STANDISH
A BNY MELLON COMPANY[SM]

January 19, 2012

Office of the Comptroller of the Currency
250 E Street, NW, Mail Stop 2-3
Washington, DC 20219

Jennifer J. Johnson, Secretary
Board of Governors of the
Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, NW
Washington, DC 20549

Commodity Futures Trading Commission
1155 21st Street, NW
Washington, DC 20551

Subject: Restrictions on Proprietary Trading and Certain Interests in, and Relationships with, Hedge Funds and Private Equity Funds

Dear Madames and Sirs,

I am writing on behalf of Standish Mellon Asset Management Company LLC ("Standish")[1], a SEC Registered Investment Advisor with over $86 billion in assets under management as of December 31, 2011. We are a dedicated, specialized fixed income manager with a diverse advisory client base that includes pension plans, endowments, foundations, insurance companies and other institutions. We provide investment advisory services to institutional, retail, individual and high net worth investors in the form of separate accounts, registered mutual funds, and pooled investment vehicles. A significant portion of the assets in the portfolios we manage are for the ultimate benefit of "main street" individuals, and we primarily execute client strategies in the over-the-counter (OTC) fixed income markets.

We are concerned that the approach taken by the financial regulators in implementing the proprietary trading prohibition of Section 619 (the "Volcker Rule") poses significant impediments to our ability to effectively and efficiently manage our client portfolios. We would like to share with you what we believe are unintended consequences of the Volcker rule, as proposed, on the liquidity of the fixed income markets. We understand that neither we nor our clients are the direct targets of the

[1] Standish is a wholly-owned subsidiary of The Bank of New York Mellon Corporation, a US bank holding company that owns multiple domestic and foreign investment advisers with $1.2 trillion aggregate assets under management as of Dec. 31, 2011.

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proposed changes, but both we and our clients will be impacted inadvertently by their detrimental effects.

The OTC fixed income markets thrive on having both a functioning primary market for issuers and a secondary market for liquidity. We are long term investors by nature, but do not hold all bonds that we purchase to maturity. Changes in relative value and credit profiles lead us to buy and sell bonds in the secondary market on a daily basis. This market is essential to our ability to preserve our clients' capital and to allow them to achieve their investment goals.

We believe there is a major difference between a dealer's proprietary trading book and the book that houses their client facing principal trading. We are concerned that the proposed regulations do not appropriately distinguish between the two. We feel that client facing principal trading should continue in a form that achieves the legislative intent of prohibiting risky trading by financial institutions, but does not negatively affect our asset management clients.

The proposed rules prohibiting principal trading could impact Standish and its advisory clients in the following ways:

- Our time frame to sell a bond would be extended as we wait for dealers to find an offsetting transaction to a Standish proposed trade, in order to classify it as a riskless trade, rather than purchasing it in inventory as a principal trade. Dealers are concerned that post execution market fluctuations could deem the trade to be proprietary, rather than for customer accommodations. This could delay our ability to meet client cash withdrawals and subject us to an extended period of market volatility and price risk.

- Buy-side investors would continue to have unlimited upside and unlimited downside in their transactions. However, dealers would have unlimited downside but a limited upside in their transactions. They would be forced to widen bid/offer spreads to account for this risk which would ultimately be passed through to our clients. Dealers would not be incentivized to trade bonds if they felt that there was excessive downside risk and the efficient market would cease to operate. As a result, volatility would increase and our clients would have to realize all losses due to changes in credit quality and price.

- Dealers will be hesitant to transact in secondary cash bonds because of the extraordinary compliance requirements and the lack of clarity surrounding the rules. There will be multiple regulators all of whom will have the ability to arrive at different conclusions about the "intent" of the dealer trade based upon a post-hoc numerical analysis. The proposed regulations fail to consider the uncertain and subjective factors in the market that the dealer would face at the time of the trade. The fear of post execution regulatory issues could seize the market from functioning normally and prevent market making.

It is our opinion that the proposed rule, if enacted in its current form, would result in significant market dislocations, severely weakened liquidity and non-competitive trading levels. The combination of these factors could lead to a distorted valuation of bonds, which would also weigh negatively on client assets. This will result in lower performance for our client's portfolios, create a higher likelihood of price depreciation than appreciation, and ultimately potentially delay clients from gaining access to their funds. As you can see, it is our clients that will ultimately bear the cost of rule compliance.

We greatly respect the work of the legislators and regulatory bodies in seeking to advance financial reform, however we feel that the disruption in the OTC markets will be much more severe than previously envisioned. We hope that hearing from a manager such as ourselves will help in your formulation of the final rules and allow us to continue to work with clients to achieve their investment goals.

We appreciate your time and consideration.

Regards,

Amy E. Koch

Director of Fixed Income Trading
Standish Mellon Asset Management Company LLC

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