MEMORANDUM

TO: File No. S7-14-11

FROM: Jay Knight
Special Counsel
Office of Structured Finance
Division of Corporation Finance
U.S. Securities and Exchange Commission

RE: Meeting with Representatives of the Loan Syndications and Trading Association

DATE: August 10, 2011

On July 25, 2011, Paula Dubberly, Katherine Hsu, Jay Knight, and David Beaning of the Division of Corporation Finance, Eric Emre Carr of the Division of Risk, Strategy, and Financial Innovation, and Mike Keehlwetter of the Office of the Chief Accountant met with the following representatives of the Loan Syndications and Trading Association ("LSTA"):

- Meredith Coffey – LSTA
- Elliot Ganz – LSTA
- Tom Vartanian – Dechert LLP
- Doug Nappi – Nappi & Hoppe, LLC

The discussion included, among other things, the Commission's Proposed Rules for Credit Risk Retention. A handout is attached to this memorandum.

Additionally, on August 3, 2011, Katherine Hsu, Jay Knight, and David Beaning of the Division of Corporation Finance and Eric Emre Carr and Stanislava Nikolova of the Division of Risk, Strategy, and Financial Innovation participated in a follow-up conference call with Meredith Coffey and Elliot Ganz of the LSTA and Matthew Miller of Crescent Capital. The discussion included, among other things, the Commission's Proposed Rules for Credit Risk Retention.

Attachment

Support for a Section 941 Exemption: Characteristics That Distinguish Open Market CLOs

Section 941 Should Exclude Open Market CLOs

- Open Market CLOs as defined below should be exempt from Section 941 risk retention requirements:
- An exempt Open Market CLO is an open market investor which:
  - Invests in at least 80% senior secured syndicated loans to companies
  - Does not hold asset backed securities or derivatives as investments*
  - Is actively managed by an SEC registered investment advisor (or an affiliate thereof) which
    - Independently reviews and selects each loan for purchase by the open market CLO
    - Is compensated in a manner that is aligned with risks to the CLO investors:
      - Does not receive compensation upon closing of the CLO
      - Compensation is tied to the performance of the CLO through a tiered fee structure
      - A substantial portion is subordinate to the interest payments on the rated notes of the CLO

* Other than participations and letters of credit, which are traditional banking products; interest rate and currency hedging swaps would be permitted