Before the

House Financial Services Committee
Subcommittee on Capital Markets and Government Sponsored Enterprises
Subcommittee on Financial Institutions and Consumer Credit

Joint Hearing

"Examining the Impact of the Volcker Rule on Markets, Businesses, Investors and Job Creation"

January 18, 2012

STATEMENT OF SVB FINANCIAL GROUP

Chairpersons, Ranking Members, and Members of the Subcommittees:

Thank you for holding this hearing and for allowing us to submit this statement for the record. We commend you for using this opportunity to highlight a set of issues we feel cut across partisan lines and reflect the shared goals of the Committee, its Subcommittees, and the Administration – specifically, ensuring that the regulatory agencies implementing Dodd-Frank strike a sound balance between solving the problems that caused the devastating financial crisis, on the one hand, and avoiding new regulations that will impede job creation and economic recovery, on the other.

The specific focus of this hearing – commonly referred to as the "Volcker Rule" – is a complex undertaking that potentially touches upon a wide range of activities, as evidenced by the length of the Agencies' joint proposed rulemaking. SVB Financial Group ("SVB") does not engage in the activities at which the Rule was aimed, including proprietary trading and sponsoring and investing hedge funds and private equity funds. We do, however, work daily with start-up companies across the United States and with the venture capital funds that finance high growth start-ups and the innovative technologies they are working to develop.

Due to our focus on the innovation sector, we are passionate about the issue of whether the Volcker Rule will be applied in a way that will impede the flow of capital to start-up companies that are creating jobs and fueling our economy's growth. We feel that it should not.

As the premier provider of financial services for high-growth companies in the technology, life science, and clean technology sectors, SVB is uniquely positioned to see how changes in laws and regulations may affect the vibrant but increasingly challenged U.S. innovation ecosystem. We remain extremely optimistic about the number of American entrepreneurs and the power of their ideas. However, we are deeply concerned that policy decisions could have negative, unintended consequences for America's continued leadership in innovation-based economic growth.[1]

---

[1] *See, e.g.,* The European-American Business Council and The Information Technology and Innovation Foundation, *"The Atlantic Century II: Benchmarking EU and U.S. Innovation and Competitiveness"* (July 2011). This report studied sixteen key indicators of innovation competitiveness across forty countries and four regions. It found that the United States ranks fourth in innovation competitiveness – not first, as many would assume – and ranks *second to last* in terms of progress over the last decade. In terms of venture capital investment specifically, the study found the United States ranked 11th (on a per capita basis), and 23rd out of 25 in terms of progress over the past decade, with per capita venture investing falling 67.5% during that

SVB filed extensive comments with the Financial Stability Oversight Council in November 2010, and we plan to file comments in response to the Agencies' joint notice of proposed rulemaking. We will not repeat in this statement all of the data demonstrating the critical role venture capital plays in helping drive U.S. economic growth, creating jobs, and aggregating capital to make the kinds of long-term investments that promote a strong, stable financial system. Similarly, we will not discuss at length of the attributes that make venture capital investments well suited to regulation under existing "safety and soundness" approaches. Rather, we will touch on a few highlights and attempt to dispel a few common misconceptions, in an effort to help the Subcommittees understand why this issue is so important to our country.

Why It Matters

Venture capital investments fund the high-growth start-up companies that develop new technologies, create jobs, promote economic growth, and help the United States compete in the global marketplace. Although venture as a sector is very small (venture investments constitute only one to two percent of U.S. GDP annually), it yields outsized returns. Companies funded by venture capital are responsible for 11 percent of all U.S. private sector employment and 21 percent of U.S. GDP.[2] Even during the financial downturn, venture-funded companies have outperformed the broader economy in terms of creating jobs and growing revenues.[3]

In addition, venture-funded companies create entire new industries.[4] Nine out of ten people employed in the software industry work for a company with venture capital roots; more than seven out of ten people employed in the semiconductor/electronics and biotechnology industries industries work for a company with venture capital roots; and more than half of the people employed in the computer industry work for a company with venture capital roots.[5] Venture-backed companies include a long list of household names — from Apple, Google, Facebook, Amazon, Cisco, Oracle, Home Depot and Staples to Starbucks, eBay, Whole Foods Market, Genentech, Amgen, Intel, Microsoft, JetBlue, Zipcar, Costco and Zynga — that have transformed the way Americans live and work.[6]

The innovations created by venture-backed companies help drive economic growth and global competitiveness not only within the companies themselves, but across the economy more broadly. They enhance productivity, create a "virtuous cycle" of employment growth, and serve as an innovation

---

period. The authors conclude that "America's … major challenge is not timidity, but torpidity. Far too many in America believe that the United States has been number one for so long that it will continue to be number one regardless of whether it acts decisively." *Id.* at page 2.

2 *See* IHS Global Insight/National Venture Capital Ass'n, *"Venture Impact: The Economic Importance of Venture Capital-Backed Companies to the U.S. Economy"* (2011) at pages 2, 3.

3 *"Venture Impact"* at page 2.

4 *See, e.g., "Venture Impact"* at pages 6-7 (highlighting venture-created industries in the health care sector (including in the areas of biotechnology, medical devices, diagnostics, and healthcare services/IT), the information technology sector (including in the areas of computer hardware, computer software, semiconductors/electronics, the Internet, and communications), and the clean technology sector (including in the areas of natural gas, alternative energy, pollution control, rare earth mineral mining, energy efficiency, and energy storage).

5 *"Venture Impact"* at page 9.

6 *See "Venture Impact"* at page 10.

pipeline that helps larger, more mature firms continue growing. Our country will need the kinds of innovative solutions these companies are creating to provide affordable health care to an aging population, supply sustainable, cost-effective energy to U.S. homes and businesses, address cyber- and national security challenges, and maintain an acceptable balance of trade.[7]

Some acknowledge the importance of venture capital, but argue that banks can be excluded from investing in this sector without materially affect the flow of capital to start-ups or the overall health of the U.S. innovation sector. This ignores several important facts. One, venture fundraising is at historically low levels, and the relative share of venture capital being invested in the United States is declining and is expected to continue to decline. Two, broader trends – such as the movement away from defined benefit pension plans – will likely constrict the total capital available to long term investment funds, including venture capital funds, over time. Three, banking entities supply at least 7% of the total capital invested in venture capital funds and represent the sixth largest investor class in the sector.[8] There is no reason to believe other investors will replace the capital banks have historically provided. At a rough order of magnitude, preventing banks from investing in venture thus could depress U.S. GDP by roughly 1.5 percent and eliminate nearly one million U.S. jobs over the long term.[9] In fact, since banks often sponsor funds that also include third party capital, limiting banking entities' ability to sponsor venture funds could reduce the amount of capital flowing to start-up companies by an even greater amount.

In addition, now is a particularly bad time to restrict the flow of capital to start-ups. While the pace of innovation is robust, there is no question that funding for companies in capital intensive sectors that are crucial to America's future and to its continued global leadership – such as biotechnology and energy – is scarce.[10]

---

7 For example, in the health care field, virtually the entire biotechnology industry and most of the significant breakthroughs in the medical devices industry would not exist without the support of the venture capital industry. In total, more than one in three Americans has been positively affected by an innovation developed and launched by a venture-backed life sciences company during the past 20 years. National Venture Capital Ass'n, "*Patient Capital: How Venture Capital Investment Drives Revolutionary Medical Innovation"* (2007) at pages 3, 4, and 10.

8 *See* Preqin Ltd., *"The Venture Capital Industry: A Preqin Special Report"* (Oct. 2010) at page 9. These figures almost surely underestimate the impact of banking entities (as defined in the Volcker Rule) exiting this industry, since these figures are taken from a study that distinguishes banks from other investors, such as insurers and asset managers, that also may be subject to the Volcker Rule.

9 These approximations are based on the data cited above regarding venture's contributions to U.S. GDP and private sector employment (21 percent of U.S. GDP and 11.9 million venture-backed jobs, respectively), multiplied by the percent of venture capital provided by banking entities (7 percent).

10 *See* Silicon Valley Bank, *"Startup Outlook 2011"* (2011) at page 16 (58% of life science start-ups and 68% of cleantech start-ups cited access to equity financing as a significant challenge facing their business), *available at* www.svb.com; *"Venture Capital Investments Decline in Dollars and Deal Volume in Q3 2011: Life Sciences and Clean Tech Investing Falls as Software Surges to a 10-Year High"* (Oct. 19, 2011) (reporting marked decreases in both dollars invested and number of deals in life sciences and clean technology sectors in the third quarter of 2011, and describing more fundamental shifts away from new investments in these sectors), *available at* www.nvca.org. Capital scarcity, combined with other challenges – including the regulatory/political environment – is affecting these companies optimism about their future growth. *Startup Outlook 2011* at pages 11-12 (life sciences and cleantech start-ups were substantially more likely than their peers in the software and hardware sectors to say that business conditions were worse than a year earlier,

We continue to believe strongly in the future of U.S. innovation. We also believe that the United States has a number of fundamental strengths that fuel its innovation-based economy.[11] As a general rule, we also believe that individual investors – not the government – should decide how much capital to invest in start-ups. That said, we believe that policymakers should take extreme care before imposing new restrictions that artificially restrict the flow of capital into venture capital funds and, through these funds, into America's fastest growing companies.

Why We Are Concerned

In their notice, the Agencies ask whether the Volcker Rule should apply to venture capital investments. We commend them for including this question. However, we remain concerned because the proposed rules, if adopted without change, would apply Volcker's restrictions to venture and restrict the flow of capital to start-up companies. We hope this hearing will help focus attention on the need for leadership on this question and highlight the high costs – and at best limited benefits – of defaulting into a rule that artificially and unnecessarily stifles banking entities' ability to invest in venture capital funds.

As a threshold matter, we would like to make clear that we are not arguing that banking entities' investments in venture funds should not be regulated. We fully understand the obligation a banking entity takes on when it becomes an insured deposit-taking institution. We believe, however, that the Agencies can continue to regulate venture capital investments effectively under existing "safety and soundness" principles and do not need to subject them to Volcker's more rigid framework.

Venture funds are fundamentally different from private equity and hedge funds in a number of ways that make them well suited to "safety and soundness" regulation.

First, they move at a pace that is consistent with the pace of bank supervision. Investments are made, and returns are realized, over a period of years – not seconds or minutes. Venture funds invest almost exclusively in privately held companies; consequently, investment values are not affected by movements in the public markets and the funds do not experience the kind of volatile, rapid movements that hedge funds and private equity funds can experience. Valuations change relatively infrequently – such as when a company raises additional equity from third parties.

Second, venture funds do not rely on leverage. As a result, the scale of a venture investment portfolio and the risk of potential losses can be clearly understood and assessed.

Third, the venture sector is not interconnected across financial institutions or the broader financial system. Venture funds use cash to fund equity investments, do not rely on complex financial instruments, and make investments using straightforward structures – not complicated derivatives. As a result, losses within an institution – were they to occur – would not cascade across institutions or the broader economy. In addition, since investors generally may not redeem investments during the fund's life, and neither investors nor fund managers receive returns until individual companies in the venture fund's portfolio are sold or go public, venture investments do not serve as a source of liquidity for third parties.

---

had a less optimistic view of the coming year, and reported they were less likely to hire new employees in the coming year).

[11] *See "Startup Outlook 2011"* at pages 3, 22-23.

The size of the venture sector adds yet another layer of protection. Over the past decade, venture funds have typically raised and invested on the order of $15-30 billion annually; in 2011, they raised $18.17 billion.[12] As an asset class, as of 2010 venture funds had total capital under management of just $176 billion,[13] while hedge funds managed roughly $1.5 trillion.[14] If the entire venture capital sector – all 1,183 funds – were a single bank, it would only be the 17th largest bank in the United States based on asset size.

To put venture's scale in context, in the year and a half leading up to the financial crisis, Lehman Brothers reportedly lost more than $32 billion from proprietary trading and principal transactions – more than the entire venture sector, nationwide, invested that year. Said another way, in order for the venture sector *as a whole* to lose the amount a *single* large institution lost through proprietary trading and related activities, thousands of individual businesses, in different industries and at different stages of their life cycle, located across the United States, would have to simultaneously and suddenly fail.

Finally, venture funds are structured to minimize the risk of capital losses. They are considered risky based on investors' view of their ability to deliver returns that justify their long term and illiquid nature, not because they pose a material risk of failing to return invested capital. Over the past 28 years, venture as a class has returned more than the amount of invested capital for fund vintages covering every year but two, and those two vintages returned 92 cents on the dollar. Top performing funds have *never* failed to return capital, even following the dot-com bust, and even the worst performing (bottom quartile) funds have consistently returned much or all of invested capital. And as noted above, venture funds do not use leverage, so even in the relatively infrequent case where capital is lost, losses are not amplified and do not cascade through the financial system.

To understand the risk of venture investing from a safety and soundness perspective, it is helpful to compare venture investing with lending. If a bank raised a moderately sized venture fund (say, $150 million) every one or two years, and contributed 10% of the capital in the fund (more than three times the Volcker Rule's limit), it would be making a $15 million investment every year or two. The returns on this investment would turn on the performance of on the order of five to ten companies for a direct investment fund, and on the order of 50 to 100 companies for a fund-of-funds, and would be realized over a period of a decade or more. Banks routinely make loans in the $15 million range. These loans, in contrast, mature over a much shorter period and turn on the performance of a single borrower. Thus, while venture investments are admittedly equity investments, they have a scale, tempo and diversified risk profile that very substantially mitigates the inherent risk of equity investments.

For all of these reasons, we believe that venture investing can be effectively regulated through existing safety and soundness oversight, and that the significant costs of Volcker's more rigid approach cannot be justified.[15]

---

12 *"Venture Capital Firms Raised $5.6 Billion in Fourth Quarter, as Industry Continued to Consolidate in 2011,"* (January 9, 2012), *available at* www.nvca.org.

13 National Venture Capital Ass'n, *"Yearbook 2011"* (2011) at page 9, *available at* www.nvca.org.

14 Todd Groome, *Regulation: Tackling Systemic Risk*, AIMA Journal (Q1 2010) at 16.

15 In addition to constricting the flow of capital to start-ups, applying Volcker to venture could also be counterproductive by forcing banking entities that sponsor venture funds to limit their investments in the funds, focusing instead on fee income to drive returns. This would destroy the alignment between fund managers and investors that is so important to ensuring venture's strength. *See, e.g., Yearbook 2011* at page

A Way Forward

As the Financial Stability Oversight Council recognized, the question of whether the Volcker Rule should apply to venture funds and investments is a "significant" issue. We believe – and the FSOC appeared to confirm – that the statute gives the Agencies the discretion they need to reach the outcome that is right for our economy and our financial system.

First, the Agencies can refine the definition of "covered funds" so that it reaches the two types of funds specifically named in the statute without sweeping in a host of other investment vehicles. Had Congress intended to reach all private funds, it easily could have referred generally to "funds" or "private funds" – just as it did in other sections of the Dodd-Frank Act.[16] It did not. Rather, it referred consistently to hedge funds and private equity funds, and gave the regulators discretion to adjust the definition to expand its scope (if they conclude that is necessary to prevent banking entities from evading Volcker's intended reach) *and* to narrow its scope (to avoid applying Volcker to funds that are neither "hedge funds" nor "private equity funds"), by including the phrase "or such similar fund" in the definition.[17] Chairman Dodd and other members, from both bodies and both sides of the aisle, are on the record clarifying any ambiguity that may exist.[18]

In addition, the Agencies may permit banking entities to sponsor and invest in venture capital funds as a "permitted activity" under Section (d)(1)(J). Under this provision, the Agencies may permit banking entities to engage in an activity otherwise prohibited by the Volcker Rule if they determine, by rule, that the activity "would promote the safety and soundness of the banking entity and the financial stability of the United States." Chairman Dodd specifically noted that properly conducted venture capital investing

---

8 (describing the unique alignment that exists within venture, because this asset class is not driven by quick returns or transaction fees).

[16] *Compare* Title IV of the Act (in which Congress intended to reach a broader array of funds and therefore used the broader term "private fund.") to Section 619 of the Act (in which Congress used the much more specific terms "hedge fund" and "private equity fund").

[17] *See* Section 619(h)(2) ("The terms 'hedge fund' and 'private equity fund' mean an issuer that would be an investment company, as defined in the Investment Company Act of 1940 but for section 3(c)(1) or 3(c)(7) of that Act, or such similar funds as the appropriate Federal banking agencies, the Securities and Exchange Commission, and the Commodity Futures Trading Commission may, by rule, as provided in subsection (b)(2), determine.") (emphasis added) (internal citations omitted).

[18] *See*, *e.g.,* Colloquy between Senators Dodd and Boxer, 156 Cong. Rec. S5904 – S5905 (July 15, 2010); Statement of Representative Eshoo, 156 Cong. Rec. E1295 (July 13, 2010); *see also* Letter from Paul A. Volcker to the Hon. Timothy Geithner (Oct. 29, 2010) (any ambiguities within the language of the law "need to be resolved in light of carrying out the basic intent of the law"); Colloquy between Representatives Representative Frank and Himes, 156 Cong. Rec. H5226 (June 30, 2010) (confirming that the definition of "hedge fund" and "private equity fund" was not intended to include all issuers that rely on sections 3(c)(1) and 3(c)(7) of the Investment Company Act); *see generally* Letter from Rep. Spencer Bachus to Members of the Financial Services Oversight Council (Nov. 3, 2010) at 8 (urging the FSOC and implementing Regulatory Agencies to avoid interpreting the Volcker Rule in an expansive, rigid way that would damage U.S. competitiveness and job creation); Government Accounting Office, "*Proprietary Trading"*, GAO-11-529 at page 1 (July 2011) (using abbreviated definitions that focus on the common understanding of the terms "hedge fund" and "private equity fund" rather than relying on the statutory definition of the terms "hedge fund" and "private equity fund" to conduct its study of the Volcker Rule).

meets this test, and the FSOC implicitly confirmed this by citing this provision when discussing venture capital funds in its Report and Recommendations.

Properly conducted venture capital investing can promote safety and soundness. Silicon Valley Bank is a case in point. Our ability to lend effectively depends on our deep understanding of the sectors we serve, our individual client companies, and the external trends that affect our clients and markets. Through our venture capital investing activities, we have opportunities to work directly with the sources of capital for high growth companies (the limited partners who invest in venture capital funds), the investors in high growth companies (the general partners in venture capital funds) and, in some cases, the companies' themselves. These interactions help broaden and deepen our insights into client sectors and emerging trends, as well as our relationships with key decision-makers. This, in turn, helps SVB distinguish real risk from perceived risk and maintain a proactive, forward-looking view of the sectors we serve.

SVB's high market share, strong loan growth, solid credit quality and consistent financial performance illustrate how its model creates positive outcomes for it and for its clients. While we cannot quantify the precise extent to which our venture capital investments help promote our strong performance, we believe that our focus, the breadth and depth of the ways in which we interact with our target markets, and our overall business model – serving clients throughout the cycle of capital formation, investment, growth, and liquidity – are mutually reinforcing and promote our strength and effectiveness.

We also believe that properly conducted venture investing promotes financial stability. While the statute does not define this term and there is no generally agreed definition, commentators typically focus on a number of factors that are positively correlated with venture investing.[19]

Some definitions focus relatively more narrowly on the financial system's ability to consistently supply credit intermediation and payment services.[20] Venture investing promotes financial stability in this narrow sense, by creating new companies and new industries characterized by strong, sustained earnings growth – thereby increasing both the aggregate demand for the financial system's core credit intermediation and payment services, as well as the aggregate financial strength of the companies to whom the financial system provides these services.

Other definitions are somewhat broader, focusing on the financial system's ability to facilitate the efficient allocation of economic resources and the effectiveness of economic processes and to assess, price, allocate and manage risks – or, more succinctly, to facilitate the performance of an economy and dissipate financial imbalances.[21] Venture capital even more clearly promotes financial stability under this broader view. Venture capital investments contribute substantially to the efficient allocation of economic resources and the effectiveness of economic processes, drive meaningful wealth

---

[19] *See, e.g.,* Financial Stability Oversight Council, *Authority to Require Supervision and Regulation of Certain Nonbank Financial Companies,* 76 Fed. Reg. 17 (Jan. 26, 2011) at page 4561 (electing to rely on a framework that uses qualitative metrics rather than an explicit definition of the term "financial stability" to determine when non-bank financial companies pose a threat to financial stability and require increased prudential regulation); Eric S. Rosengren, President & Chief Executive Officer, Federal Reserve Bank of Boston, *Defining Financial Stability, and Some Policy Implications of Applying the Definition* (June 3, 2011) at page 1, Garry J. Schinasi, *Defining Financial Stability*, IMF Working Paper WP/04/187 (Oct. 2004) at page 3.

[20] Rosengren, *Defining Financial Stability,* at page 2.

[21] Shinasi, *Defining Financial Stability,* at page 8.

accumulation for the economy at large (and for some individual investors and entrepreneurs), increase economic growth, and promote social prosperity. Bank sponsored venture capital funds give third-party investors access to high performing companies and top tier venture funds, thus facilitating the efficient allocation of resources, the rate of growth of output, and the processes of saving, investment, and wealth creation. In fact, SVB's model – which includes working with its clients throughout the entire cycle of investing capital, growing companies, and creating liquidity (which can then be reinvested, re-starting the cycle) – is well aligned with this description of financial stability as occurring across a set of variables that quantify "how well finance is facilitating economic and financial processes such as savings and investment, lending and borrowing, liquidity creation and distribution, asset pricing, and ultimately wealth accumulation and growth."[22]

Finally, financial stability can be understood at an even broader, more fundamental level. Under this view, financial stability is a counterpart to economic stability, economic growth, job creation and strong employment levels.[23] For the reasons discussed earlier in this statement, venture capital unquestionably promotes financial stability when viewed through this lens.

Venture capital investing also promotes financial stability by discouraging activities that increase financial *instability*. According to the Financial Stability Oversight Council, three "classic symptoms of financial instability" are "a broad seizing up of financial markets, stress at other financial firms, and a deep global recession with a considerable drop in employment." [24] As discussed above, venture investing does not contribute to the first two indicators of financial stability, since venture investments are not interconnected with public markets and do not create stresses that migrate across financial firms. Yet venture investing does help alleviate employment declines, the third "classic symptom" of financial instability. In fact, venture investing has a fundamentally counter-cyclical nature that can help dissipate financial imbalances and mitigate periods of financial (and economic) instability.[25] In many notable cases, entrepreneurs and venture investors have moved aggressively during financial downturns

---

[22] Shinasi, *Defining Financial Stability,* at page 8.

[23] *See, e.g.,* Shinasi, *Defining Financial Stability,* at page 7 (arguing that financial stability should be considered in light of the potential consequences for the real economy) and page 10 ("A stable financial system is one that enhances economic performance in many dimensions, whereas an unstable financial system is one that detracts from economic performance."); John Chant and others from the Bank of Canada, cited in Shinasi, *Defining Financial Stability,* at page 13 ("Financial instability refers to conditions in financial markets that harm, or threaten to harm, an economy's performance through their impact on the working of the financial system"); Michael Foot, Managing Director, U.K. Financial Services Authority, *What is Financial Stability and How Do We Get It?,* at paragraph 16 (April 3, 2003) ("…we have financial stability where there is: (a) monetary stability …; (b) employment levels close to the economy's natural rate; (c) confidence in the operation of the generality of key financial institutions and markets in the economy; and (d) where there are no relative price movements of either real or financial assets within the economy that will undermine (a) or (b)").

[24] Financial Stability Oversight Council, *Authority to Require Supervision and Regulation of Certain Nonbank Financial Companies,* at 4556.

[25] *See, e.g., "Venture Impact"* at page 2 (during the 2008-2010 financial downturn, venture-backed companies outperformed the overall economy, growing revenues by 1.6 percent (compared to an overall decline of 1.5 percent) and limiting job losses to 2 percent (compared to an overall decline of 3.1 percent), while the 500 largest public companies with venture roots increased their collective market capitalization by approximately $700 billion).

to create successful companies, creating a counterweight to the downturn and increasing the economy's upward trajectory over the longer term by building highly innovative, high growth companies.

Conclusion

The Administration has made clear that it intends to implement Dodd-Frank (and carry out its other responsibilities) in a way that "promot[es] economic growth, innovation, competitiveness, and job creation," and has committed itself to making regulatory decisions only after accounting for the costs and benefits of regulatory actions. [26]

For all of the reasons discussed above, we believe that the venture issue presents squarely the question of whether Dodd-Frank will be applied in a way that moves this country forward – by addressing the regulatory gaps that gave rise to the financial meltdown – or moves this country backwards – by over-extending regulations in a way that is not needed, and that will destroy jobs and economic growth. We appreciate the work the Committees and the Agencies are doing to help ensure we achieve the latter.

Respectfully submitted,

Mary Dent
General Counsel
SVB Financial Group
mdent@svb.com
650.320.1119

[26] *See* 76 Fed. Reg. 41587 (Jul. 14, 2011); Office of the Inspector General, FDIC, *"Evaluation of the FDIC's Economic Analysis of Three Rulemakings to Implement Provisions of the Dodd-Frank Act,"* Report No. EVAL-11-003 (June 2011) at page 1 of the Executive Summary, *available at* www.fdicoig.gov/reports11/11-003EV.pdf); Office of the Inspector General, Treasury Dep't, *"Dodd-Frank Act: Congressional Request for Information Regarding Economic Analysis by OCC,"* (June 13, 2011) at page 4, *available at* www.treasury.gov/about/organizational-structure/ig/Documents/OIG-CA-11-006.pdf; Office of the Inspector General, Federal Reserve Board, *"Response to a Congressional Request Regarding the Economic Analysis Associated with Specified Rulemakings,"* (June 13, 2011) at page 9, *available at* www.federalreserve.gov/oig/files/Congressional_Response_web.pdf; Office of the Inspector General, SEC, *"Report of Review of Economic Analyses Performed by the Securities and Exchange Commission in Connection with Dodd-Frank Rulemakings,"* (June 13, 2011) at page 4, *available at* www.sec-oig.gov/Reports/AuditsInspections/2011/Report_6_13_11.pdf; *see also Business Roundtable v. SEC*, 647 F.3d 1144, 1148 (D.C. Cir. 2011).

Overview of SVB Financial Group

SVB is a bank and financial holding company. Our principal subsidiary, Silicon Valley Bank, is a California-chartered bank and a member of the Federal Reserve System. As of September 30, 2011, SVB had total assets of $19.2 billion.

We are the premier provider of financial services for start-up and growing companies in the technology, life science, and clean technology sectors, as well as for the venture capital funds that finance their growth. Over the past thirty years, we have become the most respected bank serving the technology industry and have developed a comprehensive array of banking products and services specifically tailored to meet our clients' needs at every stage of their growth. Today, we serve approximately one-half of the venture-backed companies across the United States through 26 U.S. offices and through international offices located in China, India, Israel and the United Kingdom.

We earn the vast majority of our income by providing traditional banking and financial services to our clients. Throughout the downturn, we have continued to lend to our clients and have maintained the highest standards for credit quality and capital and liquidity management. As one measure of our performance, Forbes Magazine recently listed SVB as one of the ten best performing banks in the United States, for the third year in a row.

In addition to our core banking business, SVB (the holding company) has sponsored venture capital funds, through our SVB Capital division, and made investments in certain third-party venture funds. Our regulators, the Federal Reserve Board and the California Department of Financial Institutions, regularly examine our funds business to ensure that it is being conducted safely and soundly and in accordance with all applicable rules and regulations.

Our sponsored funds, managed by SVB Capital, are predominantly made up of third-party capital. We manage this capital for our fund investors, which include pension plans, charitable foundations and university endowments. We currently manage nine "funds-of-funds" that invest in venture capital funds managed by third parties, and five "direct investment funds" that invest directly into operating companies. Our direct investment funds, and the funds in which our funds of funds invest, make long-term investments in privately held companies in the information technology, life science and cleantech sectors.