

MEMO# 32483

May 26, 2020

CFTC Issues COVID-19 Customer Advisory on Commodity ETPs and Funds

[32483]

May 26, 2020 TO: ICI Members
ETF (Exchange-Traded Funds) Committee
ETF Advisory Committee
Investment Advisers Committee
Registered Fund CPO Advisory Committee SUBJECTS: Alternative Investments
Derivatives
Disclosure
Investment Advisers
Trading and Markets RE: CFTC Issues COVID-19 Customer Advisory on Commodity ETPs and Funds

On May 22nd, the Commodity Futures Trading Commission issued a customer advisory (“Customer Advisory”) regarding the “unique risks” associated with exchange-traded products (ETPs) and mutual funds that invest in futures contracts or other commodity interests.[\[1\]](#)

The CFTC explains that recent market volatility due to the COVID-19 pandemic has prompted many investors to purchase shares of trading vehicles that use futures contracts or other commodity interests, either in hopes of profiting from a recovery in particular commodity prices or as a means of diversifying their portfolios. The CFTC emphasizes that, even though these trading vehicles may be organized as ETPs or mutual funds, the instruments in which they are invest are “fundamentally different than securities,” and these pools therefore may not behave like traditional ETFs or mutual funds that invest in stocks, bonds, or other asset classes. The CFTC notes, for example, that commodity ETPs and mutual funds might not provide investors opportunities to “buy the dip” or profit from long-term price gains in the underlying commodity.

The Customer Advisory urges investors, before making an investment, to understand the risks of commodity-based ETPs and mutual funds, review their disclosures, and ask questions to understand their trading strategy and historical performance.[\[2\]](#)

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endnotes

[1] *Customer Advisory: Learn About Risks Before Investing in Commodity ETPs or Funds*, available at https://www.cftc.gov/LearnAndProtect/FraudAwarenessPrevention/CFTCFraudAdvisories/CustomerAdvisory_IsolationArticle.htm. This is the third Customer Advisory the CFTC has issued in response to the COVID-19 pandemic and is a joint product of the CFTC's Office of Customer Education and Outreach and the Division of Swap Dealer and Intermediary Oversight. See <https://www.cftc.gov/PressRoom/PressReleases/8167-20>.

[2] The Customer Advisory urges investors to “[a]ssess carefully any representations that, by trading commodity interests, a pool should outperform stock and bond funds during recessions or in other financial downturns. A pool’s actual performance may indicate otherwise.”

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