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*The Association for investment  
professionals in futures, hedge funds  
and other alternative investments.*

April 24, 2000

**COMMENT**

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

Re: Chicago Mercantile Exchange new Proposed Rule 526

Dear Ms. Webb:

Managed Funds Association (the "MFA") appreciates the opportunity to provide comments in response to the proposed new Rule 526 (the "Proposed Rule") of the Chicago Mercantile Exchange which was published by the Commodity Futures Trading Commission (the "Commission") in the Federal Register on April 7, 2000 for comment.

MFA is a national trade association of more than 700 members, representing a diverse group of alternative investment professionals, including hedge fund and commodity trading managers, commodity pool operators, and fund of funds managers as well as major end-users of the futures markets. MFA supports initiatives that foster the growth and accessibility of futures markets while promoting greater market efficiencies, especially the development of innovative execution procedures to facilitate the execution of block orders and large orders where such procedures enhance market integrity.

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MFA believes the principles underlying the Proposed Rule are sound and MFA strongly supports the CME's concept that where the order is entered by a Commodity Trading Advisor ("CTA") on behalf of its clients, the separate clients of the CTA need not qualify as an "eligible participant" under the Commission's Regulation 36.1. Rather, any CTA registered under the Commodity Exchange Act, as amended (the "Act") and any investment adviser registered as such with the Securities and Exchange Commission that is exempt under the Act with some required minimum level of assets under management should be able to qualify and be permitted to enter its client orders as a block order. For a CTA who controls the trading in its client accounts and trades all its client accounts in a similar manner, it makes sense that this order should enter the market as a single order. However, MFA believes the proposed \$50 million total asset threshold in the Proposed Rule is excessively high, unnecessarily restrictive, potentially anticompetitive in effect and will significantly limit application of the rule in the futures industry.

Presumptively, the minimum asset requirement is an effort to establish the professionalism and sophistication of the registrant. In reality, such a high threshold will limit application of the rule to only a few percent of the industry. The Commission has provided exemptive relief to CTAs who have total assets exceeding only \$5 million.<sup>1</sup> Indeed, it is rare that CTAs succeed in managing more than \$5 million in assets without

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<sup>1</sup>See Commission Rule 4.7 (a)(1)(ii)(A)(4) which defines CTAs who are registered under the Act and have been active for two years who provide commodity interest trading advice to accounts which in the aggregate have total assets in excess of \$5 million deposited with futures commission merchants.

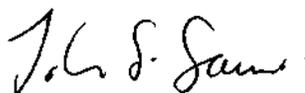
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having successfully completed industry due diligence scrutiny. While it differs according to the trading style of the particular CTA, it is often the case that once CTAs manage in excess of \$5 or \$10 million, the difficulties of executing multiple orders may impact performance as a result of price slippage from the delays associated with placing multiple orders. For all of the foregoing reasons, MFA urges the CME and the Commission to consider lowering the minimum threshold to \$5 million, which MFA believes will significantly increase the Proposed Rule's utility.

MFA commends the CME for moving forward with the Proposed Rule and understands the reasons such a rule would be proposed on a pilot basis for a limited number of markets. However, MFA also encourages the CME and the Commission to broaden application of the rule to all markets at the earliest possible time so that the majority of market participants who trade in the majority of the futures markets and not just those trading such a limited sector of the financial markets can benefit from the additional efficiency and cost savings such a Rule can provide.

MFA appreciates the opportunity to submit these comments to the Commission and the CME and would be happy to respond to any questions or to provide further information that may be relevant.

Sincerely yours,



John G. Gain  
President