

MEMO# 27967

March 20, 2014

ICI Submits Statement to Congress on CFTC Appropriations Request

[27967]

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TO: CLOSED-END INVESTMENT COMPANY MEMBERS No. 7-14
DERIVATIVES MARKETS ADVISORY COMMITTEE No. 17-14
SMALL FUNDS MEMBERS No. 6-14
SEC RULES MEMBERS No. 8-14 RE: ICI SUBMITS STATEMENT TO CONGRESS ON CFTC
APPROPRIATIONS REQUEST

ICI has filed a statement for the record ("Statement") with the U.S. House of Representatives, Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies, Committee on Appropriations ("Committee"), in connection with the March 6 hearing held by the Committee to consider the appropriations request for the Commodity Futures Trading Commission ("CFTC"). The Statement, which focuses on ICI's concerns regarding the CFTC's amendments to CFTC Rule 4.5, is attached, and is summarized briefly below.

The Statement questions the CFTC's decision to modify Rule 4.5 as part of a rulemaking that was not mandated (or even contemplated) by the Dodd-Frank Wall Street Reform and Consumer Protection Act. It emphasizes the significant implications the Rule 4.5 amendments have had for many asset management firms, and that most of the costs imposed by this additional regulation will be indirectly borne by registered investment company ("registered fund") shareholders.

The Statement explains that mutual funds and other types of registered funds are extensively regulated, and asserts that the CFTC failed to demonstrate the need for registration as commodity pool operators by registered fund advisers. It also explains that the CFTC's cost-benefit analysis of the amendments to Rule 4.5 was inadequate, and discusses the legal challenge brought by ICI and the U.S. Chamber of Commerce.

In conclusion, the Statement urges the Committee, in evaluating the CFTC's request for additional resources, to encourage the CFTC to focus on its core regulatory obligations to protect the commodity markets and their participants, rather than devoting its scarce resources to overseeing entities that already are subject to comprehensive regulation.

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[Attachment](#)

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