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

COMMENT

Re: Proposed Rules for CPO and CTA
Registration and Other Regulatory Relief

Dear Ms. Webb:

The Investment Company Institute¹ appreciates the opportunity to comment on the amendments the Commodity Futures Trading Commission (CFTC) has proposed to Rule 4.5 under the Commodity Exchange Act (CEA), which provides an exclusion from the definition of "commodity pool operator" (CPO) to certain regulated entities including registered investment companies.² As proposed, Rule 4.5 would be amended to relieve entities that are "otherwise regulated" from having to satisfy commodity interest trading criteria currently set forth in the rule. In particular, the CFTC has proposed to delete a provision in the rule that limits the aggregate initial margin and premiums required to establish non-hedge positions to five percent of the liquidation value of the entity's portfolio. As such, the only conditions eligible entities would be required to meet to rely on the rule's exemption would be (1) a prohibition against marketing a qualifying entity as a commodity pool or otherwise as a vehicle to trade commodity interests; and (2) a requirement to submit to special calls to demonstrate compliance with eligibility for relief under the rule. The proposed revisions are intended to address concerns that the current restrictions in the rule may unduly limit the use of security futures and stock index futures by entities that are eligible to rely on the rule.

The Institute supports the proposed amendments. We commend the CFTC for recognizing the need to update Rule 4.5 to accommodate investments in security futures and stock index futures by regulated entities, such as registered investment companies, without subjecting them to additional, and possibly conflicting or duplicative, regulation under the CEA. We believe the amendments will provide registered investment companies additional flexibility to invest in these products when appropriate in the interests of their shareholders.

Sincerely,

Tamara K. Salmon
Senior Associate Counsel

¹ The Investment Company Institute is the national association of the American investment company industry. Its membership includes 8,949 open-end investment companies ("mutual funds"), 527 closed-end investment companies and 6 sponsors of unit investment trusts. Its mutual fund members have assets of about \$6.045 trillion, accounting for approximately 95% of total industry assets, and 90.2 million individual shareholders.

² The CFTC has also proposed amendments to Rules 4.13 and 4.14 under the CEA, which provide exemption from CPO and commodity trading advisor (CTA) registration, respectively, for certain other persons. The Institute has no comments on the amendments proposed to these two rules.