



THE DREYFUS CORPORATION

August 11, 2015

VIA EMAIL TO RULE-COMMENTS@SEC.GOV

Mr. Brent Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

**RE: Investment Company Reporting Modernization
File No. S7-08-15 (the "Release")**

Dear Mr. Fields:

The Dreyfus Corporation ("Dreyfus") appreciates the opportunity to comment on Securities and Exchange Commission (the "Commission") proposals for (a) new Form N-PORT, which would require certain funds to report information about their monthly portfolio holdings in XML format; (b) new Form N-CEN, which would require funds to annually report certain census-type data to the Commission in XML format; (c) amending Regulation S-X to require, in pertinent part, enhanced and standardized derivatives and related disclosures in fund financial statements; (d) adopting new Rule 30e-3 under the Investment Company Act of 1940 (the "1940 Act"), which would provide for the option to deliver periodic fund shareholder reports via a fund's website (subject to stated conditions); and (e) rescinding Form N-SAR and Form N-Q coincident with adopting Form N-PORT and Form N-CEN (collectively, the "Proposals").

Dreyfus is registered with the Commission as an investment adviser and is a subsidiary of The Bank of New York Mellon Corporation, a global financial services provider with approximately \$1.7 trillion in assets under management and approximately \$28.6 trillion in assets under custody and/or administration. Dreyfus currently manages approximately \$276 billion in 168 registered investment company portfolios, including 39 domestic money market fund portfolios (plus two offshore money market funds) and 129 bond and stock funds.

Dreyfus supports the Commission's goal to strengthen the Commission Staff's (the "Staff") oversight capability through enhanced mutual fund data gathering. Dreyfus agrees that the current data filed by non-money market funds is not optimal to serve the Commission's stated purpose of effectively identifying and addressing risks in the asset management industry from portfolio-related holdings information. Dreyfus also recognizes and supports the Commission's primary goal of addressing risks that could have a systemic impact on the securities markets and the financial system as a whole.



Section A below contains a holistic summary of Dreyfus' comments. The comments seek to inform the Commission on the perceived challenges posed by the Proposals and offer alternatives for furthering the Commission's stated goals. The comments also note concerns with the stated intent to rely on certain data to identify potential regulatory issues and systemic risks. Section B below further develops each comment. We thank the Commission in advance for giving due consideration to our comments and welcome addressing any questions arising from this letter.

A. Summary of Comments.

1. Form N-PORT – Frequency and Compliance Date.

- a. *We believe the complexity associated with obtaining the information for reporting on Form N-PORT requires more than 30 days lead time for filing. Instead, we believe 45-60 days of lead time should be provided for preparing and filing the Form N-PORT. So as not to create a system where filings overlap preparation time, Form N-PORT should be required four to six times annually. We believe this frequency will be sufficient to serve the Commission's data gathering goals without overburdening the industry.*
- b. *If the Commission adopts Form N-PORT as a monthly filing due within 30 days of month-end, we believe that we will need significantly more than 18 months to insure that we can build adequate systems to capture from internal and external sources all of the data required to complete Form N-PORT for each of 129 diversely-managed Dreyfus fund portfolios.*

2. Form N-PORT – Information Requirements.

a. Risk Metrics.

- i. *We believe the Commission should not rely solely on duration as the risk metric for fixed income portfolio risk. Rather, we believe the Commission should require funds also to report convexity on a portfolio-level basis (but not on a key rate basis) in conjunction with reporting duration.*
- ii. *We believe spread duration provides a more complete picture of overall bond portfolio risk, because it addresses interest rate and credit risk, and should be of greater focus to the Staff than duration alone.*
- iii. *We believe that reporting duration for 11 different maturities along the Daily Treasury yield curve is unduly burdensome relative to the limited value these statistics will provide. We believe the Staff should focus more on single portfolio-level statistics for analyzing how portfolios may perform under prescribed conditions, but if the Commission pursues reporting of key rate durations, we recommend reducing the number to six (1-, 2-, 5-, 10-, 20-, and 30-year).*
- iv. *We believe the Commission should limit the definition of "investment grade" to a qualitative risk assessment and eliminate the liquidity aspect of the proposed definition. We believe this change will facilitate more consistent reporting and improve the quality of aggregated data.*

- v. *We recommend eliminating currency-based duration calculations. These calculations will be overly burdensome relative to the actual benefit (if any) that can be derived from such calculations.*
- vi. *We believe a 25% threshold for fixed income exposure is reasonable for triggering reporting Risk Metrics because a 25% minimum allocation will capture many types of funds (e.g., balanced and asset allocation funds) designed to rely on a meaningful fixed income allocation consistently and will exclude many funds that may have variable fixed income exposures but that do not rely structurally on a fixed income allocation.*
- b. **Monthly Return Information.** *We do not support the Commission or the Staff relying on monthly returns, either the portfolio level or the investment level, for identifying outlier investment performance or inconsistent implementation of a fund's investment strategy. We believe this short-term focus is inappropriate for the stated purpose.*
- c. **Country of Issuer.** *We believe the Commission should limit reporting in this regard to the issuer's country of origin. We believe that, for some types of investments, reporting "country of risk" based on "concentration of economic exposures" will be unduly burdensome and likely will be reported inconsistently across the industry.*
- d. **Derivatives.**
 - i. *We support reporting derivatives investment information by derivative "type" (i.e., options, futures, forwards, and swaps) and not by derivative "category" (i.e., commodity contract, credit contract, equity contract, foreign exchange contract, interest rate exchanges, and other). We believe this will facilitate consistent reporting because it will match how fund accounting systems currently maintain derivatives data for financial reporting purposes.*
 - ii. *We believe the Commission should emphasize reporting of aggregate derivative exposures and overall portfolio performance impact, such as whether the effect of the derivatives used is for hedging or leveraging purposes. Despite the perceived transparency benefits, we believe that reporting derivatives information on an investment-by-investment basis will be of limited value to the Commission for assessing overall portfolio risk.*
 - iii. *We believe a "Delta" statistic may be of limited value to the Commission Staff because of the time lag associated with its reporting.*
 - iv. *We do not support requiring funds to report about underlying index components if the corresponding information about these components cannot be obtained from publicly available sources. Under the Proposals, funds are put in the unenviable position of having compliance with reporting requirements hinge on the cooperation of a third-party that is not bound to cooperate.*

3. Form N-PORT - Public Disclosure.

- a. *We appreciate that the Proposal to make the Form N-PORT publicly available only on a quarterly basis, with a 60-day time lag, recognizes the sensitivity of the data being reported, including the proprietary nature of certain data as well as the potential to misuse it for front-running. We recommend, though, that the Commission carefully consider those data elements that have higher potential to mislead investors than inform investors, based on the context of Form N-PORT reporting, and restrict their public availability.*

4. New Rule 30e-3.

- a. *We support adopting new Rule 30e-3 as an alternative means for delivering fund shareholder reports. We believe it offers a reasonable extension of the flexibility associated with current regulatory delivery requirements and will benefit funds and their investors.*
- b. *We support retaining the current “positive consent” e-delivery framework established in the Commission’s 1995 Electronic Media Interpretive Release (No. IC-21399). We believe that the e-delivery framework will continue to ably serve fund shareholder needs and allow for a transition period to a “negative consent,” Internet delivery framework.*
- c. *We believe funds can enjoy further cost savings under these Proposals without diluting investor protections by (i) permitting investors to respond by toll-free telephone number only and (b) permitting the Notice to be combined in mailings with fund account statements.*

5. Form N-CEN.

- a. *We support setting a Compliance Date for the Form N-CEN that matches the Compliance Date for the Form N-PORT, as we have proposed it within this letter, because of the overlapping data requirements and corresponding systems development that will have to be undertaken to facilitate Form N-CEN filing along with Form N-PORT filing.*

B. Discussion of Comments.

Preliminarily, we would like to offer some context for our comments. As we noted, Dreyfus currently manages 39 domestic money market funds. Correspondingly, Dreyfus makes 468 Form N-MFP filings annually. With 129 bond and stock funds under management, the Proposals will require that Dreyfus make an additional 1,548 Form N-PORT filings, thus requiring Dreyfus to oversee over 2,000 filings annually that are directed related to SEC data gathering initiatives. We recognize that Form N-SAR and Form N-Q will be repealed, but will be replaced with Form N-CEN, thus netting Dreyfus a reduction of 504 filings annually. Nevertheless, on a net basis, Dreyfus will be required to make a total of 2,184 Forms N-MFP, N-PORT and N-CEN filings annually, an increase of 1,044 filings (over 90%) annually, based on current fund totals. We believe that this must be recognized as a substantial burden.

To build the systems required to achieve Rule 2a-7 compliance with Form N-MFP requirements, Dreyfus executed on a very aggressive systems development program at a cost of approximately \$370,000 in technology alone. As more fully described below, we were able to achieve systems development on Form N-MFP more rapidly because the vast majority of data elements were readily retrievable from internal systems. This is not the case for Form N-PORT, which will require new systems communications with a number of external service providers to be able to meet applicable reporting requirements. For this reason, we anticipate much longer systems development time, and higher financial expenditure, to achieve Form N-PORT readiness.

1. Form N-PORT – Frequency and Compliance Date.

Based on the burden associated with Form N-PORT's content requirements, we recommend (a) increasing the permitted number of days for filing the Form N-PORT (and, correspondingly, reducing the number of times the Form must be filed annually) or (b) extending the compliance date for filing the Form N-PORT to at least 24 months after adoption, to better address the technological and cost requirements that will be associated with building systems to facilitate timely filing.

Frequency of Filing. We believe more than 30 days will be required to adequately prepare the 129 Form N-PORT filings Dreyfus will have to make every month. We believe this because obtaining many of Form N-PORT's primary data elements, such as securities lending data, and risk metrics and derivatives data, will be dependent on the cooperation of external service providers (such as the securities lending agent and affiliate advisory firms). As a result, we expect managing to a 30-day timetable will be difficult. Instead, we believe a 45-60 day timetable for filing is more reasonable for facilitating the sufficient collection of the data elements that will have to be reported.

We acknowledge that monthly reporting becomes impractical if the Commission provides for more than 30 days to complete the Form N-PORT, because monthly reports would overlap with preparation time. We believe this can be remedied by moving to a bi-monthly or quarterly reporting frequency, with 45-60 days to complete Form N-PORT. We believe this framework will provide the Commission with sufficient amounts of data to achieve its oversight goals. Unlike money market funds, which are 60-day maximum WAM products that generally own very short-term and less complex securities (and so may be conducive to monthly reporting, as they are on Form N-MFP currently), bond and stock funds are longer-term investments, often with complex portfolio structures that generally turn over less frequently than money market fund portfolios. A data-gathering program based on bi-monthly or quarterly reporting, we believe, should provide a strong basis for Staff analysis.

Compliance Date. We have reviewed with our Investment Accounting Department the complexity of the data requirements proposed to be provided in the Form N-PORT and the reasonableness of the Proposal to provide 18 months lead time for implementing Form N-PORT reporting. Our consensus is that, as Form N-PORT is proposed to be constituted, 18 months is an aggressive time frame for building the systems required to facilitate timely filing of 129 Form N-PORTs each month.

The Release suggests that "large" fund families will be able to comply with the Proposals more readily than "small" fund families, based on the different compliance times proposed. We offer no opinion on whether 30 months is an appropriate time for a "small" fund family to achieve reporting capacity. As noted above, in the case of the Dreyfus fund family, a significant amount of the data required to complete the Form N-PORT is not primarily housed on Dreyfus' Investment Accounting

Systems. This is because so many different services are provided by fund affiliates within the Dreyfus/BNY Mellon complex (we would estimate that this is true for many of our “large” peers as well). As a result, Dreyfus will require significant time and will incur significant cost in order to automate the process for gathering the data required to complete the Form N-PORT.

Further, we hope the Commission recognizes that “large” fund complexes are in the midst of numerous contemporaneous regulatory initiatives, including money market fund reform which involves an unprecedented amount of time, effort, cost, and systems work for fund complexes with money market funds (and their intermediary partners) to meet an October 2016 compliance date. We ask that the Commission recognize the burdens these regulatory issues layer on fund companies and the inherent technological and other limitations they face.

Systems requirements for the Form N-CEN only multiply the complexity of the task. Moreover, we would not expect to initiate projects to create Form N-CEN and Form N-PORT systems separately, to achieve cost efficiencies. For this reason, we hope the Commission will provide for the same compliance date for Form N-PORT and for Form N-CEN in the adopting release as it provided for in the Proposals.

2. Form N-PORT – Risk Metrics.

We recommend a number of refinements to the Proposals for reporting risk metrics that, we believe, will reduce unnecessary burdens on fund companies and improve the quality of the Staff’s fund risk analyses.

Duration Statistics. We agree that if the Commission chooses only a single risk metric for forecasting bond fund risk, duration, whether calculated in terms of a percentage change in price or as a dollar change in price (as “DV01” provides), is a reasonable choice. However, duration is an interest rate risk measure and the bond markets are multi-dimensional and no single statistic, in our view, reasonably captures the risk of a bond fund. Duration by itself, for example, will not distinguish the respective risks of a Treasury and a high yield corporate bond fund.

Spread Duration. We believe the Staff will be better served to rely on spread duration. Spread duration is a more important measure of overall bond fund portfolio risk than duration alone because it captures both interest rate risk and credit risk. Thus, to the extent funds will report duration and spread duration, we believe the Staff should rely on spread duration as more representative of portfolio risk.

Convexity Statistics. While duration provides a linear approximation of price changes, reflecting a parallel shift in the yield curve, we know that actual price-yield relationships are not linear. Convexity is valuable as a risk measure because it captures the change in the curvature (the “flattening” or “steepening”) of the shifting yield curve. Duration, combined with convexity, provide a more accurate estimate of a bond fund’s future price. Convexity is useful particularly for capturing larger yield changes and securities with embedded options.

We believe that, to further the Commission’s goal of receiving fund portfolio risk metrics that will help the Staff monitor and analyze how different funds might be affected by changes in market conditions, the Commission should require funds to report convexity along with duration and spread duration on a portfolio-level basis (and not on a key rate duration basis, which we discuss below). We believe it is unnecessary to provide convexity at the key rates along the Daily Treasury yield curve. We note that spread duration and convexity are among the calculations that are not housed on our fund

accounting system and, as a result, will be included among the data elements that will require systems development to feed into the system for compiling and filing the Form N-PORT.

Key Rate Duration Statistics. The Proposals would require funds to report duration at 11 different maturities along the Daily Treasury yield curve (1-mo., 3-mo., 6-mo., 1-yr., 2-yr., 3-yr., 5-yr., 7-yr., 10-yr., 20-yr., and 30-year). We recognize that the Commission is seeking to reveal certain bond portfolio strategies and identify maturity or duration concentrations that might pose certain risks, and we appreciate the value in that analysis. However, we think the burden of reporting this information exceeds the perceived benefit this information will provide in furthering the Commission's goals.

We believe the focus should be on portfolio-level statistics, which is consistent with how we believe portfolio managers manage for and measure portfolio risk. If the Commission determines to pursue reporting of key rate durations, we recommend limiting the calculation to the following six key rates: 1-, 2-, 5-, 10-, 20-, and 30-years. We believe these are most representative of bond fund exposures overall and will reduce unnecessary burdens for fund companies while providing the Commission with sufficient information on yield curve exposures for Staff analysis.

Currency-Based Duration Statistics. The Proposals would require key rate duration statistics for each applicable currency in a fund. We do not support reporting duration that reflects each currency in the fund. Currency risk resides in the currencies alone – it is not relevant to duration and to the extent the Commission wishes to assess currency risk, alternative proposals should be proffered. Notwithstanding, calculating key rate durations in every currency for a fund will be hugely burdensome and, we believe, of little value (e.g., it would not reflect any hedging aspect of the currency). The Commission also has requested comment on whether a de minimis amount of exposure to different currencies should be adopted. While this might reduce the number of calculations reported, and potentially ease the associated burden to some degree, it still does not address the principle fact that currency exposure is not relevant to duration. We urge the Commission not to adopt this Proposal.

Defining "Investment Grade" for Spread Duration Calculations. We believe the proposed definition of "investment grade" is inconsistent with how investment professionals characterize the "credit risk" of a bond and should not be adopted by the Commission as proposed (despite, as the Release notes, that it is the same definition utilized under Form PF). As proposed, an "investment grade" bond would be (a) "*sufficiently liquid*" so that it can be "*sold at or near its carrying value with in a reasonably short period of time*" and (b) "*subject to no greater than moderate credit risk.*" In our view, this is a questionable approach because liquidity generally is not a factor in credit risk analysis. We note that "moderate credit risk" is the primary factor in a 'Baa' designation from Moody's, and so our recommendation to limit the definition of "investment grade" will focus the classification of debt investments generally with analogous credit qualities, without specific reference to the agency rating see, e.g., the Commission's June 20, 2014 rule proposals for money market funds at IC-31184; *Removal of Certain References to Credit Ratings and Amendment to the Issuer Diversification Requirement in the Money Market Fund Rule*). We think this could provide desirable consistency for the industry.

De Minimis Fixed Income Threshold Percentage for Reporting. We commend the Commission for seeking to limit reporting of this information to funds that have meaningful fixed income exposures and generally we support the Commission's goal in this regard. However, we do not necessarily believe that a 20% threshold, as proposed, defines funds "*that use debt and exposure to debt or interest rate changes as part of their investment strategy.*" Alternatively, we believe the Commission should consider a 25% threshold because, at least, it would define a subset of "balanced" and "asset allocation" funds

that would, by prospectus or name test mandate, for example, have to maintain a minimum fixed income exposure.

We recognize that even this approach does not necessarily best capture “unconstrained” or “absolute return” strategies employed by some funds. Portfolio composition for these types of funds can shift rapidly, fixed income allocations may move above and below any threshold frequently and rapidly, and strategies may alternate from time -to-time between alpha-generating and defensive positions. We do not think it is an optimal result for certain funds to report bond-related statistics in certain months and not report these statistics in other months. Thus, for consistency of aggregated data, we believe the Commission also may wish to consider the relevance of bond holdings for “non-bond funds” (i.e., funds not required to invest at least 65% of their assets in bonds).

3. Form N-PORT – Monthly Return Information.

Monthly Total Return Quotations. Generally, we do not object to providing performance quotations on Form N-PORT. However, we do not support the Commission choosing monthly returns as the resource for assessing portfolio management strategy and implementation, as a data element for systemic risk analysis, and as material information to disclose to investors. We believe it has a greater potential to mislead than to inform.

We are concerned that the Commission has stated that the Staff will review fund monthly returns to identify “*performance that appears to be inconsistent with a fund’s investment strategy or other benchmarks*” or “*outliers that might merit further inquiry by Commission Staff.*” We believe an emphasis on short-term returns may increase the probability for reaching inaccurate conclusions about funds and their perceived risks. We know generally that short-term performance can mislead investors. We note that among fund web sites many do not provide one-month returns among their advertised performance calculations. We are not surprised by this finding, because we believe that one-month returns are not representative of fund performance or how managers construct their funds to perform. Rule 482 requires the use of standardized total return quotations (1, 5-, and 10-year returns calculated to recent calendar quarter end precisely in order to facilitate comparability of returns by investors and, to this end, focuses on longer-term rather than shorter-term results because of the potential for shorter-term results to mislead.

We also are unclear about the basis on which the Staff will draw conclusions from monthly returns. In what context will the fund’s performance be assessed? To what benchmark will it be compared (since benchmark returns are not being reported)? What is the Staff’s standard for “an outlier” and how will that vary from asset class to asset class? And how will the Staff analyze “benchmark agnostic” or absolute return funds for outlier returns?

Taken together, we believe the proposed framework is likely to yield inconsistent and perhaps unwarranted conclusions about funds, which should not lead to regulatory inquiry. Based on the foregoing, we believe the Commission should re-consider if it is appropriate to evaluate the implementation of a fund’s portfolio management strategy (particularly, for initiating regulatory review) from one month’s performance results.

Monthly Performance of Fund Holdings. The Proposals would require that funds report the monthly net realized gains/losses and monthly net change in unrealized appreciation/depreciation for all portfolio holdings (derivatives as well as other non-derivative securities holdings). The Proposals also

would require that this information be provided for derivatives in each of six “categories,” as applicable: *commodity contracts, credit contracts, equity contracts, foreign exchange contracts, interest rate contracts, and other derivatives contracts.*

We believe derivatives information should be reported in a manner consistent with the derivatives disclosures in proposed Form N-PORT Item C.11, which instructs, in pertinent part, that filers report the “category” that most closely represents the investment, selected from among *forward, future, option, swaption, swap, warrant, and other.* As an aside, we note an apparent inconsistent use of the term “category” to define derivatives in multiple places in the Release. For clarity within this letter, we refer to the classifications listed immediately above as derivative “types.”

As also noted in Section B.5 below, we support derivatives reporting by investment “type” (as proposed in Item C.11 of Form N-PORT) and not by investment “category (as proposed here, for Form N-PORT Item B.5). We maintain derivatives information in our investment accounting systems by derivatives “type” and we report derivatives holdings in fund financial statements accordingly. The Proposals, if adopted, would further extend our systems development requirements.

Our views on the reporting of realized gains/losses and unrealized appreciation/depreciation are the same generally as stated above. We believe monthly performance, at the portfolio level and at the holdings level, is not the right place at which to measure for systemic risk or style drift, and so we do not support the Proposals in this regard. In addition, please note that we also do not maintain this information in our accounting systems, so we would require further systems enhancements to be able to track and report this data.

4. Form N-PORT – Country of Issuer.

It is proposed that funds report the ISO country code that corresponds to the country of investment or issuer “*based on the concentrations of the risk and economic exposure of the investments.*” We do not support this proposal because it will require fund companies to categorize multinational companies without the benefit of objective criteria for doing so. This undertaking will be an ongoing endeavor, requiring a significant number of data elements and factors to be considered on a monthly basis. Moreover, this undertaking likely will yield inconsistent responses. Accordingly, we believe reporting of “Country of Issuer” should be limited to the country where the issuer is organized.

We acknowledge that, for certain kinds of securities (e.g., U.S. Treasury bonds or municipal bonds), the “concentration of economic exposure” determination and the “country of origin” will be clear. However, consider the difficulty that could be encountered with leading “American” companies such as Apple, Caterpillar, Chevron, Coca-Cola, Dow Chemical, ExxonMobil, Intel, Johnson & Johnson, McDonald’s, IBM, Nike, Philip Morris, Google and Proctor & Gamble, among others, which earned the majority of their 2014 revenues and earnings from overseas operations. Intel, for example, earns over 80% of its revenues from overseas markets.

We believe the multinational nature of large cap equities illustrates the challenge in classifying a company based on its “concentrations of economic exposure.” Moreover, this burden would be ongoing, requiring extensive data inputs and research to support it, which would come at great cost and no guarantee of industry consistency. For these reasons, we recommend that the Commission limit reporting to country of origin and not extend reporting to country “with the highest concentration of economic exposure.”

5. Form N-PORT – Derivatives.

Overview. We support generally the Commission’s goal of enhancing its understanding, and the understanding of investors, about the derivatives in which a fund is invested and the exposures they create. We agree that the “transparency” of derivatives-laden funds sometimes is not always clear to investors. However, we are not convinced that Form N-PORT reporting, as proposed, will improve the understanding of average investors about the use of derivatives in their portfolios. We believe the Commission may wish to consider alternative means for providing this transparency through disclosure reform (other than in periodic shareholder reports, which only are available twice annually) that focuses on a narrative describing the use and purpose of the derivative and the extent to which derivatives hedge or leverage the portfolio in the aggregate.

We note that the Commission’s proposals (including both Form N-PORT and Regulation S-X) would require disclosure about the transactional terms and parameters of the derivative investment, such as a description of the derivative, identification of the counterparty, number of contracts, notional amounts, exercise prices, values, descriptions of reference items, and unrealized appreciation and depreciation. However, we do not believe that this investment-by-investment approach to reporting of derivatives explains how the derivatives are being used by portfolio managers to manage the portfolio, nor will it optimally reveal how a fund may perform at the portfolio level as market conditions change.

While it would be unduly burdensome, we believe the only way to evidence the effect of derivatives on a portfolio, if on an investment-by-investment basis, is to show each holding matched with each derivative, as applicable. Again, though, we would not support this because we think that investment-by-investment disclosure of derivatives is not the optimal way to explain their use and potential performance impact on the portfolio. Such disclosure does not, for example, reveal whether a fund is fully hedged, or partially hedged, or is leveraged by a certain percentage. This is the kind of information that would reveal how derivatives are being employed and would better serve the Staff’s analysis of derivatives trading. In our view, the proposed reporting will over-emphasize the terms of the derivatives transaction but under-emphasize the nature of the transaction and how it may impact the portfolio overall.

Reporting by Derivative Type or Category. As first noted in Section B.3 above the Proposals would require funds to report a range of transaction-related data about fund derivatives holdings. In this case, reporting would be by derivative “type” (*forwards, futures, options, swaptions, swaps, warrants, and other*), rather than by derivatives “category,” which we support.

Reporting of Delta for Certain Derivatives. While we do not object to reporting “Delta” as proposed, we question how meaningful the statistic will be to the Staff in its data review and analyses. Delta is tied to the change in value of an underlying asset. For example, for bonds, Delta will be sensitive to interest rate changes. For stock options, Delta will be sensitive to stock price changes. In all cases, Delta can change all the time, suggesting to us that its value to the Staff may be limited when reported with a 30-day lag.

Descriptions of Reference Items (Non-Publicly Available). In pertinent part, the Proposals would require funds to report, for derivatives the value of which is determined by reference to an index the components of which are not publicly available, and the notional value of the derivative represents more than 1% of the fund’s net asset value, a number of data elements for each component of such index, including the unrealized appreciation or depreciation of such components.

We oppose this reporting requirement simply because it puts fund companies in the untenable position of having to rely on the cooperation of a third-party that is not compelled to provide it. The Commission cannot reasonably assume that all index providers will license their non-public data to fund companies. As a result, it could be expected that these types of derivatives no longer would be available to fund managers because of the inability to meet corresponding Form N-PORT filing requirements. If index components are not publicly available, we believe a “narrative description is appropriate, regardless of whether the notional value of the derivative is more or less than 1% of net asset value.

6. Form N-PORT – Public Availability.

As noted, we appreciate that only quarter-end Form N-PORT filings will be made publicly available, with a 60-day time lag, in deference to the proprietary interests inherent in certain of the data elements. This time frame is not inconsistent with our current portfolio holdings disclosure policy and so we do not object to it. Notwithstanding, we believe, as we have noted in this letter, that some of the data elements proposed to be reported will be of little value to investors. Because we further believe that such information may have the potential to mislead rather than inform investors (e.g., monthly return information), we ask that the Commission carefully consider the extent to which information provided in Form N-PORT that is not intended primarily for use by investors should, in fact, be disclosed to investors.

7. New Rule 30e-3

We support adopting new Rule 30e-3 generally as proposed. We offer certain additional comments to assist in the Commission’s deliberations.

Current e-Delivery Guidance. We favor retaining the current e-delivery framework (established by the 1995 Staff Guidance cited above) concurrently with the flexible framework afforded by proposed new Rule 30e-3. We think respective “positive consent/electronic delivery” and a “negative consent/Internet delivery” frameworks can effectively co-exist without breeding investor confusion.

Many fund firms, including Dreyfus, currently administer “go paperless” campaigns that require fund shareholders to affirmatively register to receive prospectuses, financial reports, and account statements electronically rather than on paper. These programs were developed pursuant to the 1995 electronic media guidance and so firms and their shareholders may be invested in such programs. While we would expect that firms may transition to Rule 30e-3’s “negative consent”/Internet delivery framework, we estimate that it may not occur quickly, based on current practices. Accordingly, we believe that current e-delivery arrangements should not be eliminated and fund companies and their shareholders should not be forced to transition away from them within some designated time frame.

Combined Mailing of the Notice. The Proposals contemplate that the required Notice, which is required as part of satisfying the Rule’s various conditions, will not be combined into another document nor be mailed to fund shareholders in combination with other documents (subject to certain enumerated exceptions). We understand the Commission’s concern for protecting the prominence of the Notice; however, we believe that it would also be appropriate and consistent with the intent underlying the rules for the Notice to be combined with shareholder account statements. Generally, account statements are mailed to shareholders on a periodic basis (usually, monthly or quarterly) and shareholders rely on them for important account information. We believe account statements have the

same significance for shareholders as prospectuses, SAs, and Proxy Notices. Further, the frequent deliver of statements offers funds a convenient opportunity to implement Internet delivery requirements under Rule 30e-3 and achieve meaningful cost savings. On this basis, we request that the Commission expand the set of enumerated exceptions for combining the Rule 30e-3 Notice with other mailings to include fund account statements.

Telephone Request for Printed Reports. We believe that if the availability of a toll-free telephone number is proposed to be an adequate means under Rule 30e-3 for shareholders to be able to receive a printed copy of a fund's financial report, then we question the necessity of compelling the fund to incur the cost of also enclosing a postage-paid envelope that would be used for the same purpose. Accordingly, as a cost-saver for funds, and with no perceived harm to investors, we see that the toll-free telephone number option, by itself, should be adopted.

We are pleased to discuss our comments with the Staff at the Staff's convenience, should they have any questions or requests for additional information. In this regard, please contact Bradley J. Skapyak, Dreyfus' Chief Operating Officer, at (212) 922-7040 or, in his absence, John B. Hammalian, Senior Managing Counsel, at (212)-922-6794. We thank the Commission again for the opportunity to provide comments on these Proposals.

Very truly yours,

J. Charles Cardona

J. Charles Cardona, President

With copies to:

The Honorable Mary Jo White, Chair
The Honorable Luis A. Aguilar, Commissioner
The Honorable Daniel M. Gallagher, Commissioner
The Honorable Kara M. Stein, Commissioner
The Honorable Michael S. Piwowar, Commissioner
David Grim, Director, Division of Investment Management