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February 17, 2012

John G. Walsh
Acting Comptroller, Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219
RIN: 1557-AD44

Ms. Jennifer J. Johnson
Secretary, Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
RIN: 7100-AD 82

Mr. Robert E. Feldman
Executive Secretary, Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
RIN: 3064-AD85

Ms. Elizabeth M. Murphy
Secretary, Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549
RIN: 3235-AL07

David A. Stawick
Secretary of the Commission, Commodity Futures Trading Commission
Three Lafayette Center, 1155 21st Street, NW
Washington, DC 20581
RIN: 3038-AC

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

Dear Ladies and Gentlemen:

I am pleased that the Administration has initiated the rulemaking process to implement the "Volcker Rule" as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act. I strongly supported this rule, which was created to prevent the reckless and irresponsible risk-taking that contributed to the financial crisis. It limits trading in risky investments by banks and their affiliates, including certain investments in hedge funds and private equity funds.

Unfortunately, contrary to the intent of Congress, the proposed rule leaves open the possibility that banks would be prohibited from investing in venture capital funds. The Volcker Rule was not intended to prevent responsible, long-term investments, especially in industries critical to our nation's future.

Venture capital investment is crucial to our technological progress and economic growth. In California and other states, venture capital investment helps companies develop new products and make advances in biotechnology, clean energy, high-level computing, and other important industries. Venture capital investment is typically limited in scale, not highly leveraged, and based around long-term commitments. Therefore, it does not pose the type of systemic risk the Volcker Rule is intended to prevent.

Additionally, the legislative intent to distinguish between venture capital and more systemically risky investments is clear. On July 15, 2010, I explained on the floor of the Senate that the intent of the Volcker Rule was not to restrict investment in venture capital. Former Senator Dodd, then-Chairman of the Senate Banking Committee, confirmed that the Volcker Rule was not intended to apply to venture capital. He stated: "properly conducted venture capital investment will not cause the harms at which the Volcker Rule is directed. In the event that properly conducted venture capital investment is excessively restricted by the provisions of section 619, I would expect the appropriate Federal regulators to exempt it using their authority under section 619(J)."

These statements clearly indicate that the legislative intent was to exempt venture capital investment from the Volcker Rule. Therefore, as you prepare the final regulation, I strongly urge you to clarify that investment in venture capital funds is permitted under the Volcker Rule.

Sincerely,

Barbara Boxer
United States Senator