MEMORANDUM

December 20, 2011

To: File on Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("**Dodd-Frank Act**")

From: Parisa Haghshenas
Office of Investment Adviser Regulation
Division of Investment Management

Re: Meeting with BNY/Mellon, Northern Trust, State Street

On December 20, 2011, representatives of BNY Mellon, Northern Trust, and State Street participated in a meeting with Securities and Exchange Commission ("**SEC**") staff from the Division of Investment Management ("**IM**"), the Division of Trading & Markets ("**TM**"), and the Division of Risk, Strategy and Financial Innovation ("**RF**").

The representatives of BNY Mellon that were present at the meeting were: Victor R. Siclari and Heather Koenig.

The representatives of Northern Trust that were present at the meeting were: James Roselle and Kelly Dibble.

The representatives of State Street that were present at the meeting were: Joseph Barry, Stefan Gavell, Simon Zornoza and Suzanne Case.

The following members of IM staff participated in the meeting: Dan Kahl, Tram Nguyen, Paul Schlichting, Michael Spratt and Parisa Haghshenas.

The following members of TM staff participated in the meeting: Josephine Tao and David Bloom.

The following member of RF staff participated in the meeting: Adam Younce.

The topic of discussion was the restriction on hedge fund and private equity fund investments under Section 619 of the Dodd-Frank Act. Mr. Barry submitted the attached agenda and handouts in connection with the meeting.

Agenda --- Custody Bank Volcker Meeting

1) Overly broad definition of "covered fund"

The proposed definition of "covered fund" is overly broad, capturing all non-US funds, all funds using futures, and 3(c)(1)/(7) funds with no hedge fund or private equity fund characteristics. The broad inclusion of non-US funds, that in most cases more closely resemble registered U.S. mutual funds rather than unregistered hedge/private equity funds, will present particular problems for custody banks that service these funds. The proposal should be narrowed to capture only traditional hedge fund and private equity funds, and to limit its extraterritorial scope.

2) Adverse impact of "Super 23A" restriction

The custody banks believe that normal settlement services for covered funds, to the extent they may be deemed to be provisional credit or liquidity for securities settlement, contractual settlement, pre-determined income or similar custody-related transactions, should not be considered "covered transactions" for purposes of the "Super 23A" provision of the Volcker Rule. Should such services be considered "covered transactions" under the Volcker Rule, the custody banks would not be able to provide normal custody for covered funds. As a result, sponsors and advisers of "covered funds" could be required to seek new providers of these services, creating market disruption and higher risk to payment systems, with no corresponding systemic or institution specific risk reduction benefits. The proposal should be modified to exclude core custody -related activities from the "Super 23A" restriction, as custody-related transactions, by their very nature, do not raise a risk of undue credit support for sponsored and advised funds.

3) Need for additional clarity for directed custody arrangements

The proposal's directed trustee exception appropriately addresses U.S. arrangements where a custody bank may be a trustee for a "covered fund" but has no investment discretion. The exception, however, may be inadequate to address the broader range of custodial arrangements outside the U.S. in which a custodian may be required to provide additional fiduciary or administrative services, but does not exercise investment discretion. The proposal should clarify that custodians are outside of the scope of the definition of "sponsor" in cases where they serve in a directed, fiduciary, or administrative role and an unaffiliated third party directs the funds actual investments.

4) Effective date

The proposal appears to suggest that no new transactions subject to the "Super 23A" provision will be permitted after the statutory effective date of July 21, 2012. To the extent "Super 23A" applies to custody -related transactions, this could force sponsors or advisors of "covered funds" to change custodians, or shift some traditional custody functions to a different service provider. Such changes require long transition times, sometimes in excess of a year, and would be impossible to adopt prior to July 2012. The proposal should be revised to clarify that custody -related "Super 23A" transactions, if not fully excluded, would continue to be permitted throughout the conformance period.

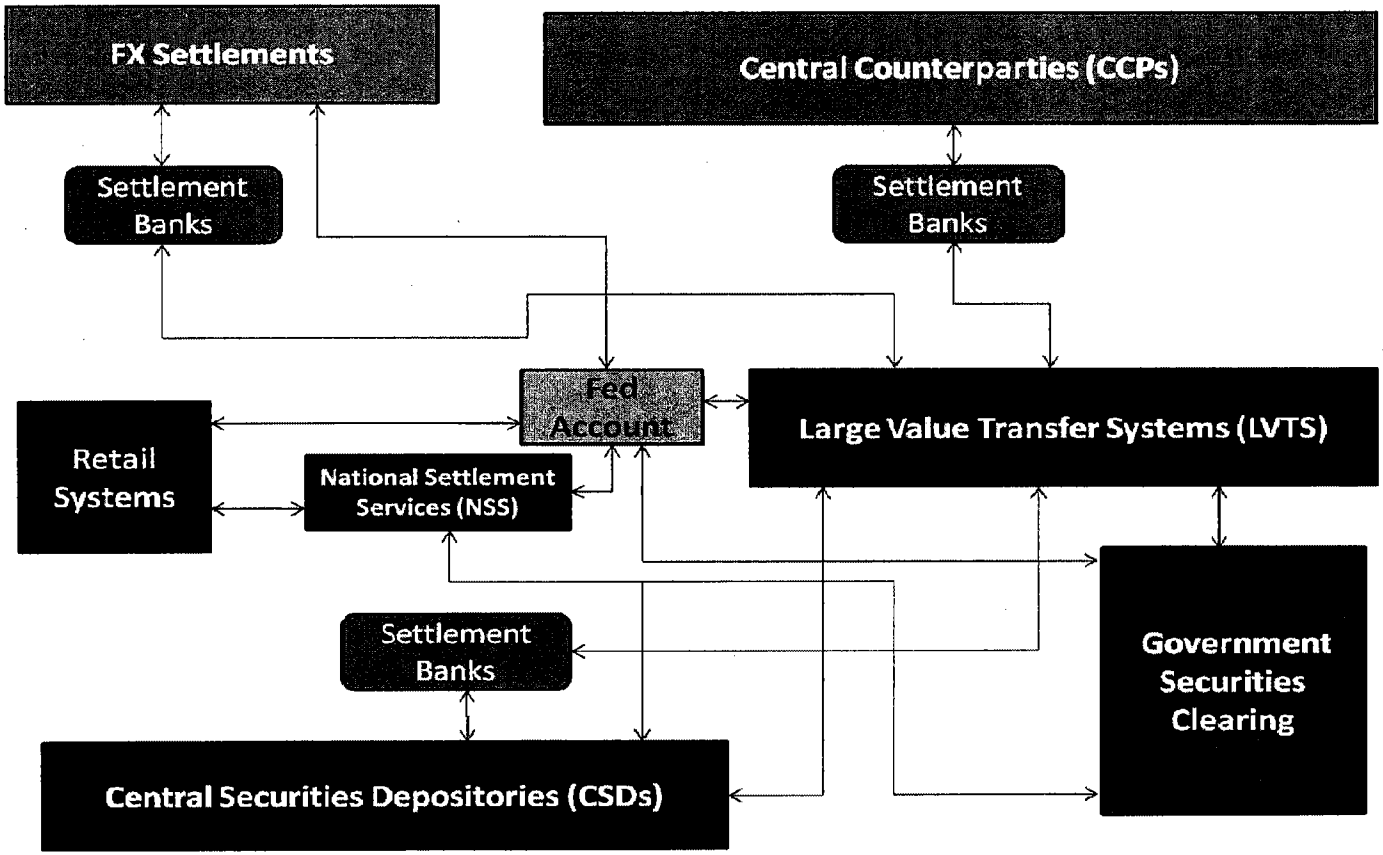
Key Functions of Custodian Banks

- Custodian banks provide financial services to a wide range of institutional investors including mutual funds and other collective investment funds, corporate and public retirement plans, insurance companies, foundations, endowments and other investment pools

Safekeeping Services	Settlement Services	Asset Servicing	Banking Services	Other Services
Storage and maintenance of assets held on behalf of clients, including the provision of recordkeeping services	Access to the global settlement infrastructure in order to complete the purchase/sale of assets held on behalf of clients	Activities undertaken in connection with the administration of assets held on behalf of clients	Access to and maintenance of cash accounts to facilitate settlement and servicing of assets held on behalf of clients	Provision of value added functions in the areas of investment servicing, trading and research for assets held on behalf of clients

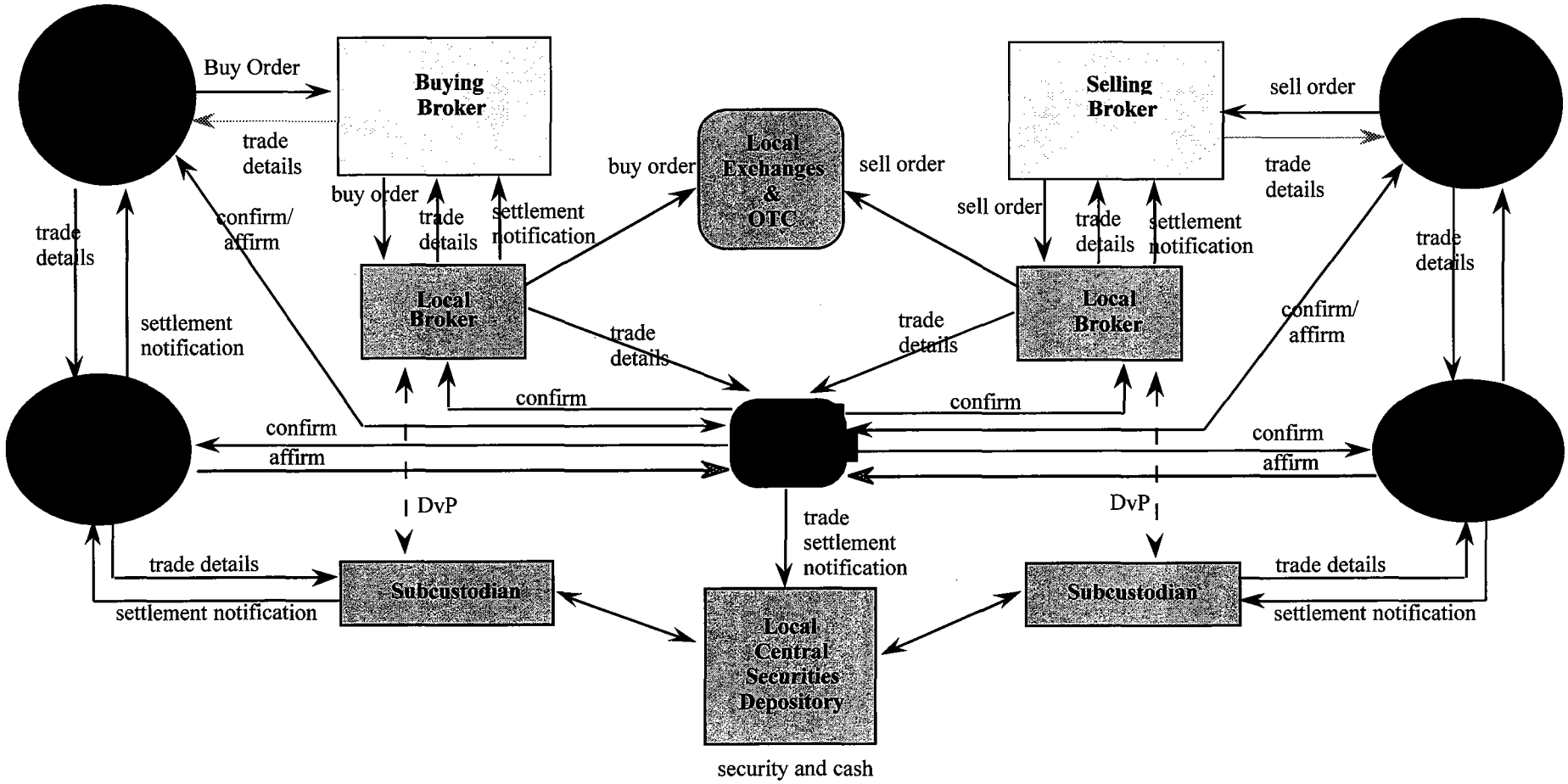
The Custody Network

- Custodian banks offer their services as directed agents; in order to deliver services, they maintain an extensive network of subcustodian and correspondent banks, as well as direct and indirect links with central securities depositories, large value transfer systems and central banks



The Securities Settlement Process

- Securities settlement is a function of local market practice and involves a number of interrelated entities, including one or more intermediary acting on behalf of the underlying investor



Source: Olmstead Associates, Inc.