May 24, 2011, 9:50 a.m. EDT

Fed's Hoenig calls for new limits on bank activity

WASHINGTON (MarketWatch) - The Volcker Rule should be strengthened in its reach in order to bar U.S. banks from all forms of trading activity, said Thomas Hoenig, the president of the Kansas City Fed on Tuesday. Banks should not be allowed to act as dealers and market markets in over-the-counter derivatives and repo markets, provide brokerage services for investors and hedge funds, or conduct proprietary trading for own account or other funds, Hoenig said in a speech at a conference at Drexel University in Philadelphia. Such trading activity "extend the safety net and yet do not have much in common with core banking services," Hoenig said. Hoenig dismissed claims his limits would drive U.S banks and jobs overseas. "We have 200 years of banking success in this country that tends to refute that assertion," he said, adding "U.S. authorities should consider carefully whether it is wise to insure and therefore protect creditors of foreign organizations that operate in this country outside of the U.S.'s prudential standards."