

**Meeting between Federal Reserve Board Staff  
and Representatives of Goldman Sachs & Co.  
February 2, 2012**

**Participants:** Sean Campbell, Anna Harrington, and Christopher Paridon (Federal Reserve Board)

Ben Adler, Eric Edwards, Michael Koester and David Thomas (Goldman Sachs & Co.); Whitney Chaterjee, Rodgin Cohen and Michael Wiseman (Sullivan & Cromwell LLP)

**Summary:** Staff of the Federal Reserve Board met with representatives of Goldman Sachs & Co. (“GS”) to discuss the restrictions on proprietary trading and hedge fund and private equity fund activities under section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (also known as the “Volcker Rule”).

Among matters discussed in the meeting were GS’s views regarding the proposed rule’s approach to defining “covered fund,” including the limitations related to permissible organizing and offering of a covered fund. Specifically, GS expressed their view that the proposed rule does not permit a banking entity to acquire over 3 percent of the ownership interests in a “credit fund” that is principally engaged in making or acquiring extensions of credit. GS explained that investors in credit funds require at least 5 percent “skin in the game” from sponsors, as well as their position that credit funds were not the equivalent of CDOs. Additionally, GS indicated that these types of funds would likely be deemed a covered fund since alternative exemptions under the Investment Company Act of 1940 (e.g., exemption under Rule 3a-7 or section 3(c)(5)) may not be available.

GS recommended that the final rule make clear that a banking entity may sponsor and acquire or retain a greater than three percent interest in a credit fund, so long as the credit fund: (i) is predominantly engaged in extending credit, originating, or acquiring loans; (ii) does not employ excess leverage or borrowing; (iii) has a strategy of holding loans for at least a three-year period; (iv) only holds derivatives for the limited purpose of hedging interest rate or foreign exchange risks; and (v) does not have its obligations guaranteed or supported by the sponsoring banking entity. GS recommended that these requirements clearly be included as part of the credit fund’s offering documents.