

Congress of the United States
House of Representatives
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February 9, 2012

The Honorable Ben S. Bernanke, Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

The Honorable Mary L. Schapiro, Chair
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

The Honorable John G. Walsh, Acting Comptroller
Office of the Comptroller of the Currency
250 E Street, S.W. Mail Stop 2-3
Washington, D.C. 20219

Mr. Martin J. Gruenberg, Acting Chairman
Federal Deposit Insurance Corporation Board of Directors
550 17th Street, N.W.
Washington, D.C. 20429

Dear Chairmen Bernanke, Schapiro, Gruenberg, and Acting Comptroller Walsh:

I applaud your efforts to implement the Dodd-Frank Act, which I strongly support, to ensure consumers are protected from financial wrongdoing. As you implement the law, I am writing to express my continued support of the Volcker Rule, but want to raise a concern with the Notice of Proposed Rulemaking issued by your agencies that did not take a position on venture capital funds, which are important to the economic growth and job creation in the United States.

The Volcker Rule was included in the Dodd-Frank Act in order to stop banks from engaging in activities that were highly risky. I strongly support that goal. At the same time, we should ensure the Rule does not unintentionally stifle other types of sound activities, specifically venture capital investing. It is widely known that venture capital investments are not risky to our economy as a whole but are important to our nation's economic health, specifically to America's small businesses. Moreover, former Chairman Dodd explicitly addressed this very topic, stating on the record that the statute should not apply to properly conducted venture capital investing. Other Members have reiterated this point in the Congressional record and before the Financial Stability Oversight Council.

Venture capital funds are mainly investments that help American start-ups invest in R&D, hire new workers and innovate. Venture investment equals only about 0.1-0.2 percent of U.S. GDP; yet in 2010, venture-backed companies employed 11.9 million people and generated \$3.1 trillion in revenues. As you know, venture capital investments are not the same type of investments made by

private equity firms or hedge funds that seek profits through betting on the stock market or hedging on pension funds. Private equity and hedge fund investments are risky, and I support your Rule closely examining them. However, venture capital funds are not risky to American families, and their retirement or wealth. Therefore, we must not create unnecessary barriers that prevent the exact type of investments America needs to help small companies grow into household names.

Again, it is my hope that your agencies will reach a conclusion on this question of importance to our nation's economy. Venture capital investments are responsible for millions of jobs in this country; and have been an engine for American innovation. Venture capital funds play a particularly important role for America's start-ups who rely heavily on these venture capital funds to ultimately generate about 11 percent of U.S. private sector jobs and about 20 percent of U.S. GDP. I urge you to conclude in your final rules that venture capital funds are not covered by the Volcker rule or that they are a permitted activity under Section (d)(1)(J).

Thank you for considering these views on this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Doris O. Matsui". The signature is fluid and cursive, with the first name "Doris" being the most prominent.

DORIS O. MATSUI
Member of Congress