Jan 20, 2016

Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington DC
Re: File Number S7-24-15

Dear Mr. Fields:

As an individual investor, I've been gratified by the increased availability of genuine managed futures strategies available to me in mutual funds over the last few years. I am a sophisticated individual investor and investment professional, but am not wealthy enough to invest in private vehicles. The availability of strategies pursuing well-known, diversifying, compensated sources of risk like trend following and mean reversion has reduced the riskiness of my overall portfolio. The proposed rule would harm me by making it impossible for me to pursue these diversifying strategies as a portion of my overall investment program.

The growth of assets in alternative mutual funds pursuing strategies that would be prevented by this rule is *prima fascia* evidence of the benefits individual investors, often with guidance from sophisticated advisors, perceive in these products.

I have ample access to details regarding the investment strategies my mutual funds are pursuing, not only through SEC filings, but also through data available on the funds' websites, and through research providers like Morningstar. I feel confident that I can make informed investment decisions based on this information without additional governmental regulation of my investment opportunities.

The rule does not in any way prevent me from directly taking risky speculative positions that expose me to unlimited potential losses—I can sell options or sell stocks short through my brokerage account. Rather it prevents me from hiring experienced professional investors to take carefully selected positions on my behalf.

To the best of my knowledge, managed futures mutual funds and other strategies precluded under this rule have not been a source of undue risk to mutual fund investors to date. That is likely because of the liquidity of the instruments being traded. Unlike many cash instruments, the derivatives favored by managed futures mutual funds are among the deepest, most liquid markets on earth. This, combined with the exchange-clearing of these instruments, mitigates most of the tail risk associated with leverage.

Lastly, I believe the rule takes an overly simplistic view of leverage. If the intent of this rule is genuinely to modernize the treatment of derivatives in registered funds, I believe we should be more ambitions than the current rule attempts to be. Equating notional exposure with risk is an inadequately blunt approach and I believe we can do much better. Any approach that allows a fund to buy equity in a corporation that is 5x levered while at the same time precluding derivatives exposure of 5x in a quasi-riskless instrument is not sophisticated enough to be considered "modern."

My specific comments are the following.

1. The proposed rule would eliminate investment options that I, as a relatively knowledgeable but not wealthy investor believe make me better off.
2. The proposed rule would not eliminate these investment options for wealthy individuals and institutions. This is unfair to me as an individual and perpetuates the public impression that individuals are at a disadvantage to professional investors.
3. Instead of imposing new regulation based on an admittedly blunt instrument—notional exposure—I suggest the current approach be scrapped and replaced with a rule that increases the transparency of strategies that use derivatives. Regulations could require that prospectuses or fact cards be prominently embossed with disclosures regarding the use of leverage and derivatives. In my experience, some funds are very open about their practices while others are less so. Regulation could seek to make this more uniform and improve the information available to prospective investors.
4. The proposed rule does not in any way protect me from making imprudent, speculative bets on my own behalf.
5. The liquidity of the instruments being traded makes many of the strategies that would be precluded under this rule relatively safe, especially when compared with small cap equity and credit strategies.
6. If the goal of the rule is genuinely to modernize the treatment of derivatives in registered funds, this rule falls short. Nothing short of a detailed, holistic treatment of the specific risks of individual positions would accomplish this goal.
7. I as an individual investor am better off under the current regime than I would be under the proposed rule.

Sincerely,

Roberto Croce, Individual Investor, Houston TX