



National Venture Capital Association

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**VENTURE CAPITAL INDUSTRY DOES NOT POSE SYSTEMIC RISK TO  
FINANCIAL STABILITY**

*National Venture Capital Association Statement in Response to  
Financial Regulation Reform Proposal*

**Washington, D.C., June 17, 2009** – The following statement from National Venture Capital Association (NVCA) is in response to today’s proposal by the White House for financial regulatory reform:

“The National Venture Capital Association understands the need for these important reforms for investment managers that could pose significant systemic risk to the stability of our financial system. However, we strongly assert that the venture capital industry does not pose such risks and therefore should not be swept into regulation intended for other investment vehicles.

The venture capital industry operates in the private market, building companies. It does not utilize leverage on a significant scale nor does it trade stocks or derivatives in the financial markets. Investors in venture capital do not rely on their invested funds for short term liquidity. Lastly, the size of the entire venture capital industry is relatively inconsequential when compared to other asset classes being considered for regulation.

For these reasons, we believe that the entrepreneurial risk associated with the venture capital industry is not relevant to the systemic risks which the Administration is hoping to mitigate with this reform. In fact, maintaining an environment that supports entrepreneurial risk is critical to economic growth for the nation as a whole. Although critical details such as the threshold level for registration are still emerging, sweeping venture capital into this proposed plan, could place an undue burden on smaller venture firms which should be directing their resources towards identifying and building new companies and growing jobs. The [current regulatory disclosure requirements](#) are sufficient and have worked effectively for decades. We look forward to working with Members of Congress and the Administration on preserving an appropriate environment for venture activity as this process moves forward.”

This statement should be attributed to Jennifer Connell Dowling, Vice President of Federal Policy for NVCA.

For a more detailed explanation of why the venture capital industry does not create systemic risk in the financial system, please view [our position paper](#) on the issue.

The National Venture Capital Association (NVCA) represents approximately 460 venture capital firms in the United States. NVCA's mission is to foster greater understanding of the importance of venture capital to the U.S. economy and support entrepreneurial activity and innovation. According to a 2009 Global Insight study, venture-backed companies accounted for 12.1 million

jobs and \$2.9 trillion in revenue in the United States in 2008. The NVCA represents the public policy interests of the venture capital community, strives to maintain high professional standards, provides reliable industry data, sponsors professional development, and facilitates interaction among its members. For more information about the NVCA, please visit [www.nvca.org](http://www.nvca.org).