

Renaissance

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COMMENT

January 9, 2003

Jean A. Webb, Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: Advance Notice of Proposed Rulemaking
On CPO and CTA Registration Exemptions

Dear Ms. Webb:

On behalf of Renaissance Technologies Corp. ("Renaissance"), I wish to submit the following comments to the proposals of the Managed Fund Association (the "MFA Proposal") and the National Futures Association (the "NFA Proposal") set forth in the Commodity Pool Operators and Commodity Trading Advisors; Exemption From Requirement To Register for CPOs of Certain Pools and CTAs Advising Such Pools, 67 Fed. Reg. 68, 785 (Nov. 13, 2002). While we strongly support both forms of exemptive relief set forth in the proposal, we urge the Commodity Futures Trading Commission (the "CFTC") to adopt a final rule that, at a minimum, incorporates the MFA Proposal for exemptive relief in the form of a new Rule 4.9.

Renaissance, an investment manager with approximately \$5 billion under management, manages a series of private investment funds that invest in securities, futures, and other investment products. The core of Renaissance's business is to develop proprietary trading models utilizing sophisticated mathematical and statistical methods through which trading of securities and futures is conducted. Renaissance also manages a fund that invests with other investment managers (*i.e.*, a fund-of-funds). Renaissance has been registered as a Commodity Trading Adviser and a Commodity Pool Operator with the CFTC since July 6, 1988 and April 2, 1991, respectively, and is a member of the National Futures Association.

The MFA and the NFA Proposals each address a distinct realm of exemptive relief, which relief would ultimately benefit different players within the financial arena. The MFA Proposal relies on the concept that certain financially sophisticated investors do not need the same level of protection as other investors, and that therefore, a fund comprised only of such sophisticated investors should be relieved from registration as a

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CPO and from the regulatory requirements that come with such registration. In this way, the MFA Proposal would primarily benefit existing CPOs, whose investors (for a particular fund) are comprised solely of financially sophisticated investors, as well as existing "Section 3(c)(7) Funds" (under the Investment Company Act of 1940) that want to expand the scope of their investment portfolios. In contrast, the NFA Proposal would grant exemptive relief to those funds that invest in a limited number of futures instruments for hedging purposes only. Thus, the NFA Proposal would primarily benefit existing fund managers on the securities side that want to use futures for hedging purposes, but have been unable or unwilling to do so due to current CFTC regulatory requirements. Although Renaissance believes that the concepts introduced in both proposals are important and that some form of exemptive relief is necessary and vital to the future of the industry, Renaissance favors the MFA Proposal as the more comprehensive, effective and administrable proposal.

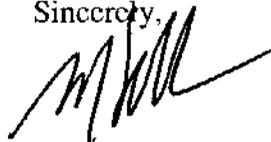
The MFA Proposal is based upon the simple concept that financially sophisticated investors do not need the same level of protection as unsophisticated investors. This concept has already been incorporated within the securities regulations, and many fund managers, such as Renaissance, are already familiar with and operate in accordance with such distinction. Given the globalization of the various financial markets and the integration of securities and futures products, it seems to make sense to extend the same concept of exemptive relief to the futures industry. Rule 4.7, which reduces some of the regulatory requirements for funds with financially sophisticated investors, has not gone far enough in granting relief, as many funds have opted not to invest in futures in order to avoid the regulatory requirements that come with being a registered CPO. Rule 4.9, on the other hand, would take the familiar concept of financially sophisticated investors one step further than Rule 4.7 by granting a commodity pool exemptive relief from registration if all of the pool's investors meet the financial criteria listed in Rule 4.9. In this way, Rule 4.9 would give funds greater flexibility by reducing the unnecessary regulatory red tape that has existed on the futures side, despite Rule 4.7, without sacrificing protection for those investors who need it. Many securities funds whose investors are already Qualified Purchasers under Section 3(c)(7) of the Investment Company Act and whose investors meet the financial requirements of the applicable securities regulations would likely be able to take advantage of Rule 4.9 and invest in futures without added regulatory burdens. Although such funds would still be subject to the anti-fraud and anti-manipulation provisions of the Commodity Exchange Act and would be required to submit an annual financial statement to the CFTC, it seems unlikely that these protections would, in and of themselves, deter a fund from adding futures products to its investment portfolio. By incorporating proposed Rule 4.9 in its final rulemaking, the CFTC's jurisdiction would be increased as more securities funds invest in futures (even though these funds may not need to register), and as a result, one would expect the MFA Proposal to make a significant and positive impact in the use of futures products.

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The NFA Proposal grants certain funds an exemption from registration with the CFTC, but limits the exemption to funds that invest in futures for hedging purposes only (*i.e.*, the investment in futures must stay below a certain threshold amount). This Proposal seems to have several disadvantages in comparison to the MFA Proposal. First, this exemptive relief would only benefit a relatively small number of funds, namely existing securities funds. For an investment manager such as Renaissance, which incorporates futures trading in its core investment strategy rather than merely as a hedge, the NFA Proposal would not give any benefit or relief with respect to its regulatory requirements, except perhaps indirectly through its fund-of-funds business (*i.e.*, the investment managers with whom the fund-of-funds invests may be able to take advantage of this exemptive relief). Second, the NFA Proposal would be a difficult rule to administer and may not offer adequate protection to certain investors who may need it. One of the primary drawbacks is that the NFA Proposal is based upon an arbitrary numerical limitation. Such an arbitrary threshold would be difficult for certain funds, especially fund-of-funds, to monitor. Further, the requirement that the investment in futures be "for bona fide hedging purposes" is inconsistent with the trend away from pure hedging techniques and the inevitable blurring of the line between certain financial products. It is not surprising then that securities regulators have only granted this type of exemptive relief in no-action letters, rather than in a formal regulation. Finally, the NFA Proposal would probably not contribute to a significant increase in use of futures products, even though many funds may take advantage of this exemptive relief, since the threshold would keep the increase at a relatively low level.

In sum, the MFA Proposal has many advantages over the NFA Proposal and would best serve the futures industry by reducing unnecessary and burdensome regulatory requirements. If you have any questions regarding these matters, please do not hesitate to contact me at 212-486-6780.

Sincerely,



Mark Silber
Vice President