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July 29, 2011

By E-Mail

Douglas Scheidt, Esq.,
Associate Director,
Division of Investment Management,
Securities and Exchange Commission,
100 F Street, N.E.,
Washington, D.C. 20549.

Re: Extension of No-Action Position Under Section 17(f) of the
Investment Company Act of 1940 for Cleared Swaps

Dear Mr. Scheidt:

Pursuant to our recent telephone conversation with the staff of the Division of Investment Management (the “*Division*”) of the Securities and Exchange Commission (the “*SEC*”), we are submitting this letter to request that the Division extend the existing no-action position permitting any registered Investment Company (a “*Fund*”) or its custodian to place and maintain assets in the custody of LCH.Clearnet Limited (“*LCH*”) or an LCH clearing member that is registered with the Commodity Futures Trading Commission (the “*CFTC*”) as a futures commission merchant (each such clearing member, an “*LCH Clearing Member*”) for purposes of meeting LCH’s or an LCH Clearing Member’s margin requirements with respect to interest rate swap contracts (“*IRS*”). We note that the Division has previously taken this position in a letter dated March 16, 2011 which provided no-action assurances under Section 17(f) of the Investment Company Act of 1940 (the “*LCH No-Action Letter*”).¹ However, the LCH No-Action Letter states that the no-action position is temporary and “will expire July 16, 2011”.²

¹ See LCH.Clearnet Limited, SEC No-Action Letter, Fed. Sec. L. Rep. (CCH) ¶ 76,711 (Mar. 16, 2011).

² Id.

The timetable for temporary relief provided in the LCH No-Action Letter was based on the requirement in the Wall Street Reform and Consumer Protection Act (the “*Dodd-Frank Act*”) that the CFTC adopt rules and issue interpretations implementing the Dodd-Frank Act by July 16, 2011 with respect to the centralized clearing of swaps, including IRS. However, the CFTC has not met the deadline and has issued temporary relief to exempt swap market participants from various requirements under the Commodity Exchange Act (the “*CEA*”), that would otherwise apply to certain swap transactions as a result of Title VII of the Dodd-Frank Act generally becoming effective on July 16, 2011 (the “*Effective Date Order*”).³ The Dodd-Frank Act and the Effective Date Order reflect an underlying policy to facilitate the central clearing of swap transactions (including IRS) to reduce systemic risk in the global financial markets, while also minimizing unnecessary disruption and costs to the markets. As such, in order to maintain consistency with the CFTC’s issuance of temporary relief, it is necessary to extend the no-action position taken by the Division in the LCH No-Action Letter until December 31, 2011.

LCH is a derivatives clearing organization registered with the CFTC. The CFTC has adopted amendments to its Part 190 Bankruptcy Rules to create a separate “cleared over-the-counter derivatives” account class that would apply in the event of a bankruptcy of an FCM. The Rules, as amended, are intended to provide customer protection parallel to Section 4d of the CEA in Part 190 of CFTC Rules.⁴ In accordance with the CFTC’s requirements, LCH rules for the cleared over-the-counter derivatives account class incorporate the relevant provisions of Section 4d of the CEA and the CFTC regulations with respect to the futures account class (i.e., 17 C.F.R. §§ 1.20, et seq.), including but not limited to the separate treatment of customer positions and property from clearing members’ proprietary positions and property.

LCH hereby represents that it will require each LCH Clearing Member to comply with the CFTC’s rules and requirements on futures commission merchants and derivative clearing organizations, as ultimately adopted, regarding the treatment of cleared swaps customer contracts (and related collateral) and conforming amendments to the commodity broker bankruptcy provisions,⁵ once they have become effective. Furthermore, LCH hereby represents that it will require each LCH Clearing Member which holds assets for an unaffiliated Fund customer wishing to clear IRS transactions through LCH to address each of the requirements of Rule 17f-6, as follows:

³ See 76 Fed. Reg. 35372 (June 17, 2011).

⁴ See 75 Fed. Reg. 17297 (April 6, 2010) (adopting final rules establishing a sixth and separate account class applicable to cleared over-the-counter derivatives only).

⁵ See 76 Fed. Reg. 33818 (June 9, 2011).

- the manner in which an LCH Clearing Member will maintain such a Fund's assets will be governed by a written contract between the Fund and the LCH Clearing Member, which provides that:
 - the LCH Clearing Member will comply with the requirements relating to the separate treatment of customer funds and property which specify the substantive requirements for the treatment of cleared OTC derivatives in the OTC derivatives account class prior to any bankruptcy;
 - the LCH Clearing Member may place and maintain the Fund's assets as appropriate to effect the Fund's cleared IRS transactions through LCH and in accordance with the CEA and the CFTC's rules thereunder, and will obtain an acknowledgement, as required under CFTC Rule 1.20(a), as applicable, that such assets are held on behalf of the LCH Clearing Member's customers in accordance with the provisions of the CEA;
 - the LCH Clearing Member will promptly furnish copies of or extracts from its records or such other information pertaining to the Fund's assets as the SEC through its employees or agents may request;
 - any gains on the Fund's transactions, other than *de minimis* amounts, may be maintained with the LCH Clearing Member only until the next business day following receipt; and
 - the Fund has the ability to withdraw its assets from the LCH Clearing Member as soon as reasonably practicable if the custodial arrangement no longer meets the requirements of Rule 17f-6, as applicable.

The foregoing representations supersede the representations provided by LCH in its letter to the Division dated March 15, 2011, in connection with the LCH No-Action Letter. All other provisions of the LCH letter dated March 15, 2011 remain in effect and are incorporated herein by reference.

Based upon the foregoing, we believe that extending the no-action position provided in the LCH No-Action Letter as described above, would be consistent with the approach taken by the Securities and Exchange Commission and the staff in applying the safe custody requirements of Section 17(f) of the Investment Company Act of 1940 (as reflected in the LCH No-Action Letter) and the CFTC's issuance of

Douglas Scheidt, Esq.

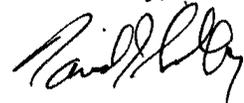
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temporary relief, as well as Congress's policy determination that the centralized clearing of swaps is in the best interests of market participants and the markets generally as reflected in the Dodd-Frank Act.

* * *

If you have any questions or require additional information, please do not hesitate to contact David J. Gilberg at (212) 558-4860.

Sincerely,

A handwritten signature in black ink, appearing to read "David J. Gilberg", written in a cursive style.

David J. Gilberg