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Finally, Volcker's intent is hacked and leaked

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What was former Federal Reserve Chairman Paul Volcker thinking when he called for the harshest rule in the industry ever? Insights can be found from his book that repeatedly emphasized the concept of inventory control. This may explain why security inventory plan (SIP) and reasonable expected near-term demand (RENTD) are significant components of the rule. However there is no clear guideline as to consider what is "reasonable" and how to discern traders' intents for permissible versus prohibited activities.

Did Mr. Volcker get obsessed with the movie – Minority Report and think that banks have precognitive power to predict the future? The backstop provision is essentially a catch-all clause, and the rule states that you are "guilty until proven otherwise". So, regulators can prosecute banks if anything "may become" a potential threat to the institution and/or the US financial stability.

All these requirements sounded overwhelmingly unbearable. Jamie Dimon once said, "We are going to have to have a lawyer, compliance officer, doctor to see what their testosterone levels are, and a shrink, what is your intent?". Before the full conformance date beginning on July 21, 2015[*], the rule already observed with effects of banks shutdown of certain businesses and eliminated jobs of many innocent bankers. In fact, one shouldn't question Mr. Volcker genuine intent to make the industry safer.

The industry is like children obsessed with their computers, the increase in high frequency trading and use of alternate strategies have prompted regulatory concerns. So rule makers are like overprotective parents being obsessed with their children. In fact, banning proprietary trading entirely will diminish banks' role in the economy to transform money, maturities and risks. Hence regulators are willing to grant limited exceptions to the rule after long negotiation with the industry.

The four main categories of exemptions are: underwriting, market making, risk-mitigating hedging, and liquidity management. Yet rule makers worry that rogue traders may game the system by synthetically creating trades that would otherwise be prohibited. So, the inner-desires of rule makers may still prefer banks not to engage in any trading activities and wish it will minimize chance for another financial crisis and/or market manipulation. As a result we've seen a vague or loosely defined backstop provision that allows regulators to step in anytime if needed.

The reality is: no risks are fully mitigated, no end to the regulatory demand of more controls. It's a race to stop the prohibited before the violators stop you. Therefore we, at Data Boiler Technologies, have invented VR Machine – the industry 1st ever Volcker rule compliance system, a patent pending utility to ***"spam filter the prohibited"***. It makes checking every trade for Volcker rule compliance as easy as your email spam box, while machine learning enables iterative controls behind the scene to catch the crooked with speed. We'll help you determine the reasonable expected near-term demand (RENTD) and qualify for the appropriate exemptions. More details can be found at www.databoiler.com/volcker.htm

In conclusion, we want to thanks Mr. Volcker for posting such a tall order that pushed our innovations. The industry can rejoice because we finally cracked down the algorithms. Next step is to institutionalize it, so the industry can join force for the best Volcker rule response and collectively win the race over violators.