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MANAGED FUNDS ASSOCIATION

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

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January 11, 2002

Ms. Jean A. Webb
Secretary to the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
Attn: Office of the Secretariat
1155 21st Street N.W
Washington, DC 20581

Mr. Jonathan G. Katz
Secretary to the Commission
Securities and Exchange Commission
450 Fifth Street
Washington, DC 20549

Re: Proposed Customer Margin Rules Relating to Security Futures, 66 Fed. Reg. 50720 (October 4, 2001); Release No. 34-44852 SEC File No. S7-16-01

Dear Ms. Webb and Mr. Katz:

The Managed Funds Association (MFA) is the voice of the global alternative investment industry. MFA, located in Washington, D.C., is a membership organization dedicated to serving the needs of the professionals who specialize in the global alternative investment industry – hedge funds, fund of funds and private and public managed futures funds. MFA has over 600 members who represent all segments of the alternative investment industry – including commodity trading advisors and commodity pool operators. Our members represent a significant portion of the $500 billion invested in hedge funds, fund of funds, futures funds and other alternative investment vehicles. MFA members, which include many of the largest international financial services conglomerates, are based in both the U.S. and Europe.

We have read and analyzed the comment letter dated December 5, 2001 jointly submitted by the Futures Industry Association and the Securities Industry Association (the Joint Letter).

In the main, we agree with the comment and analyses set forth in the Joint Letter. By way of emphasis and clarification we would like explicitly to make the following points here.

First, MFA concurs in the analysis and conclusion set forth in the Joint Letter that application of Regulation T to security futures held in futures accounts is inefficient and unnecessary.

Second, MFA strongly supports the adoption of a portfolio managing system that is devised from a risk-based analysis of the portfolio's component securities, security options and security futures, including the use of SPAN in futures accounts and TIMS in securities accounts. We particularly endorse the following portion of the Joint Letter: "The Associations thus urge the Commission to lead a broad-based industry effort to establish appropriate parameters for the use of portfolio managing systems that would satisfy all applicable initial and maintenance margin requirements."

Finally, we urge the Commissions to adopt their proposed 20% minimum initial and maintenance margin requirement. This level (subject, of course, to any appropriate upward adjustment by an individual brokerage firm) is consistent with the statute and promotes comparability between potentially competing products while providing necessary systemic and credit protection.

Thank you for consideration of our views. Please let me know if you have any questions.

Sincerely,

John G. Gaine
President

MFA