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MANAGED FUNDS ASSOCIATION

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The Association for Investment
professionals in futures, hedge funds
and other alternative investments.
MEMBER OF IAT

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COMMENT

October 12, 1999

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

Re: Petition of the Chicago Board of Trade, the Chicago
Mercantile Exchange, and the New York Mercantile
Exchange for Exemption Pursuant to Section 4(c) of the
Commodity Exchange Act

Dear Ms. Webb:

The Managed Funds Association ("MFA") respectfully submits this comment letter to the Commodity Futures Trading Commission ("CFTC") in response to its request for comments concerning the Petition of the Chicago Board of Trade, the Chicago Mercantile Exchange, and the New York Mercantile Exchange for Exemption Pursuant to Section 4(c) of the Commodity Exchange Act ("Petition"), published August 25, 1999 in the Federal Register at 64 Fed. Reg. 46356.

MFA, located in Washington, D.C., is the only membership organization based in the United States dedicated to serving the needs of professionals who specialize in the international managed funds industry, which provides alternative investment opportunities to institutional and individual investors world-wide. MFA's objective is to increase understanding of the managed funds industry, to further constructive dialogue with regulators in pursuit of regulatory reform, and to improve communication with, and training of, the Association's members. MFA's more than 700 members provide diverse perspectives of alternative investment professionals, including commodity trading advisors, investment advisers, hedge fund managers,

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commodity pool operators, fund of funds managers and hedge fund sponsors. These professionals in the aggregate manage the vast majority of the over \$40 billion invested in managed futures and a significant portion of the nearly \$250 billion invested in hedge funds. MFA members also include professionals providing essential services to the managed funds industry such as futures commission merchants, broker-dealers, foreign exchange dealers, banks, exchanges, introducing brokers, cash managers, lawyers, accountants, consultants and academics.

Since its inception, MFA has strongly advocated modernization of the Commodity Exchange Act ("CEA") to eliminate provisions that impose unnecessary costs and burdens, without corresponding benefit. Consistent with this goal, MFA supports the central objective of the Chicago Board of Trade ("CBT"), the Chicago Mercantile Exchange ("CME"), and the New York Mercantile Exchange ("NYMEX") (collectively, "the Exchanges"), as stated in the Petition, of enabling the exchanges "to be able to list new contracts and amend existing contracts without being delayed by a lengthy CFTC approval process."

MFA believes that in order for the U.S. futures markets to offer their users, including MFA's membership, the most liquid, efficient, and innovative trading environments, they should be accorded greater freedom and flexibility to create new products and fashion new approaches to the trading of those products. MFA has been a leader in advocating a number of innovations, regarding such matters as block order allocation, adoption of position accountability rules to replace position limits, and other regulatory modifications to enhance the utility and competitiveness of the U.S. futures markets. MFA's specific comments on the Petition follow.

1. Contract Market Designation Process. MFA generally supports the Exchanges' objective in seeking increased latitude to list new futures and options contracts without pre-approval by the Commission. The Commission's pending proposal for a pilot program offering expedited listing of new contracts by already designated contract markets represents a positive step in the direction of greater flexibility in this area. However, MFA recognizes that the Commission's proposed pilot program for listing of new contracts without

advance review by the Commission potentially presents issues concerning the legal status and enforceability of contracts traded without Commission approval. MFA also has concerns as to the status of contracts listed for trading without CFTC review under the procedure contemplated in the Exchange Petition. MFA believes that any program for eliminating advance Commission review of new contracts should take into account the legitimate interests of market users in trading in markets in which an acceptable minimum level of market and trading safeguards exists. MFA supports in principle regulatory changes to enable the Exchanges to list contracts without pre-approval by the Commission and stands ready to work with the Commission in fashioning a method of implementing this objective in a manner that will protect the legitimate interests of the Exchanges and the users of Exchange markets.

2. Review of Rule Changes. MFA supports, in principle, the Exchanges' petition for an expedited procedure under which a contract market would provide the Commission with notice of a rule change ten days prior to its effective date and the rule could then be implemented, absent a specific and timely determination by the Commission that the rule is likely to cause fraud, render trading readily susceptible to manipulation, threaten the financial integrity of the market or otherwise jeopardize the fair and efficient operation of the markets. MFA believes that the Commission should exercise its exemptive authority to fashion an approach to the review of contract market rules that appropriately balances the aims of protecting the integrity and fairness of the markets and maximizing the ability of the exchanges to develop new and more effective methods of doing business.

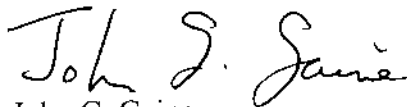
3. Response to Foreign Exchange Competition. MFA recognizes the legitimate interests of the U.S. futures markets in competing with foreign futures exchanges without undue U.S. regulatory constraints. However, as end users of both the U.S. and foreign futures markets, MFA's membership does not wish to relegate the protection of U.S. futures markets to whatever standards may be adopted by foreign regulators for foreign markets. MFA thus supports a continuing CFTC role in overseeing the U.S. futures markets under the standards of the CEA. Nonetheless, as discussed above, MFA supports streamlining of the CFTC's

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process for review of new exchange contracts and rules, subject to agency authority to take action in the event of potential diminution of core market protections. MFA advocates a careful balance between the oversight role of the CFTC in preserving fair, efficient and orderly markets and the discretion of futures exchanges to conduct business efficiently and competitively. MFA questions whether permitting U.S. contract markets to adopt and implement, on an immediate basis and without opportunity for review or public comment, the trading rules and procedures of a competing foreign exchange authorized to locate trading terminals in the U.S. would be consistent with this balanced approach.

MFA appreciates the opportunity to present its views on the Exchange Petition. As always, MFA and its members would be pleased to provide additional information or assistance on these matters.

Sincerely yours,

A handwritten signature in cursive script that reads "John G. Gainé". The signature is written in black ink and is positioned above the printed name and title.

John G. Gainé
President