

February 12, 2012

NEA[®]



Jennifer J. Johnson
Secretary
Bd. of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219

Via Internet: www.regulations.gov

Re: Restrictions on Proprietary Trading and Certain Interests in, and Relationships with, Hedge Funds and Private Equity Funds

Dear Ladies and Gentlemen:

Thank you for the opportunity to submit comments in response to your Agencies' joint notice of proposed rulemaking on the "Volcker Rule," which was passed as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act. In this letter, we focus on Question 310, which concerns the appropriate treatment of venture capital funds under the rule.

Although portions of the Volcker Rule address legitimate problems, it is critical that the regulators implement it consistently with its language and its purpose. Specifically, we urge you either to conclude that "private equity funds" do not include venture capital funds, or to conclude that banks may sponsor and invest in venture capital funds as a "permitted activity" under the Act.

If the regulatory bodies were to apply the provisions restricting investments in private equity funds so broadly as to include venture capital funds, they could severely damage one of the most vibrant sectors of our economy. Venture capital funds create jobs, foster innovation, and help our nation compete with the rest of the world. They do this by making long-term investments in growing businesses, without the use of substantial leverage. They do not engage in short-term "trading." They do not pose systemic risk to our financial system and do not hinder the safety and soundness of our banking institutions – quite the opposite. Venture investing promotes bank safety and soundness and overall financial stability by helping create strong, growing companies (and borrowers), a strong economy based upon innovation rather than trading, and sustained job creation; by aggregating capital and allocating it to promising long term investments in innovative new technologies; and by promoting counter-cyclical investment strategies that help mitigate periods of financial and economic instability.

We urge you to recognize these fundamental distinctions and preserve the ability of bank affiliates to provide capital to high growth technology companies by investing in and sponsoring venture funds.

For more than 30 years, New Enterprise Associates, Inc. has been helping to build great companies. Our committed capital has grown to \$11 billion and we've funded more than 650 companies in the Information Technology, Energy Technology and Healthcare sectors. We have seen how, with the right backing, an entrepreneur can take an idea and turn it into a company, creating thousands of jobs and helping build the future of America.

We also have seen innovation and venture investing become increasingly global over the last decade. While the United States historically has led this sector, today the flow of early stage capital in the United States has been shrinking. There are real opportunities in countries like China, India, Israel, and Brazil, and those governments are actively working to attract capital and people to create companies within their borders.

It would be perverse if, in the face of this competition for the future of the innovation ecosystem, the United States actually tied its hands behind its back by eliminating the approximately seven percent of all venture capital provided by banks (according to the research firm Preqin).

Startup companies need adequate "smart" capital, and our country needs those companies – to build our economy, discover new ways to treat diseases and illnesses in an aging population, create new ways of sharing and using information, and develop new, clean energy solutions. Venture capital funds are not private equity funds, and they should not be regulated as such.

Thank you for your consideration.

A handwritten signature in dark ink, appearing to read "Louis S. Citron". The signature is fluid and cursive, with a prominent initial "L".

Louis S. Citron, Chief Legal Officer