

MEMORANDUM

TO: Proposed Rule: Use of Derivatives by Registered Investment Companies and Business Development Companies
(Release No. IC-31933; File No. S7-24-15)

FROM: Sirimal R. Mukerjee
Senior Counsel, Division of Investment Management

RE: Meeting with Representatives of OneChicago, LLC

DATE: February 10, 2016

On February 10, 2016, Penelope Saltzman (Senior Special Counsel, U.S. Securities and Exchange Commission (“SEC”), Division of Investment Management (“IM”)), Brian McLaughlin Johnson (Senior Special Counsel, IM), Thoreau A. Bartmann (Branch Chief, IM), Adam Bolter (Senior Counsel, IM) and Sirimal R. Mukerjee (Senior Counsel, IM) telephonically met with the following representatives of OneChicago, LLC:

- David Downey, Chief Executive Officer
- Thomas McCabe, Chief Operating Officer
- Waseem Barazi, Chief Regulatory Officer and Associate General Counsel

Among other things, the participants discussed the SEC’s proposal relating to the use of derivatives by registered investment companies and business development companies, including the information provided by OneChicago, LLC set forth in Annex A.

ANNEX A

- We support the SEC’s proposal; RICs taking risk positions using our futures should clearly fall under the proposed rules
- Our futures can be used in a combination trade (called a spread) to lend securities This (unlike an outright directional futures position) is not a risk position
 - Economically identical to securities lending transactions in the OTC market
 - To lend securities using our futures spread: sell future expiring today while simultaneously buying future expiring at a later date. Today’s expiring future transfers stock to borrower; later dated future will obligate the borrower to transfer it back to lender (centrally cleared so no counterparty credit risk).
 - We are concerned that our spread trade will be treated like a directional risk position in a derivative. It is not a risk position and should be treated like a securities lending transaction under the proposed rule.
 - Our trade is on-exchange, centrally cleared, transparent, and regulated – many benefits compared to OTC sec lending – however we fear the proposed rule might prevent people from using this spread trade to loan securities because of ambiguity