MEMORANDUM

To: File No. S7-41-11

From: Jennifer B. McHugh
Senior Advisor to the Chairman

Date: February 6, 2012

Re: Meeting with Investment Company Institute ("ICI")

On February 3, 2012, representatives from the ICI and its members met with the following SEC representatives: Mary L. Schapiro, Chairman; James R. Burns, Deputy Chief of Staff; and Jennifer B. McHugh, Senior Advisor to the Chairman.

Below is a list of attendees from the ICI and its members (the "ICI Representatives"). The ICI Representatives discussed issues raised by the Volcker Rule Proposal from the perspective of registered investment companies, as laid out in the attached submission.

Martin Lawrence Flanagan
President & CEO
Invesco Ltd.

David Oestreicher
Chief Legal Counsel & Vice President
T. Rowe Price

Douglas J. Peebles
EVP, CIO & Head of Fixed Income
Alliance Bernstein

George U. Sauter
CIO & Managing Director
Vanguard Group

Lloyd Arno Wennlund
EVP & Managing Director
Northern Trust Global Investments

Paul Schott Stevens
President & CEO
Investment Company Institute

Karen McMillan
General Counsel
Investment Company Institute

Satish M. Kini
Partner
Debevoise & Plimpton LLP

ICI Global

ICI INVESTMENT COMPANY INSTITUTE®

Concerns with the Volcker Rule Proposal

February 3, 2012

Do Not Impede U.S. Registered Fund Activities

- Exclude funds registered under the Investment Company Act of 1940 from the definition of "banking entity"
  - Example: Banking entity sponsors/advisers commonly provide "seed" capital to new mutual funds – need to ensure this does not make the fund itself a "banking entity"
- Clarify that no 1940 Act registered fund will be a "covered fund"
- Authorized Participant ("AP") transactions related to registered exchange-traded funds -- exempt from the proprietary trading prohibition

Do Not Limit Investment Opportunities for Registered Funds and Their Shareholders

- Exempt asset-backed commercial paper ("ABCP") and municipal tender option bond ("TOB") programs from the proprietary trading, covered fund and Super 23A restrictions
  - Banking entities often sponsor ABCP and TOBs in reliance on Sections 3(c)(1) or 3(c)(7)
- Use Regulation S standards for the "solely outside the U.S." exemption to proprietary trading
  - The proposed standard could limit U.S. registered funds' ability to invest in non-U.S. securities, harming U.S. investors and the liquidity of foreign markets

Do Not Impair the Liquidity and Functioning of the Financial Markets

- Reduce complexity of, and difficulties complying with, the Proposal to ensure sufficient liquidity for registered funds
  - Eliminate the presumption that principal trading constitutes prohibited proprietary trading
  - Tailor the market making exemption to accommodate less liquid markets and securities
  - Ensure flexibility for risk mitigating hedging activities to facilitate market making activities
  - Expand government obligations exemption to cover *all* municipal securities and non-U.S. government securities

Limit Extra-Territorial Reach

- Non-U.S. retail funds are similar to U.S. registered funds, e.g., eligible for sale to the retail public, and subject to government oversight, and subject to substantive regulation
- Proposed definition of "covered fund" is broad, encompassing non-U.S. retail funds
  - Includes as any issuer organized or offered outside the United States that would be a covered fund (i.e., a fund relying on Section 3(c)(1) or 3(c)(7) of the 1940 Act) *were it organized or offered in the United States*
- Non-U.S. retail funds should be treated like U.S. registered funds and excluded from definitions of both "covered fund" and "banking entity"