

# TRANSCRIPT

## Capital Ideas

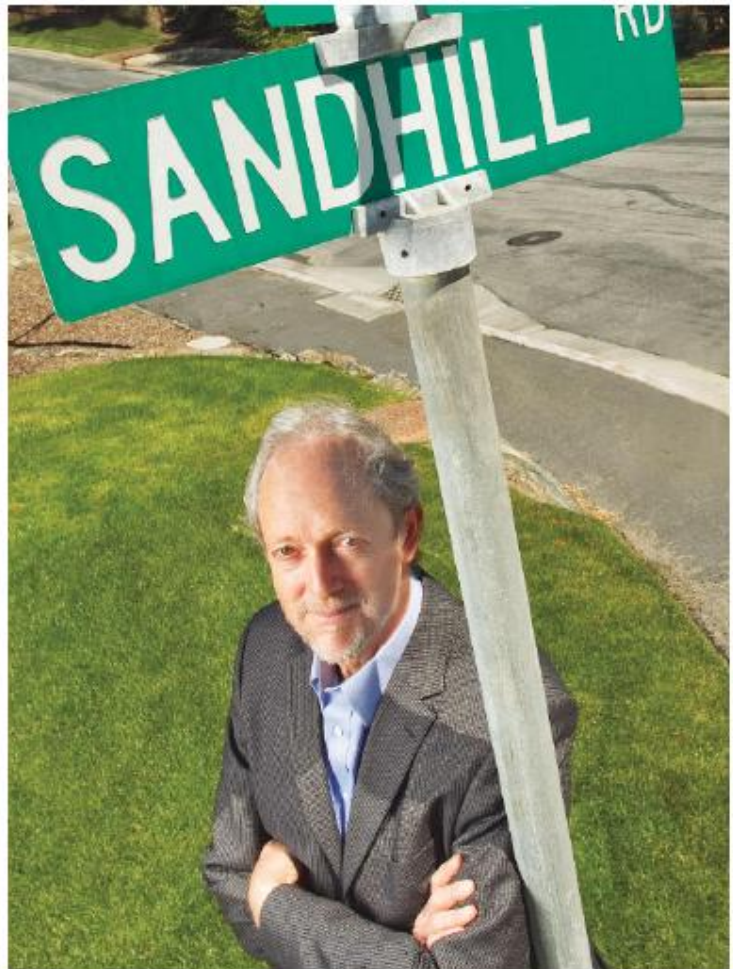
### BCLBE shaping financial reform as Dodd-Frank takes effect

Last July, President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act, written to address some root causes of the credit crisis that led to the global economic meltdown in 2008. Dodd-Frank takes effect in stages, requiring regulators to study and adopt rules to implement the law's provisions.

A period of intense rulemaking has ensued, during which legal counsel for banks, private equity firms, and hedge funds, as well as industry and public-interest advocacy groups, are devoting substantial resources to shaping proposed regulations and providing comment to the 11 regulatory agencies responsible for various provisions. The Berkeley Center for Law, Business and the Economy (BCLBE) has been active in the dialogue, highlighting proposed regulations that might threaten economic growth without improving the system's stability.

#### The venture capital question

One particular concern of BCLBE researchers has been the potential negative impact of certain Dodd-Frank provisions on venture capital (VC) funds. VC is a major California industry and the foundation of innovation and entrepreneurship, one of BCLBE's three areas of focus. "Venture capital is vital to the state's and the nation's economy and, given our location at the heart of the



VENTURE FORTH: BCLBE has been highlighting provisions of the Dodd-Frank Wall Street Reform Act that could unfairly impact venture capital funds. Above: BCLBE Executive Director Ken Taymor at Sand Hill Road in Menlo Park, California, venture capital's version of Wall Street.

industry, it is a natural focus," says BCLBE Executive Director Ken Taymor. "Our work on VC issues provides students the opportunity to be involved in the professional world, where many will be making a career."

Dodd-Frank's authors recognized that VC funds had not contributed to the financial crisis,

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and excluded them from among the hedge funds and private equity funds now required to register with the Securities and Exchange Commission (SEC). Nevertheless, provisions in the proposed implementing regulations failed to completely carve VC funds out of that group. Also, even those VC funds defined as

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—Ken Taymor

exempt from full registration would be subject to significant reporting mandates. As a result, funds may incur substantial administrative and legal costs, offsetting the benefit of the registration exemption.

### Independent analysis

“Regulators say their biggest difficulty is getting informed opinions that do not come from interested advocacy groups,” Taymor says. In keeping with BCLBE’s mission to provide regulators with such independent analysis, Taymor and Eric Finseth, a BCLBE fellow in securities regu-

lation and corporate governance, launched research that culminated in a Comment Letter to the SEC, submitted in February. The letter focused on how the regulations might be revised or interpreted more flexibly when applied by the SEC, to achieve what BCLBE sees as the purpose of the Dodd-Frank legislation.

The Comment Letter is only one product of BCLBE’s work on these issues. BCLBE recently organized a symposium on the topic, Financial Regulatory Reform: Dodd-Frank and Beyond, co-sponsored by the *Berkeley Business Law Journal*. The journal will publish proceedings of the symposium in a special issue this summer, and BCLBE’s website already offers related materials, including video recordings.

The SEC is due to publish its final regulations shortly. But history has shown that conversation will continue as the regulations are interpreted, debated, and challenged. “It’s not as simple as saying they read our letter and this or that changed in the regulation,” Taymor says. “Our goal is to continue to provide unbiased information and analysis to help inform regulators as they move through the process.” —Ann Appert