



MANAGED FUNDS  
ASSOCIATION



*Invested in America* asset management group

**By Electronic Mail**

May 21, 2013

Ananda Radhakrishnan, Director  
Division of Clearing and Risk  
Commodity Futures Trading Commission  
1155 21<sup>st</sup> Street NW  
Washington DC 20581

**Re: Request for Extension of Time — Clearing Member Risk Management Requirements under Commodity Futures Trading Commission Rule 1.73(a)(2)(v)(B) (Bunched Orders)**

Dear Mr. Radhakrishnan:

On behalf of its member futures commission merchants (“FCMs”), the Futures Industry Association (“FIA”) jointly with Managed Funds Association<sup>1</sup> (“MFA”) on behalf of its fund manager members, and the Securities Industry and Financial Markets Association’s Asset Management Group (“AMG”) on behalf of its asset management members write to the Division of Clearing and Risk (“Division”) to request an extension of time with respect to the obligations of account managers and FCMs under the provisions of Commodity Futures Trading Commission (“CFTC”) Rule 1.73(a)(2)(v)(B).

As you know, the CFTC’s risk management Rule 1.73 became effective on October 1, 2012. By No Action Relief dated September 26, 2012, the Division granted an extension for compliance with certain portions of Rule 1.73 until June 1, 2013. In particular, the September 26, 2012 No

Mr. Ananda Radhakrishnan

May 21, 2013

pg. 2

Action Relief granted an extension until June 1, 2013 for compliance by FCMs with Rule 1.73(a)(2)(v), which relates to “bunched orders”.

For purposes of Rule 1.73(a)(2)(v), a “bunched order” is one where an account manager bunches orders on behalf of multiple customers for execution and post-trade allocation to individual accounts for clearing. Rule 1.73(a)(2)(v)(B) (the “ultimate FCM”) requires that the FCM that clears the allocated trades on behalf of the underlying customers establishes limits for such customers and enters into an agreement in advance with the account manager regarding those limits. Absent such agreement, it is unclear how account managers will be able to execute bunched orders on behalf of their customers.

The FIA has been actively working toward the creation of an industry solution for the compliance with the bunched order portion of Rule 1.73. Given the impact upon, and necessary participation of, account managers in complying with the bunched order portion of Rule 1.73, the FIA has been in active dialogue with MFA, AMG and other buy-side industry groups to receive their comments and feedback on the proposed FIA plan and agreement. In the course of those discussions, it has become apparent that more work will be necessary between FCMs and account managers – including some that represent a significant portion of business in the futures industry – to ensure compliance with Rule 1.73(a)(2)(v)(B) and to avoid market disruption.

The FIA has developed, in consultation with the Division, an action plan and industry standard agreement in order to meet the rule requirements and intends to release the agreement so that FCMs may begin distributing the document to their affected account managers. Nonetheless, the FIA, MFA and AMG believe that more time will be necessary to disseminate the documents and to promote industry-wide education regarding the requirements of this rule and the industry standard agreement. The FIA, MFA and AMG, therefore, jointly request that the CFTC grant a limited extension until September 1, 2013 for compliance with Rule 1.73(a)(2)(v)(B) so that such broader information dissemination and education can take place.

Thank you for your consideration of this request. If you have any questions or need any additional information, please contact Barbara Wierzynski, FIA’s Executive Vice President and General Counsel, at (202) 466-5460 or [bwierzynski@futuresindustry.org](mailto:bwierzynski@futuresindustry.org), Stuart J. Kaswell, Executive Vice President, Managing Director & General Counsel of MFA at (202) 730-2600 or [skaswell@managedfunds.org](mailto:skaswell@managedfunds.org), Carlotta D. King, Associate General Counsel of MFA at (202) 730-2600 or [cking@managedfunds.org](mailto:cking@managedfunds.org), Timothy Cameron, Managing Director of AMG, at (212) 313-1389 or [tcameron@sifma.org](mailto:tcameron@sifma.org), or Matt Nevins, Managing Director and Associate General Counsel of AMG, at (212) 313-1176 or [mnevins@sifma.org](mailto:mnevins@sifma.org).

Mr. Ananda Radhakrishnan

May 21, 2013

pg. 3

Sincerely,



Walter L. Lukken

President

Futures Industry Association

/s/

Karrie McMillan

General Counsel

Investment Company Institute

/s/

Stuart J. Kaswell

Executive Vice President, Managing Director & General Counsel

Managed Funds Association

/s/

Timothy W. Cameron, Esq.

Managing Director, Asset Management Group

Securities Industry and Financial Markets Association

/s/

Matthew J. Nevins, Esq.

Managing Director and Associate General Counsel, Asset Management Group

Securities Industry and Financial Markets Association

Mr. Ananda Radhakrishnan

May 21, 2013

pg. 4

**Certification Pursuant to CFTC Regulation 140.99(c)(3)**

As required by CFTC Regulation 140.99(c)(3), we hereby (i) certify that the material facts set forth in the attached letter dated May 21, 2013 are true and complete to the best of our knowledge; and (ii) undertake to advise the CFTC, prior to the issuance of a response thereto, if any material representation contained therein ceases to be true and complete.

Sincerely,



Walter L. Lukken

President of FIA

/s/

Karrie McMillan

General Counsel

Investment Company Institute

/s/

Stuart J. Kaswell

Executive Vice President, Managing Director & General Counsel

Managed Funds Association

/s/

Timothy W. Cameron, Esq.

Managing Director, Asset Management Group

Securities Industry and Financial Markets Association

/s/

Matthew J. Nevins, Esq.

Managing Director and Associate General Counsel, Asset Management Group

Securities Industry and Financial Markets Association

Mr. Ananda Radhakrishnan

May 21, 2013

pg. 5

The Futures Industry Association is the leading trade organization for the futures, options and over-the-counter cleared swaps markets. FIA's mission is to be the global thought leader, advocate and educator for futures and swaps that are centrally cleared. Its membership includes leading derivatives clearing firms as well as major derivatives exchanges and trading systems from more than 20 countries. FIA's core constituency consists of futures commission merchants, which represent clients active in markets around the world. As the principal members of derivatives clearinghouses worldwide, our member firms play a critical role in the reduction of systemic risk in the global financial markets. They provide the majority of the funds that support clearinghouses and commit a substantial amount of their own capital to guarantee customer transactions. FIA's membership also includes the major global exchanges, clearinghouses, trading platforms, technology vendors and legal services firms representing this industry.

The Investment Company Institute is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs), and unit investment trusts (UITs). ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of \$14.96 trillion and serve more than 90 million shareholders.

Managed Funds Association 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, North and South America, and all other regions where MFA members are market participants.

The AMG's members represent U.S. asset management firms whose combined assets under management exceed \$20 trillion. The clients of AMG member firms include, among others, registered investment companies, endowments, state and local government pension funds, private sector Employee Retirement Income Security Act of 1974 pension funds and private funds such as hedge funds and private equity funds.