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Submitted electronically

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Attention: Comments
Federal Deposit Insurance Corporation
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Re: Restrictions on Proprietary Trading and Certain Interests in and Relationships with Hedge Funds and Private Equity Funds

Ladies and Gentlemen:

I appreciate the opportunity to provide comments in response to your joint notice of proposed rulemaking on the "Volcker Rule," which was adopted in §619 of the Dodd-Frank Act (the "Act"). I write on my own behalf, as someone who has spent nearly 30 years building or running high technology companies and who now runs a global venture capital firm.

My background and experiences give me great concern about some aspects of the Volcker Rule. Although this reform is well intentioned and addresses some legitimate problems, some of its provisions, if not implemented well, could damage the most vibrant and innovative sectors of our economy. **Specifically, unlike hedge funds and private equity/buyout funds, venture capital funds do not pose systemic risk, do not lend themselves to risky and speculative leverage, and create high quality jobs.** It is critical that your Agencies keep these fundamental distinctions in mind.

I provided comments to the Financial Stability Oversight Council to assist it in developing its Report and Recommendations. I was encouraged by its conclusions regarding venture capital funds, and had hoped your Agencies would propose rules that appropriately addressed this important issue. While I am heartened that you have requested comments on how to treat venture capital, I am concerned that – unless you act – the Volcker Rule will end up unnecessarily restricting the amount of capital available to technology innovators.

My comments here echo my comments to the Council. I hope that you clarify in your final rules the distinction between private equity and venture capital funds, and allow banking entities to continue sponsoring and investing in venture capital funds without subjecting them to the Volcker Rule's rigid restrictions.

Before discussing my specific views in greater detail, I would like to say a few words about my background and the perspective I bring. Over the last thirty years, I have worked extensively in the technology and innovation industries. I have seen how an idea can grow to create thousands of jobs and help build the future of America. I have worked for technology companies ranging from young startups to Fortune 500s. I was the Chief Executive Officer of 3Com Corporation and chairman of its board of directors. I also served as chairman of the board of directors and the Chief Executive Officer of Palm, Inc. Both companies grew to several billions of dollars in annual revenues and created several tens of thousands of jobs. I remain the chairman of the Board of Cypress Semiconductor and am a member of the board of directors of RealNetworks, Inc and SVB Financial Group. In addition I am on the board of the privately held companies, Finjan, ConteXtream, SwiftTest, Dasient and Purewave. I also serve on the boards of the Stanford University School of Engineering and the Ben Gurion University of the Desert. I am now working as Chairman and CEO of Benhamou Global Ventures, a venture capital firm that I founded seven years ago.

Over three decades of living and working in the technology and innovation ecosphere, I have learned that the availability of venture capital is essential to economic growth and innovation. In the industry sectors I know best – sectors such as hardware, software, biotechnology, medical devices and clean technology – venture capital firms make long-term investments that provide the capital required for companies to grow. Venture partners work with management teams, helping guide them to solve technological challenges and bring new products and services to market. Venture capital is a critical part of the innovation ecosystem that allows America to lead the world.

Yet today, the flow of venture capital in the United States is lower than it has been in past years. Banks provide significant support for and investment in venture activities. Silicon Valley and the national economy will pay a price if banks are prohibited from investing in venture funds.

Such a step would be particularly counter-productive in today's increasingly global world – a world in which countries are competing for the capital and talent needed to drive their economies forward. In Israel, for example, the government is actively creating policies to attract investors and entrepreneurs. Countries like India, China, and Brazil are also taking steps to build an innovation ecosystem and to dominate emerging industries, such as clean technology.

I can think of no reason that would justify artificially restricting the vital flow of capital into U.S. venture funds, looking at either the language or the intent of the Volcker Rule. Common sense shows that venture capital activity simply does not present the type of systemic or safety and soundness risks that motivated Congress to enact the Volcker rule. Moreover, Congress did not use the term "venture capital" in the Volcker Rule. Instead, Congress spoke of proprietary trading, hedge funds and private equity funds, and directed the regulators to define these terms in an appropriate way. I urge you to recognize the venture capital is different from and not encompassed by those definitions.

Even if you conclude that the Volcker Rule's restrictions apply to banks' involvement with venture capital activities, I urge you to permit these activities under Section 619(d)(1)(J). Venture capital plays a unique and essential role in spurring innovation, creating jobs and growing the companies that are the future of the American economy. The smooth flowing of venture capital is essential to promoting and protecting the financial stability of the United States – by helping our system allocate capital effectively, facilitate economic performance, fund long-term investments, and provide a counter-cyclical balance to other economic swings.

Finally, I urge you to carefully consider both the costs and the benefits of any regulation you adopt. I am not aware of any case where a banking entity (or the financial system) has been undermined by venture capital investments, and everything I know about venture investing reinforces my view that these investments' fundamental attributes do not create such risks. Candidly, I am at a loss to understand what problem the Agencies would be solving – and what benefit they would be achieving – were they to impose the Volcker Rule upon venture capital investments.

What is clear to me is that regulation would impose real costs. More than thirty years in the business convince me that the smooth flow of venture capital is essential to the future of Silicon Valley and the country. I believe this so strongly that my own company, Benhamou Global Ventures, is dedicated to providing that capital and support so that the next generation of high technology companies can grow. Even more importantly, I serve on the board of SVB Financial Group, a financial holding company that manages, sponsors and invests in venture funds. That bank, and others like it, provides vital support to technology companies and the innovation sector through their work lending to and investing in high growth startups.

I urge you to use this opportunity to develop sound, forward looking policies that respect the language and purpose of the Volcker Rule, recognize that venture investing presents none of the risks the Volcker Rule seeks to mitigate, and protect – rather than harm – this critical piece of the innovation economy.

Thank you for considering my views. Please contact with questions or if I may provide any more information.

Sincerely,

Eric Benhamou