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**NVCA Recommends Changes to Volcker Rule to Support VC Investment into Emerging Ecosystems**

**WASHINGTON, DC** – In its submission to the Office of the Comptroller of the Currency (OCC), the National Venture Capital Association (NVCA) today recommended key changes to the Volcker Rule that would support investment into high-growth companies in emerging ecosystems across the U.S. NVCA outlined all the ways in which the scope for the covered funds provision of the Volcker Rule is too broad and the impact the prohibition has had on the economy while demonstrating that it was never Congress’s intent to include venture capital funds in the prohibition and changes are required to correct this regulatory overreach.

“[T]he Volcker Rule prohibition of financial institution investment into venture capital funds has a disproportionate impact on cities and regions with emerging entrepreneurial ecosystems – areas outside of Silicon Valley and other traditional technology centers. The more challenging reality of venture fundraising in these areas of the country tends to require investment from a more diverse set of limited partners,” wrote Bobby Franklin, President and CEO of NVCA, in the submission. “To put this in perspective, removing the three most significant states for venture capital activity (CA, NY, MA), the median size venture capital fund in the U.S. is roughly $15 million. This size fund is often too small for the institutional investors that provide capital to much of the alternative assets industries.”

“Prior to the Volcker Rule, banks were an important source of investment for a number of small and regional venture capital funds,” added Franklin. “By limiting the pool of possible limited partner investors into venture capital funds, the Volcker Rule has reduced the amount of capital available to American entrepreneurs. Perhaps most critical among these are entrepreneurs in emerging ecosystems, many of which are in economically distressed areas of the country.”

To address the matter, NVCA proposes that the OCC, in conjunction with the Securities and Exchange Commission (SEC), approve an exemption for venture capital funds from the definition of “covered fund,” which governs a prohibition on a banking institution’s ability to contribute capital to private funds. Specifically, NVCA recommends adopting the definition of a venture capital fund included in rule 203(1)-1 under the Investment Advisers Act, which was crafted by the SEC at the direction of Congress who sought to exempt venture capital funds from the Registered Investment Advisor (RIA) requirements contained in Dodd-Frank. Because the current definition ignores critical elements of the venture ecosystem that should be included in a Volcker Rule exemption, NVCA also recommends several modifications to the definition itself to ensure the proposal fully realizes economic growth and opportunity in regional ecosystems.

[View the Submission](https://nvca.org/?ddownload=37909)

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Venture capitalists are committed to funding America’s most innovative entrepreneurs, working closely with them to transform breakthrough ideas into emerging growth companies that drive U.S. job creation and economic growth. As the voice of the U.S. venture capital community, the National Venture Capital Association (NVCA) empowers its members and the entrepreneurs they fund by advocating for policies that encourage innovation and reward long-term investment. As the venture community’s preeminent trade association, the NVCA serves as the definitive resource for venture capital data and unites its member firms through a full range of professional services. For more information about the NVCA, please visit [www.nvca.org](http://www.nvca.org/).