

# FRAZIER

HEALTHCARE

GROWTH **EQUITY** | VENTURE CAPITAL

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February 20, 2012

Jennifer J. Johnson  
Secretary  
Bd. of Governors of the Federal Reserve System  
20<sup>th</sup> 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 17<sup>th</sup> 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](http://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.

In fact, we believe quite the opposite is true. 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.

Founded in 1991, Frazier Healthcare provides growth equity and venture capital to high growth and emerging health care service, biopharmaceutical and medical device companies. Since inception, we have backed over 120 companies that offer essential services or are developing innovative new drugs or medical devices that improve lives. We have seen on numerous occasions 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 tragic in deed 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.

Very truly yours,  
Frazier Healthcare Ventures

  
Thomas S. Hodge  
Chief Operating Officer