

MEMORANDUM

To: Use of Derivatives by Registered Investment Companies and Business Development Companies Proposal File

From: Adam Bolter
Senior Counsel, Division of Investment Management (“IM”)

Date: May 5, 2016

Re: Meeting with Representatives of Eaton Vance

On May 4, 2016, Brian McLaughlin Johnson (Senior Special Counsel, IM), Thoreau Bartmann (Branch Chief, IM), Jamie Lynn Walter (Senior Counsel, IM), Adam Bolter (Senior Counsel, IM), John Cook (Senior Special Counsel, Division of Economic and Risk Analysis “DERA”), Yue Tang (Economist, DERA), Vincent DiStefano (Branch Chief, IM), and Lisa Larkin (Staff Attorney, IM) met with the following representatives of Eaton Vance:

- Tom Faust, President and CEO
- Payson Swaffield, VP Chief Income Investment Officer
- Maureen Gemma, VP Chief Legal Officer
- Michael O’Brien, VP Director of Global Trading

Among other things, the participants discussed the Commission’s proposal on the use of derivatives by registered investment companies and business development companies. Information provided by Eaton Vance in connection with this meeting is set forth in Annex A.

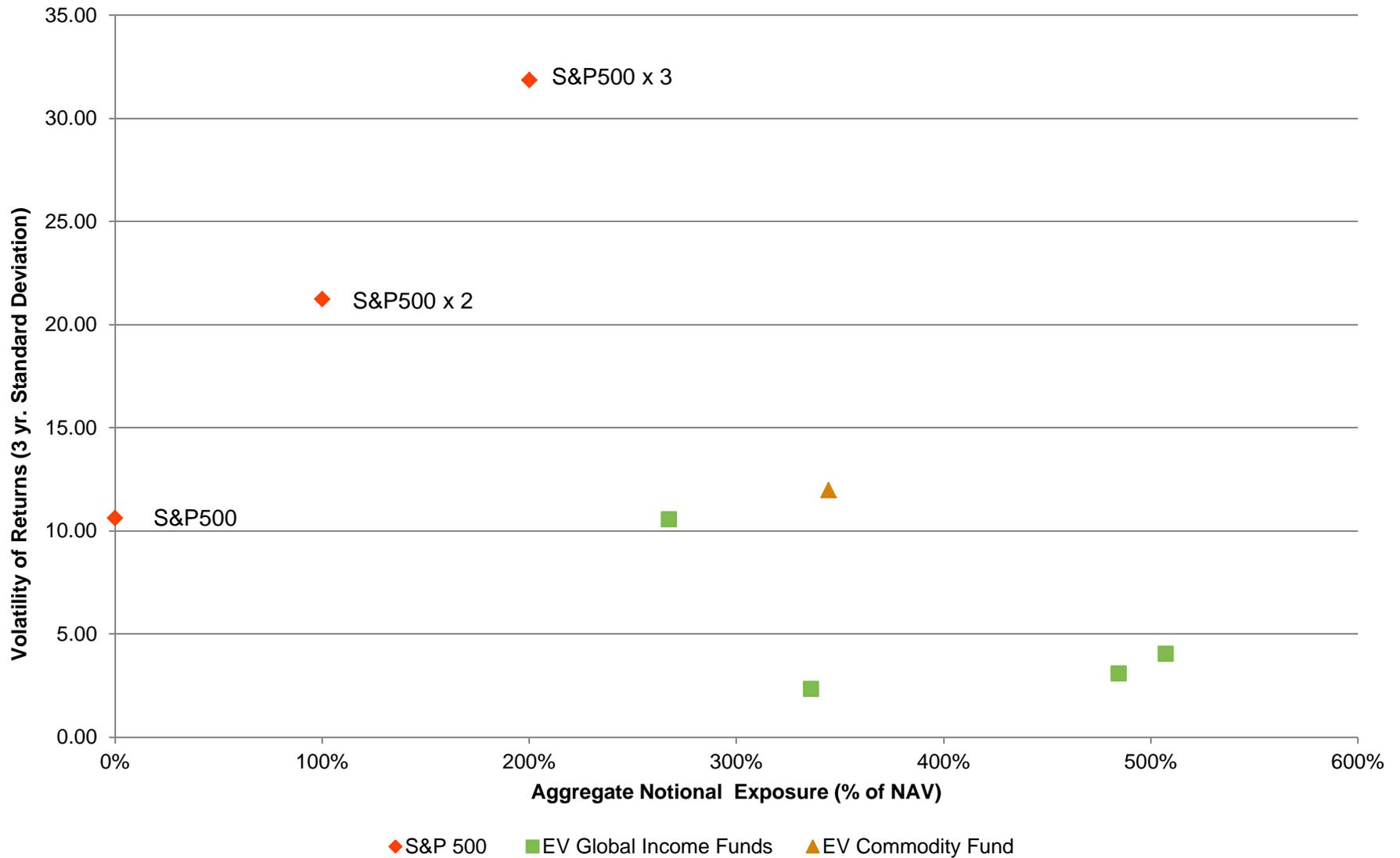
Annex A



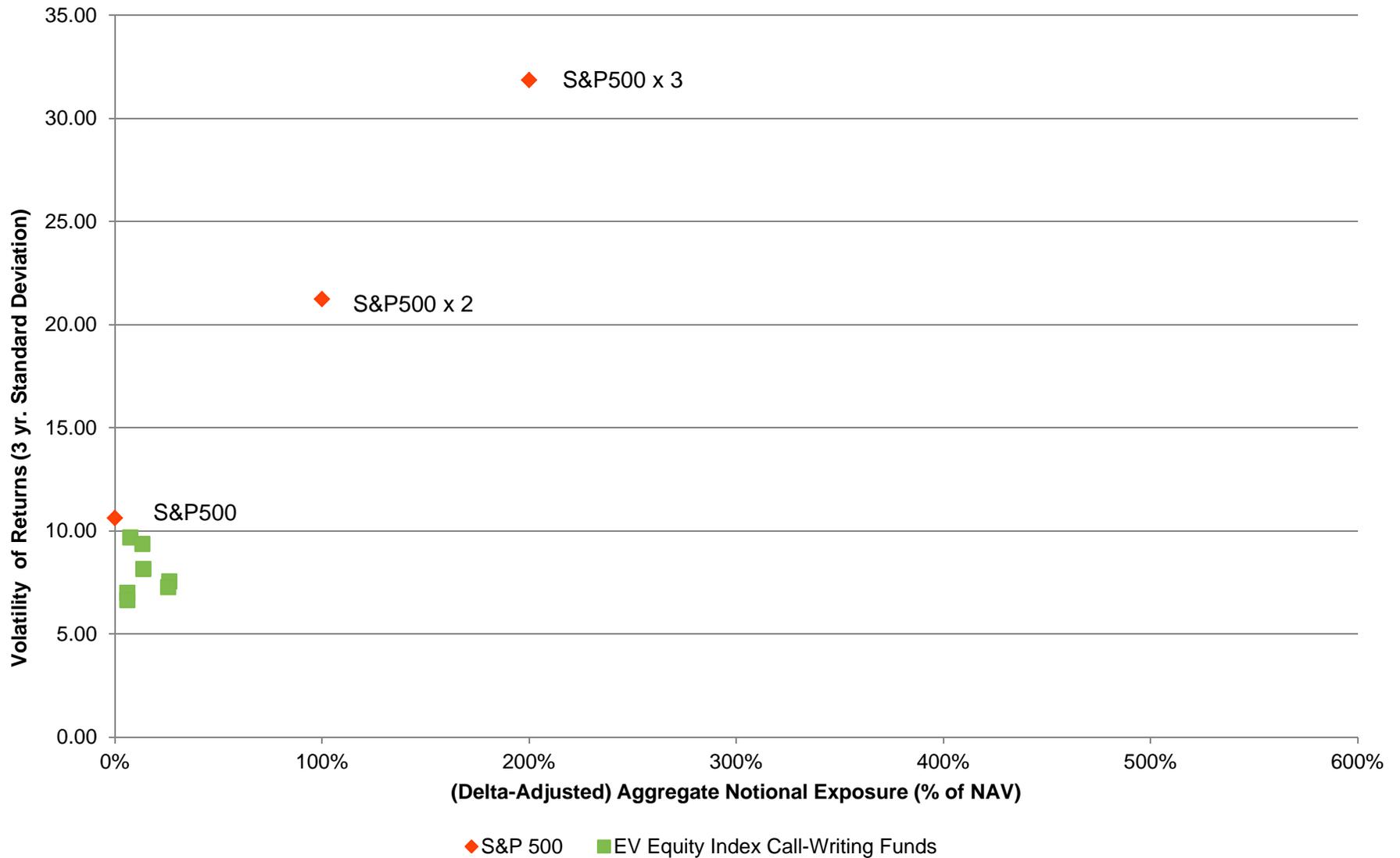
Proposed Rule 18f-4 Meeting with Securities and Exchange Commission

May 4, 2016

High Notional Exposure Does Not Equal High Risk



Index Call-Writing Strategies Fail Proposed Segregation Test



Cash Market Instruments vs. Derivatives Positions

Substantially similar fund investments may be implemented using either cash market instruments or derivatives positions . . .

<u>Cash Market Instrument</u>	<u>Aggregate Notional Exposure</u>	<u>VaR</u>
Italy 5-Yr Sovereign Bond	0	16.3%
Total	0	16.3%

<u>Derivatives Positions</u>	<u>Aggregate Notional Exposure</u>	<u>VaR</u>
Long EURO Currency Forward	100	12.7%
Receive Fixed 5-Yr EURO Swap	100	4.1%
Receive 5-Yr Italy CDS	100	4.6%
Total	300	~16.3%

By using derivatives positions, a fund may . . .

- tailor investment to include only desired exposures
- access deepest pockets of market liquidity
- manage investment implementation risks

Limitations on Use of Risk-Reducing Derivatives

	Cash Market Instruments + Derivatives	Aggregate Notional Exposure	<u>PERMITTED</u>	<u>NOT PERMITTED</u>
			Portfolio 1	Portfolio 2
Risk-Reducing Derivatives	400%	300%		Hedging Derivative 1 Hedging Derivative 2 Hedging Derivative 3 ⋮ Hedging Derivative N
Risk-Adding Derivatives	250%	150%	Long Derivative Equity 1 Long Derivative Equity 2 Long Derivative Equity 3 ⋮ Long Derivative Equity N	Long Derivative Equity 1 Long Derivative Equity 2 Long Derivative Equity 3 ⋮ Long Derivative Equity N
Cash Market Instruments	100%	0%	Cash Market Equity 1 Cash Market Equity 2 Cash Market Equity 3 ⋮ Cash Market Equity N	Cash Market Equity 1 Cash Market Equity 2 Cash Market Equity 3 ⋮ Cash Market Equity N

Unless the proposed rule, a fund is limited to an aggregate notional exposure of 150% of net assets unless the fund's derivatives positions are risk-reducing in total. A more rational test would permit a fund to use derivatives beyond the 150% limit if the excess derivatives positions are risk-reducing, as in the example above.

Disclosures

The information set forth herein has been obtained or derived from sources believed by Eaton Vance Management (“Eaton Vance”) to be reliable. However, Eaton Vance does not make any representation or warranty, express or implied, as to the information’s accuracy or completeness. This document has been provided to you solely for information purposes and does not constitute an offer or solicitation of an offer, or any advice or recommendation, to purchase any securities or other financial instruments, and may not be construed as such. This presentation is not research and should not be treated as research. This presentation does not represent valuation judgments with respect to any financial instrument, issuer, security or sector that may be described or referenced herein and does not represent a formal or official view of Eaton Vance. The views expressed reflect the current views as of the date hereof and neither the speakers nor Eaton Vance undertakes to advise you of any changes in the views expressed herein. The information contained herein is only as current as of the date indicated, and may be superseded by subsequent market events or for other reasons. Charts and graphs provided herein are for illustrative purposes only. The information in this presentation has been developed internally and/or obtained from sources believed to be reliable; however, neither Eaton Vance nor the speaker guarantees the accuracy, adequacy or completeness of such information. Nothing contained herein constitutes investment, legal, tax or other advice nor is it to be relied on in making an investment or other decision.