

NATIONAL FUTURES ASSOCIATION
CFTC PUBLIC ROUNDTABLE
PROPOSED CHANGES TO REGISTRATION AND COMPLIANCE
REGIME FOR COMMODITY POOL OPERATORS AND COMMODITY
TRADING ADVISORS

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My name is Bob Amedeo. Thank you for giving me the opportunity to participate in this Roundtable discussion.

By way of background, I currently serve as the Chairman of the NFA's CPO/CTA Sub-Committee and was also invited by Tom Sexton and his team to chair a Special Industry Committee to assist the NFA in examining various issues relating to the proposed amendments to Rule 4.5 and to assist them in preparing its April 12, 2011 comment letter.

In the interests of full and fair disclosure, I am an Executive Vice President and the Director of Business Development for the Altegris Companies. The Altegris Companies are subsidiaries of Genworth, Inc., a multi-national provider of insurance and financial services. The Altegris Companies act as the commodity pool operator to traditional commodity pools with assets of approximately \$1 billion and to two mutual funds utilizing managed futures strategies with assets of approximately \$800 million.

The Special Industry Committee included members representing the traditional commodity pool industry, open ended mutual funds that employ managed futures and other strategies, as well as attorneys who are expert on the Commodity Exchange Act, the Part 4 Regulations, and the Investment Company Act of 1940 and the regulations there under.

As part of its process, the Committee examined a number of traditional long only mutual funds that employ futures, swaps and notes, as well as mutual funds that include managed futures strategies in their investment and trading strategies. We also examined the current Part 4 Regulations and relevant portions of the 1940 Act and related regulations. Finally, members of the Committee had discussions with

representatives from industry groups, major fund families and attorneys representing mutual funds and traditional commodity pools.

Based on its findings, the Committee made specific recommendations to the staff, which were incorporated into the NFA's comment letter, concerning:

- A two tier system for determining registration for operators of mutual funds that employ futures and swaps,
- Mutual fund sales practices and Part 4 requirements relating to Disclosure Document delivery and acknowledgment,
- Periodic reporting,
- Record keeping,
- Financial reporting,
- Areas of conflict between the requirements of the Part 4 regulations as they relate to registered commodity pool operators and the requirements of the 1940 Act, and
- Specific suggestions relating to resolving those conflicts.

Accessing the futures markets through a mutual fund can offer potential advantages for some investors. Mutual funds offer daily liquidity and pricing, easier access through publicly available internet platforms and simplified tax reporting. Many investors are further comforted by the independent board oversight and third-party custody arrangements required for mutual funds, as well as by the use of the NSCC centralized clearing system that is available via a mutual fund format. When an investor buys shares in a mutual fund that trades a portion of its portfolio in futures, the investor is making an investment that is already highly regulated by the SEC. These regulations provide investor protection in the form of substantive operating requirements which include strict limits on leverage, affiliated transactions, portfolio concentration and the holding of related-issuer securities.

Given the differing regulatory schemes implemented by the SEC and CFTC and the additional investor protection benefits provided by Part 4, we urge the Commission to carefully consider the proposed regulatory scheme outlined in the NFA's comment letter and to work closely with the SEC in harmonizing any revisions to Part 4 with the requirements of the Investment Company Act.