CHARLES RIVER
VENTURES

February 9, 2012

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.

By way of background, these comments are submitted on behalf of Charles River Ventures ("CRV"), one of the nation's oldest traditional venture capital firms, entering its fifth decade of operations. We invest in early-stage technology companies. Among the portfolio companies that we have funded at a very early stage are Cascade Communications, CIENA, Chipcom, EqualLogic, Flarion Technologies, Netezza, Parametric Technology, Sonus Networks, SpeechWorks International, Stratus Computer, Sybase and Vignette. Our goal is to build companies that will enjoy long-term, sustainable growth. Over our four decades in business, the companies we have invested in have added over a hundred thousand jobs to the American economy. We are currently investing out of our 14th fund, which has approximately $320 million in capital commitments. Since inception, across all of our core funds, we have raised an aggregate of approximately two billion dollars, and invested in nearly 400 companies. We pride ourselves on playing an important leadership role in our investments, and have Board seats at most of our portfolio companies. We also pride ourselves on the Limited Partners ("LPs") we have attracted, who include world-class non-profit organizations, leading universities, public and private pension plans, insurance companies and bank affiliates. Our LPs are institutions and endowments that are large enough to seek to diversify by investing a portion of their assets in the high risk/high reward asset class of early-stage venture. The majority of our LPs have been investing with us over multiple funds.

We salute and support the efforts of the Volcker Rule to address legitimate problems; however, 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.

One Broadway, 15th Floor, Cambridge, MA 02142
t 781.768.6000 f 781.768.6100 www.crv.com

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, quite the opposite is true. Venture investing promotes bank safety and soundness and overall financial stability by helping to 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.

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. Venture capital funds are not private equity funds, and they should not be regulated as such.

Thank you for your consideration.

Sincerely,

Sarah Reed

Sarah Reed
General Counsel
On Behalf of Charles River Ventures, LLC