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**Commodity Futures Trading Commission**  
Potential Changes in the Regulation of Intermediaries  
June 6, 2002

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Thank you Chairman Newsome and Commissioners for the opportunity to participate. I'm George Crapple, Co-Chairman and Co-CEO of Millburn Ridgefield Corporation. I am a former chairman of the Managed Funds Association. Our company is a CTA, CPO and registered investment adviser. We manage public and private currency and futures funds, hedge funds and fund-of-funds, and we provide currency overlay services.

The first issue I would like to address is the requirement that solicitation of futures accounts and private and public futures fund investments be made only by disclosure document. My premise is that so long as a disclosure document is delivered and acknowledged before money is accepted, there is no harm to investors if reasonable, balanced, non-misleading, non-fraudulent communications are used to locate interested potential investors. I served as chairman of NFA Eastern Regional Business Conduct Committee for ten years and currently serve as chairman of NFA's Appeals Committee, so it is fair to say that I have seen quite a few solicitations – scripted spiels, written materials and infomercials – which fall somewhat short of my suggested standard of reasonable, balanced, non-misleading and non-fraudulent communications; but communications which do meet this standard cannot reasonably be considered to so mesmerize the potential investor that he cannot make a rational decision when all information, including the disclosure document which he must acknowledge, is before him.

Since all solicitation costs somehow or other end up coming out of the investors' pockets, it is relevant that the approach I recommend would save a considerable amount of expense. The complete disclosure document package is often a lengthy and expensive document. If 99 out of 100 are thrown away unread because recipients have not been qualified as interested and suitable, it's wasteful.

I believe the disclosure document delivery rules are more restrictive than corresponding securities law rules. Public offerings allow limited tombstone

announcements (which I also believe are unnecessarily restrictive). The practice in private placements does not require that initial contact be made by any particular document. Anti-fraud rules are the investors' protection. I see no reason why solicitations for futures investments should be more restricted than any other type of investment.

Second, I would like to recommend a de minimus exception to CPO registration. I generally support the concept of the NFA's proposed de minimus rule which would exempt from CPO registration pools which utilized 1% or less of their assets as non-hedge futures margin. However, I believe 5% would be a better number. In addition, I want to propose another de minimus approach which would be helpful to funds-of-funds which use no assets directly as futures margins but may invest with CPO managed pools. I understand the NFA's rule would attribute to a fund-of-funds the subadvisor's futures margin, so if 10% of FOF assets were invested in a fund using 20% of its assets as margin 2% would be attributed to the FOF. I don't see how it would be practical to keep track of this.

There are quite a few hedge funds which are CPO registered because they do a very small amount of futures business. These would benefit from NFA's de minimus proposal. However, it's not clear that a fund-of-funds which invested in such pools would be exempt from CPO registration. Further, some fund-of-fund firms have declined to invest in CPO sponsored futures pools because of reluctance to become CPO registered themselves. I am under the impression that a number of fund-of-fund operators are misinformed about their obligations to register as CPOs when they invest in CPO sponsored hedge funds, but they seem to believe investment in a futures fund would require them to register as a CPO.

I propose a rule that would exempt from CPO registration fund-of-fund operators who invest less than 40% of their assets (at the time of investment) in CPO-sponsored pools and that any hedge fund which utilized less than 5% of its net assets as non-hedge futures margin would not be counted as a CPO sponsored pool for this purpose.

I propose 40% in an effort to define funds-of-funds whose principal purpose is not futures trading. Under the Investment Company Act of 1940, futures pools are not considered investment companies even though 100% of their assets may be invested in Treasuries because the principal purpose is futures not securities trading. I believe such a rule would result in a beneficial increase in futures markets activity by fund-of-funds with no detriment to investors since the fund actually making the futures investments would be a

CPO or exempt from CPO registration. Fund-of-fund operators invest in hedge funds, futures funds, venture capital, private equity, real estate, mutual funds and other categories. As long as the manager making the trading decisions has the required registrations, I do not believe investor protection also requires the FOF sponsor to have the same registrations.

I would also like to express my support for the Rule 4.9 proposal by MFA which would base CPO exemption on the qualifications of clients. None of the proposals would exempt my firm from CPO registration.

Third - and I recognize that this is not in the Commission's jurisdiction - I believe the Commission should enter into discussions with the SEC to remove from SEC review all parts of S-1 registration statements for futures pools which pertain to the futures markets, or better yet, delegate complete review to NFA. The SEC continually has new examiners assigned to futures pools and updated registrations of existing registered pools can call forth 25 pages of comments. The situation is ridiculous and has cost investors many millions of dollars, since by and large these costs are passed on to the pools.

Thank you.