

February 3, 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 implementation of the "Volcker Rule," which was passed as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). Our comments focus on Question 310, which concerns the appropriate treatment of venture capital funds.

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.” Far from posing systemic risk to our financial system, they promote its long term stability by contributing to fundamental economic growth, true job creation, and the formation and growth of strong, stable companies and sectors and by helping to act as a counter-cyclical balance to short term swings elsewhere in the economy.

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

Our firm works extensively in the technology and innovation industries. 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. For example, at Canaan Partners we were the first investors in startups like DoubleClick, Acme Packet and Success Factors, each of which now employ thousands of employees and have hundreds of millions in revenue.

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, to discover new ways to treat diseases and illnesses in an aging population, to create new ways of sharing and using information, and to 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.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Deepak', followed by a long horizontal line extending to the right.

Deepak Kamra  
General Partner