history, many of the costs for other types of regulations will eventually be passed onto customers.

At Fleetwood Bank, where deposits are up to $225 million, CEO and President Richard Meares said some regulations can be good, but the economic picture in general is beyond his experience in banking.

“What we're seeing right now is unprecedented, hopefully something part of the cycle and things will go the other way for the economy, I hope,” he said.

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