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December 11, 2023

Mr. Christopher Kirkpatrick
Secretary
Commodity Futures Trading Commission
1155 21st St. NW
Washington, DC 20581

Re: *Commodity Pool Operators, Commodity Trading Advisors, and Commodity Pools: Updating the 'Qualified Eligible Person' Definition; Adding Minimum Disclosure Requirements for Pools and Trading Programs; Permitting Monthly Account Statements for Funds of Funds; Technical Amendments, RIN 3038-AF25*

Dear Mr. Kirkpatrick:

The Investment Company Institute[1] is writing to provide comments on the Commodity Futures Trading Commission's (the "Commission" or CFTC) proposed amendments to Regulation 4.7 (the "Proposal").[2] The Proposal would double the "Portfolio Requirement" monetary thresholds within the "Qualified Eligible Person" (QEP) definition, require new minimum disclosure requirements for commodity pool operators (CPOs) and commodity trading advisors (CTAs) operating pools and trading programs, respectively, under Regulation 4.7 ("Regulation 4.7 CPOs and CTAs"), codify affiliated "funds of funds" no-action relief related to distributing monthly account statements, and make various technical amendments. While each of these proposed

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[2] Commodity Pool Operators, Commodity Trading Advisors, and Commodity Pools: Updating the 'Qualified Eligible Person' Definition; Adding Minimum Disclosure Requirements for Pools and Trading Programs; Permitting Monthly Account Statements for Funds of Funds; Technical Amendments, 88 Fed. Reg. 70852 (Oct. 12, 2023), *available at* https://www.cftc.gov/sites/default/files/2023/10/2023-22324a.pdf.

amendments will affect Regulation 4.7 CPOs and CTAs, it is the proposed minimum disclosure requirements for Regulation 4.7 CTAs that would most affect ICI members.[3]

As detailed below, CTAs to investment companies registered with the SEC ("registered funds") and offshore regulated funds registered with a foreign regulator, such as UCITSs ("offshore funds"), typically rely on Regulation 4.7 for compliance relief when no CTA exemption or exclusion is available, but the full protections of the Commodity Exchange Act (CEA) are not necessary. This most often occurs when the fund requires a registered CPO and CTA and the CPO and CTA are not the same entity.

With respect to CTAs, the CFTC's stated policy objective in the Proposal is to ensure that investors who are QEPs, but who, in the Commission's view, may not have the leverage to obtain information from a Regulation 4.7 CTA, are provided at least a minimum set of disclosures.[4] To achieve that objective and avoid unnecessary costs, any final Regulation 4.7 CTA minimum disclosure requirements, if any, should only be required for clients of Regulation 4.7 CTAs that are natural persons who are residents of the United States. Alternatively, if the CFTC does not take this approach, it should limit any final Regulation 4.7 CTA minimum disclosure requirements to Regulation 4.7 CTA clients that do not otherwise have a registered, exempt, or excluded CPO (*i.e.* are not pools).[5]

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[3] The most common use of Regulation 4.7 for CPO registration by investment advisers to investment companies registered with the Securities and Exchange Commission (SEC) is with respect to wholly-owned subsidiaries (known as controlled foreign corporations or CFCs) through which the investment company trades in commodity interests due to tax regulations. The proposed minimum disclosure requirements would not apply to the CPO of a CFC, as discussed *infra* Section 1.1.

[4] *See* Proposal, 88 Fed. Reg. at 70856 (quoted text accompanying *infra* note 20).

[5] Whichever alternative the CFTC may adopt, ICI urges the CFTC to apply a *de minimis* threshold before requiring minimum disclosures, similar to the threshold in Regulation 4.14(a)(8). Regulation 4.14(a)(8), which may be claimed on a pool-by-pool basis pursuant to Regulation 4.14(c), exempts from registration as a CTA an investment adviser registered with the SEC, among other entities, if the investment adviser provides commodity interest trading advice solely incidental to its business of providing securities or other investment advice to qualifying entities, collective investment vehicles, and commodity pools as described in Regulation 4.14(a)(8)(i) and is not otherwise holding itself out as a CTA. A CTA to a separate account, such as that for a natural person or university endowment, cannot rely on Regulation 4.14(a)(8) because a separate account is generally not one of the entities described in Regulation 4.14(a)(8)(i). Providing a *de minimis* threshold like that found in Regulation 4.14(a)(8) ensures that only those investors that would most benefit from any potential final minimum required disclosures (*i.e*. those investors following a commodity investment strategy and not an investment strategy with incidental commodity interest trading) will receive such disclosures.

Our letter is organized as follows:

- Section 1 provides background information on when CTAs for registered and offshore funds may rely on Regulation 4.7 and why it is critical that the CFTC preserve this availability for CTA regulatory relief.

- Section 2 discusses the unnecessary costs and burdens, without any corresponding benefit to clients, if the Commission adopts minimum disclosures for Regulation 4.7 CTAs without appropriately tailoring any final requirement.

- Section 3 recommends that the proposed minimum disclosure requirements for Regulation 4.7 CTAs only be required, if at all, with respect to clients that are natural persons who are residents of the United States. This result would achieve the CFTC's policy objectives by requiring minimum disclosures only for those investors with a US nexus that may not have the leverage to demand certain disclosure. Alternatively, if the CFTC determines not to take this approach, we recommend that it limit any final minimum disclosure requirements to Regulation 4.7 CTA clients that are not pools. This approach also would more appropriately align the costs of the proposed minimum disclosures with potential benefits while preserving the ability of CTAs to rely on Regulation 4.7 for compliance relief.

Section 1. Background Information on the Critical Regulatory Relief Provided by Regulation 4.7 for Registered and Offshore Funds Requiring a Registered CTA.

While the investment adviser to a registered or offshore fund requiring a registered CPO and CTA often serves as both the CPO and CTA, that is not always the case. When the CPO and CTA are different entities, and there is no exemption or exclusion otherwise available,[6] the CTA often relies on Regulation 4.7 for CTA compliance relief.[7] In the Proposal, the CFTC states that, as of

[6] Registered investment advisers to registered funds with *de minimis* derivatives exposure often rely on Regulation 4.5 with respect to their CPO relationship with the registered fund. The CTA to such a registered fund often can rely on a CTA exemption or exclusion, generally under Regulation 4.14 or Regulation 4.6. It is primarily when the registered fund engages in commodity interest trading as part of its principal investment strategy, the CTA and CPO are different entities, and no exemption or exclusion is otherwise available, that CTAs register and may rely on Regulation 4.7.

[7] For example, for registered funds that serve as underlying options in variable insurance contracts, often a primary investment adviser, generally the insurance company sponsor of the variable insurance contract, manages the fund and a sub-adviser is retained to carry out the investment strategy of the fund. In this scenario, if the registered fund cannot satisfy the conditions of Regulation 4.5 and no other CPO exemption or exclusion is available, the primary adviser typically will register as the CPO of the registered fund, and the sub-adviser, which also is an investment adviser registered with the SEC, will register as the CTA to the registered fund. Under these facts, where the CPO

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the end of 2022, there were approximately 865 Regulation 4.7 CTAs and that the proliferation of Regulation 4.7 entities is why more regulation is needed; however, the CFTC does not analyze which entities are registering as Regulation 4.7 CTAs and why.[8]

Below we describe each of the most common scenarios in which investment advisers may rely on Regulation 4.7 for CTA compliance relief with respect to a registered or offshore fund requiring a registered CPO and CTA. In each of the scenarios, specific CPO relief is available, whether through a specific exemption, exclusion, or harmonization, but comparable CTA relief is not. Such CTAs would be materially affected by the Proposal, with no accompanying material benefit to investors as the CFTC has already determined that the full protections of the CEA are not necessary in these scenarios.

Section 1.1. CPOs and CTAs in a "Master-Feeder" Relationship.

CFTC Regulations 4.21 and 4.22 exclude from disclosure document delivery and certain reporting requirements "a commodity pool operated by a pool operator that is the same as, or that controls, is controlled by, or is under common control with, the pool operator of" the offered pool.[9] This exclusion is why CPOs for master funds in a master-feeder structure are not required to provide the disclosure document and certain reports to its feeder funds for which it is also the CPO. The CFTC appropriately determined that providing information to an entity that already has such information is not useful or beneficial. With respect to registered funds trading in commodity interests through CFCs,[10] the CFTC staff has stated that:

> CFCs should be treated as master funds for purposes of complying with Part 4 of the Commission's regulations. Therefore, as master funds, the CFCs would be

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and CTA are different entities and no CTA exemption or exclusion is otherwise available, the sub-adviser typically will rely on Regulation 4.7 for CTA compliance relief.

Similar circumstances arise with respect to offshore funds, such as UCITSs, if the CTA and CPO to an offshore fund are different entities. For example, a European UCITS will have a ManCo. That ManCo will be the CPO to the UCITS and rely on Regulation 3.10(c)(5) for CPO registration relief. However, the CTA to the sub-fund will be a separate entity, often an offshore adviser. Assuming no other exemption or exclusion is available, such as Regulation 4.14(a)(8), Regulation 4.7 is often relied on by the offshore adviser for CTA compliance relief if the offshore adviser also advises US funds requiring a CPO and CTA and the offshore adviser does not believe it can rely on Regulation 3.10(c)(4).

[8] *See* Proposal, 88 Fed. Reg. at 70853.

[9] CFTC Regulations 4.21(a)(2), 4.22(a)(4), and 4.22(c)(8).

[10] Registered funds that trade commodity interests, including futures contracts, options on futures contracts, and swaps on physical commodities, as part of their principal investment strategy often trade such commodity interests through CFCs for tax reasons. Both the CFC and the registered fund are commodity pools that require a CPO and CTA. If an exemption or exclusion is not available, the SEC-registered investment adviser to the CFC and registered fund will register as the CPO of the CFC and registered fund, often relying on Regulation 4.7 for the CFC and Regulation 4.12(c)(3) for the registered fund.

> exempt from providing disclosure documents and financial statements to investors under common control.[11]

While the CPO of a CFC therefore need not provide disclosure documents if it operates both the CFC and the registered fund, there is no comparable exclusion for the CTA advising both the CFC and the registered fund. If the CTA is a different entity than the CPO and no other exemption or exclusion is available, the CTA to the CFC will often rely on Regulation 4.7 for compliance relief. The Proposal, if adopted without revision, will make that compliance relief unavailable and require the CTA to provide disclosure to an entity that already has access to such information.

Section 1.2. Advisers and Sub-Advisers to a Registered Fund Requiring CPO and CTA Registration.

The CFTC adopted Regulation 4.12(c)(3) in 2013 to harmonize the CFTC's regulatory regime with that of the SEC's as it applies to registered fund CPOs. When no other exemption or exclusion is available, an investment adviser to a registered fund requiring a CPO will often register as a CPO and rely on Regulation 4.12(c)(3). However, no similar harmonization exists for registered fund CTAs.[12] If the CPO and CTA to the registered fund are different, and no other exemption or exclusion is available, the CTA often relies on Regulation 4.7 for compliance relief. If adopted without revision, the Proposal will make that compliance relief unavailable, imposing unnecessary costs and burdens on these Regulation 4.7 CTAs without benefit to investors.

Section 1.3. US Investment Advisers to Offshore Funds.

CFTC Advisory 18-96 allows qualifying, registered CPOs operating offshore commodity pools for non-US investors to claim exemptive relief from certain of the CFTC's CPO regulations governing disclosure, reporting, and recordkeeping requirements.[13] To the extent US investment advisers operate offshore commodity pools requiring a CPO and meet the qualifications under

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[11] CFTC Division of Swap Dealer and Intermediary Oversight Responds to Frequently Asked Questions – CPO/CTA: Amendments to Compliance Obligations (Aug. 14, 2012) ("FAQ"), *available at* https://www.cftc.gov/sites/default/files/idc/groups/public/@newsroom/documents/file/faq_cpocta.pdf.

[12] In 2012, after the CFTC adopted its Rule 4.5 amendments and rescinded Regulation 4.13(a)(4), the CFTC staff issued an FAQ related to CPO and CTA compliance obligations. Although the FAQ foreshadowed that CTA harmonization would be coming, the CFTC did not promulgate harmonization rules for registered fund CTAs. *See* FAQ, *supra* note 11 (stating that a sub-adviser now required to register as a CTA would not need to comply with the CFTC's "recordkeeping, reporting, and disclosure requirements pursuant to Part 4 of the Commission's regulations . . . until 60 days following the effective date of a final rule implementing the Commission's proposed harmonization effort").

[13] CFTC Staff Advisory 18–96 (Apr. 11, 1996); *see also* Registration and Compliance Requirements for Commodity Pool Operators and Commodity Trading Advisors, 83 Fed. Reg. 52902, 52905 (Oct. 18, 2018), *available* at https://www.govinfo.gov/content/pkg/FR-2018-10-18/pdf/2018-22324.pdf.

CFTC Advisory 18-96, such investment advisers may rely on the Advisory for CPO relief. However, no similar CTA relief exists.

If the CPO and CTA are different entities and no other CTA exemption or exclusion is available,[14] Regulation 4.7 is often relied on by a registered CTA with respect to an offshore fund, such as a UCITS, for which the CPO is relying on CFTC Advisory 18-96. If the Proposal is adopted without revision, such Regulation 4.7 CTAs would be required to provide the proposed minimum disclosure to the client, either the CPO relying on CFTC Advisory 18-96 or the offshore fund. Such a result is unnecessary to protect investors and would be inapposite to the CFTC's longstanding position dating back to 1976 to focus US resources on US investors and US entities.[15]

Section 1.4. Offshore Advisers to Offshore Funds That Also Advise US Funds.

Advisers located outside of the United States engaged in the activity of a CPO with respect to an offshore pool for non-US investors may rely on Regulation 3.10(c)(5) for CPO registration relief. In 2020, the CFTC amended Regulation 3.10(c)(5) to make clear that the exemption applies on a pool-by-pool basis and that reliance on Regulation 3.10(c)(5) by a foreign adviser acting as a CPO of offshore pools for non-US investors does not prevent the CPO from claiming other CPO exemptions, exclusions, or registering with the CFTC with respect to the operation of other commodity pools. The CFTC did not adopt similar "account-by-account" clarifying amendments to Regulation 3.10(c)(4) for foreign advisers acting as CTAs to offshore persons.[16]

Offshore advisers operating offshore funds, such as UCITSs, for non-US investors, that also advise US-registered funds, typically rely on Regulation 3.10(c)(5) for CPO registration relief with respect to such offshore funds that require a CPO. If the CPO and CTA are different entities and no other exemption or exclusion is available,[17] offshore advisers, as CTAs, may rely on

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[14] If the conditions of Regulation 4.14(a)(8) can be met, the CTA may rely on that exemption.

[15] *See* CFTC Staff Interpretative Letter 76–21 (Aug. 15, 1976) (providing no-action relief to CPOs and CTAs that are non-US persons with non-US investors); *also* Exemption From Registration for Certain Foreign Intermediaries, 85 Fed. Reg. 78718, 78719 (Dec. 7, 2020), *available at* https://www.govinfo.gov/content/pkg/FR-2020-12-07/pdf/2020-23810.pdf ("In adopting [Regulation 3.10(c)(3)(i)], the Commission agreed with commenters who cited its longstanding policy of focusing customer protection activities upon domestic firms and upon firms soliciting or accepting orders from domestic users of the futures markets. The Commission further stated that the protection of non-U.S. customers of non-U.S. firms may be best deferred to foreign regulators.") (internal quotations omitted).

[16] However, the CFTC did state that it does not disagree with the common "characterization of the Commission's or its staff's past positions with respect to the 'stacking' of statutory and/or regulatory exemptions from CTA registration, or their combination with registration as such, being permissible[.]" The CFTC stated that it could not, at that time, amend the language in Regulation 3.10(c)(4) because such amendments were never proposed and thus the notice and comment requirements under the Administrative Procedure Act were not satisfied. Exemption From Registration for Certain Foreign Intermediaries, 85 Fed. Reg. at 78732-33 n.201.

[17] If the conditions of Regulation 4.14(a)(8) can be met, the CTA may rely on that exemption.

Regulation 4.7 for CTA compliance relief with respect to the offshore funds for which the CPO relies on Regulation 3.10(c)(5).[18] If adopted as proposed, the Proposal would require these CTAs to provide information similar to that which the CFTC recently concluded was unnecessary and not beneficial to provide.[19]

Section 2. If Adopted as Proposed, the Final Rule Would Impose Unnecessary Costs and Burdens.

Many Regulation 4.7 CTAs are investment advisers to registered and offshore funds relying on Regulation 4.7 for compliance relief because no other exemption or exclusion is available, but the full protections of the CEA are not necessary. As proposed, the CFTC's amendments to Regulation 4.7 would result in these CTAs being required to provide the proposed minimum disclosures to sophisticated financial entities, potentially even to non-US sophisticated financial entities subject to a separate regulatory regime. These results are not consistent with the CFTC's stated regulatory concern for:

> . . . individual natural persons, who meet the QEP definition through the Portfolio Requirement, but nonetheless do not command the assets of large financial institutions, [and] likely lack the ability to demand the same level of transparency afforded through the prospect of additional significant asset allocations, and thus are more likely to be reliant upon whatever information the CPO or CTA is providing as its baseline disclosure with limited ability to demand more, or analyze its accuracy and completeness.[20]

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[18] While this section provides an example of the effects the Proposal, if adopted, would have on offshore advisers, the result would be the same for a US investment adviser providing advice to an offshore fund for which it is not the CPO and for which no other exemption or exclusion is available. For example, a US investment adviser acting as CTA to an offshore fund, such as a UCITS, for which the ManCo of the fund acts as CPO and relies on Regulation 3.10(c)(5). In this scenario, if the US investment adviser's advice with respect to commodity interests is significant and no other exemption or exclusion is available, such as Regulation 4.14(a)(8), and the CPO and CTA are different entities, the US investment adviser often relies on Regulation 4.7 for CTA compliance relief with respect to the offshore fund for which the CPO relies on Regulation 3.10(c)(5). If adopted as proposed, the Proposal would require these CTAs to provide information similar to that which the CFTC recently concluded was unnecessary and not beneficial to provide. *See infra* note 19.

[19] *See* Exemption From Registration for Certain Foreign Intermediaries, 85 Fed. Reg. at 78725 ("Permitting non-U.S. CPOs to rely upon the relief provided by the 3.10 Exemption on a pool-by-pool basis will further allow the Commission to focus its resources on the oversight of CPOs operating pools offered and sold to participants located in the U.S., *i.e.*, the Commission's primary customary protection mandate. Therefore, the Commission concludes that the Final Rule properly tailors the 3.10 Exemption to address the increasingly global nature of the investment management space since 2007, without compromising the Commission's mission of protecting U.S. pool participants and effectively regulating CPOs managing U.S. assets.").

[20] Proposal, 88 Fed. Reg. at 70856.

In each of the Section 1 scenarios, the Regulation 4.7 CTA would be required to prepare a document with the proposed minimum disclosures to provide to parties that do not require the potential associated protections. Investment advisers are subject to stringent SEC regulation and public disclosure requirements, including extensive disclosure on Form ADV. Additionally, both registered and offshore funds are currently required to provide robust disclosure documents that describe the fund's investment objectives, policies, and risks, and such disclosure necessarily describes the CTA's trading strategy and associated risks. For example, for a registered fund, when comparing the proposed Regulation 4.7 required minimum CTA disclosures to the disclosures required by Form N-1A, a registered fund's prospectus and SAI must describe the CTA's trading program, performance, principal risk factors, fees, and any actual or potential conflicts of interest. Further, as part of the advisory contract approval and renewal process, an investment adviser, including a sub-adviser, to a registered fund is subject to the Section 15(c) process under the 1940 Act, which has been reviewed and upheld by no less authority than the Supreme Court.[21] To the extent the board of the registered fund believes any of the Regulation 4.7 CTA proposed minimum disclosure information not already available is necessary, it has legal authority to request it during the Section 15(c) process.

In addition, with regard solely to offshore funds, such as UCITSs, the CFTC has a "longstanding policy of focusing 'customer protection activities upon domestic firms and upon firms soliciting or accepting orders from domestic users of the futures markets'"[22] dating back to 1976.[23] The CFTC recently re-affirmed that guidance in 2020 when adopting the Regulation 3.10(c)(5) amendments discussed above, stating that "the protection of non-U.S. customers of non-U.S. firms may be best deferred to foreign regulators."[24] Requiring minimum disclosures for CTA clients that are offshore funds would be inconsistent with this longstanding policy.

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[21] Jones v. Harris Associates L.P., 559 U.S. 335 (2010) (holding that a board of a fund considering all relevant factors and requesting sufficient information outlined by the *Gartenberg* factors, which are (i) the adviser's cost in providing the services; (ii) the extent to which the adviser realized economies of scale; (iii) the nature and quality of services provided; (iv) the profitability of the fund to the adviser; (v) fallout benefits that inure to the adviser; (vi) fees paid to the adviser by similar funds; and (vii) the independence, expertise, care, and conscientiousness of the board in evaluating adviser compensation, when approving an advisory agreement satisfies the fiduciary duty). Such information is requested pursuant to Section 15(c) of the 1940 Act, which imposes a duty upon "directors of a registered investment company to request and evaluate, and the duty of an investment adviser to such company to furnish, such information as may reasonably be necessary to evaluate the terms of any contract whereby a person undertakes regularly to serve or act as investment adviser of such company."

[22] Exemption From Registration for Certain Foreign Intermediaries, 85 Fed. Reg. at 78719 (citing Exemption from Registration for Certain Foreign Persons, 72 Fed. Reg. 63976, 63977 (Nov. 14, 2007), *quoting* Introducing Brokers and Associated Persons of Introducing Brokers, Commodity Trading Advisors and Commodity Pool Operators; Registration and Other Regulatory Requirements, 48 Fed. Reg. 35248, 35261 (Aug. 3, 1983)).

[23] *See supra* note 15.

[24] Exemption From Registration for Certain Foreign Intermediaries, 85 Fed. Reg. at 78719.

While unnecessary, the costs that would be imposed on the Regulation 4.7 CTAs described in Section 1 would be significant. Preparing and maintaining a separate document containing the proposed minimum disclosure information, with performance that must be updated pursuant to the CFTC's requirements, would impose significant additional costs. These CTAs would incur initial costs to prepare the proposed information, either internally or by using third parties, including legal counsel. While the ongoing costs would be less than the initial costs, they would not be *de minimis.* CFTC performance calculations and presentations differ from the SEC's requirements, so there would be additional ongoing costs to maintain and oversee those processes and disclosures. We do not see these costs reflected in the CFTC's economic analysis and, as discussed above, these quantifiable costs are not offset by any benefits to investors, given that minimum disclosures would be provided, in these scenarios, to the fund or its CPO, both of which already have necessary access to obtain any information.

Section 3. The Proposed Minimum Disclosure Requirements Should Only Apply to Regulation 4.7 CTA Clients That Are Natural Persons Who Are Residents of the United States. Alternatively, the Proposed Minimum Disclosure Requirements Should Only Be Required for Regulation 4.7 CTA Clients That Are Not Pools.

ICI strongly supports the CFTC adopting rule amendments or otherwise providing regulatory guidance so that CTAs are eligible for regulatory relief consistent with that the CFTC currently provides to CPOs in each of the scenarios discussed above in Section 1. However, we are aware that achieving this result may not be possible in the current rulemaking. At a minimum, however, in this rulemaking, the Commission must narrow the scope of any final minimum disclosure requirements for Regulation 4.7 CTAs to apply only with respect to clients that may not have leverage to demand disclosure or do not otherwise have a registered, exempt, or excluded CPO (*i.e*. are not pools). The best way to achieve this goal, consistent with the CFTC's policy objectives, would be to require Regulation 4.7 CTA minimum disclosures, if any, only for clients of Regulation 4.7 CTAs that are natural persons who are residents of the United States.

If the CFTC's policy behind the Proposal is to ensure that investors who do not have leverage are provided minimum disclosures, then the focus should be on investors who have direct privity with the CTA and do not have a large enough investment mandate to be able to negotiate disclosure. With respect to Regulation 4.7 CTAs, such investors would ordinarily be natural person investors, and further limited to natural persons who are residents of the United States, consistent with the CFTC's longstanding policy of focusing resources on protecting US investors. Limiting any final minimum disclosure requirements for Regulation 4.7 CTAs to clients that are natural persons who are residents of the United States would appropriately align the costs of this aspect of the Proposal to QEP investors who are presently least likely to receive, and thus most likely to potentially benefit from, required CTA disclosures.

Alternatively, if the CFTC declines to take this approach, we urge the Commission to require any minimum CTA disclosures only with respect to clients that are not pools. Tailoring the requirement for any final minimum CTA disclosures in this way would ensure that the proposed minimum disclosures are being provided to investors who do not otherwise receive information from a separate entity, *i.e.,* the registered, exempt, or excluded CPO, and would better align costs with any potential benefits. Further, this would preserve the ability of CTAs to rely on Regulation 4.7 for CTA compliance relief without imposing unnecessary costs and burdens in the scenarios described in Section 1 where there is specific CPO compliance or registration relief but no corresponding CTA relief. For that reason, if the CFTC proceeds with the Proposal, we recommend a narrowed application of the proposed minimum disclosure requirements with respect to clients of Regulation 4.7 CTAs.[25]

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[25] Whichever alternative the CFTC may adopt, ICI urges the CFTC to apply a *de minimis* threshold before requiring minimum disclosures, similar to the threshold in Regulation 4.14(a)(8), which may be claimed on a pool-by-pool basis pursuant to Regulation 4.14(c), with respect to qualifying CTAs to certain commodity pools. *See supra* note 5.

Conclusion.

We hope that our comments are helpful to the Commission and staff as they determine the appropriate scope of any final amendments to Regulation 4.7. If you have any questions or require further information regarding our comments, please do not hesitate to contact either Sarah Bessin, at sarah.bessin@ici.org, or Kevin Ercoline at kevin.ercoline@ici.org.

Sincerely,

/s/ Sarah A. Bessin

Sarah A. Bessin
Deputy General Counsel

/s/ Kevin Ercoline

Kevin Ercoline
Assistant General Counsel

cc: The Honorable Rostin Behnam, Chairman
The Honorable Kristin N. Johnson
The Honorable Christy Goldsmith Romero
The Honorable Summer K. Mersinger
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