ADVANCED TECHNOLOGY VENTURES

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February 8, 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.

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, 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. In response to this rule, we have recently received numerous requests from our limited partners that are bank affiliates to transfer their fund interests to non-regulated third parties, often at a discount to the current fair market value of these interests. As we contemplate raising our next fund, we are concerned that many of our current limited partners that are bank affiliates may not be able to continue to invest in our funds. This is particularly troubling because investments in this asset class are already constrained by decreased allocations from pension funds and endowments.

Founded in 1979, Advanced Technology Ventures is a bi-coastal venture capital firm with more than $1.5 billion in capital under management. ATV works closely with entrepreneurial teams in several technology markets, including infrastructure, software and services, consumer technology, biopharmaceuticals, medical devices and clean-tech, to build emerging-growth business ventures into market leaders. With more than 30 years of experience, ATV has a proven track record of success in helping to build strong, sustainable business enterprises. Our current portfolio includes Aquion Energy, which is producing a revolutionary battery based on novel ambient-temperature sodium-ion technology, Oasys, Inc., which is developing a suite of proprietary water treatment products to address the growing, global water crisis, Verastem, Inc., a biopharmaceutical company focused on discovering and developing novel drugs that selectively target cancer stem cells, and Cedexis, Inc., which leverages real time web performance data in order to provide a global load balancing solution designed to re-route web traffic for some of the largest web sites around the world. 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, we were one of the lead venture investors in Acme Packet, which during the period from January 2010 through September 2011 increased the number of employees and full time independent contractors by 65% from 450 to 741.

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,

Michael A. Carusi
Managing Director, Advanced Technology Ventures