News Release

MANAGED FUNDS ASSOCIATION

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MFA Submits Comments on CFTC Automated Trading Proposal

Requests CFTC consider more targeted solutions to achieve goals more effectively

WASHINGTON – Managed Funds Association today filed a comment letter addressing the automated trading rules, known as Regulation AT, proposed by the Commodity Futures Trading Commission (CFTC).

"MFA Members support the CFTC's goal of modernizing regulatory oversight of futures trading with appropriate risk controls, transparency measures and other safeguards," MFA President and CEO Richard H. Baker said. "However, this proposal takes a one-size-fits-all approach and MFA Members have concerns with aspects of the proposal that could put sensitive and proprietary information at risk, unnecessarily.

"We appreciate the Commission's work on these important issues, but believe regulators should focus on using existing infrastructure to address market risk in a more targeted, cost-effective fashion. We look forward to working with the Commissioners and staff to implement such a framework."

In the letter, MFA notes that current exchange-traded derivatives markets generally function well and that U.S. futures markets are efficient, low cost and liquid. These markets are an essential tool for the economy and allow participants to invest and hedge risk. Unfortunately, as proposed, Regulation AT has the potential to significantly increase the cost of using the futures markets while diminishing the liquidity profile of these markets. Regulation AT, also, attempts to address too many separate regulatory issues under a single umbrella.

MFA's letter requests that the CFTC consider more targeted solutions to achieve the Commission's goals more effectively.

Regulation AT, as MFA writes, would regulate – in the same manner – virtually any market participant using automation with respect to trading, without taking into consideration the type of automation or the different category, business or operational size of the market participant. Based on the Commission's own cost-benefit and regulatory flexibility analyses, we believe this is not the Commission's intent. Given the high degree of integration in the U.S. futures markets, the single most effective way to prevent marketplace risk is through centralized risk controls at the futures exchanges, known as designated contract markets or DCMs, and clearing firms.

The letter provides several recommendations to the CFTC to address concerns raised in the proposed regulation, including:

- Directing DCMs to adopt centralized marketplace risk controls;
- Retaining the current self-trade surveillance system; and
- Requiring exchange and swap execution facility disclosures on market making and trading incentive programs.

MFA's full letter to the CFTC is available here.

About Managed Funds Association
Managed Funds Association (MFA) represents the global alternative investment industry and its investors by advocating for sound industry practices and public policies that foster efficient, transparent, and fair capital markets. MFA, based in Washington, DC, is an advocacy, education, and communications organization established to enable hedge fund and managed futures firms in the alternative investment industry to participate in public policy discourse, share best practices and learn from peers, and communicate the industry's contributions to the global economy. MFA Members help pension plans, university endowments, charitable organizations, qualified individuals and other institutional investors to diversify their investments, manage risk, and generate attractive returns. MFA has cultivated a global Membership and actively engages with regulators and policy makers in Asia, Europe, the Americas, Australia and all other regions where MFA Members are market participants. For more information, please visit: www.managedfunds.org.

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