March 28, 2016

Brent J. Fields,
Secretary,
U.S. Securities and Exchange Commission,
100 F Street, NE
Washington, DC 20549-1090

Re: Proposed Rule on the Use of Derivatives by Investment Companies and Business Development Companies (File Number S7-24-15)

Dear Mr. Fields,

Abbey Capital Limited (**"Abbey Capital"**) is an alternative investment manager based in Dublin, Ireland. We manage an international investment business specializing in multi-manager allocations to managed futures, global macro and foreign exchange strategies, and have been investing in these strategies for over 15 years. We currently manage in excess of $3 billion, including over $600m in a registered investment company as defined in the 1940 Investment Companies Act (the **"1940 Act"**).

Abbey Capital is authorized and regulated by the Central Bank of Ireland as an Alternative Investment Fund Manager under Regulation 9 of the European Union (Alternative Investment Fund Managers) Regulations 2013 (**"AIFMD"**). In the United States of America, Abbey Capital is registered as a Commodity Pool Operator and Commodity Trading Advisor (**"CTA"**) with the Commodity Futures Trading Commission (**"CFTC"**), is a member of the National Futures Association (**"NFA"**), and is registered as an Investment Advisor with the Securities and Exchange Commission (**"Commission"** or **"SEC"**).

Abbey Capital welcomes the opportunity to comment on the proposed rulemaking of the SEC regarding the "Use of Derivatives by Investment Companies and Business Development Companies" (the **"Proposed Rule"**).[1] We welcome the Commission's efforts to provide an updated and more comprehensive approach to regulate registered Funds[2] use of derivatives and other transactions that raise "senior securities" issues under Section 18 of the 1940 Act. We also support the Commission's view that a derivative that does not impose a future payment obligation on a Fund would not involve a senior security transaction for purposes of Section 18 of the 1940 Act, because there would be no evidence of indebtedness.[3]

However, we have significant concerns with certain aspects of the Proposed Rule, particularly the notional-based exposure limits, which have the potential to substantially restrict, or eliminate altogether, the ability of Funds to offer managed futures strategies to retail and other non-accredited investors in mutual Funds (**"Managed Futures Funds"**). This may adversely impact the potential portfolio benefit to investors of holding an allocation to managed futures in a diversified portfolio. As discussed below, Managed Futures Funds, which primarily invest in exchange-traded, centrally cleared derivatives, have been an increasingly important choice for investors seeking returns that are generally not correlated with traditional asset classes, such as equities and bonds.

[1] 80 Fed. Reg. 80884 (Dec. 28, 2015) ("**Proposing Release**").
[2] The Proposed Rule would apply to "mutual funds, exchange-traded funds ('ETFs'), closed-end funds, and companies that have elected to be treated as business development companies ('BDCs')" under the 1940 Act. Proposing Release at 80884
[3] Proposing Release at 80892.

We believe that an overall leverage limit is unnecessary given the practical effect of the Commission's robust asset segregation requirements and the potential reinforcing effect of the Commission's other related regulations after their adoption[4], and may be counterproductive to the overall goal of protecting investors. While we welcome proposals to prevent excessive risk taking in Managed Futures Funds, we believe notional exposure limits are not the appropriate mechanism for achieving this objective and suggest and explain below our proposals for more risk-sensitive alternatives to limiting leverage. We also provide both qualitative and quantitative support to facilitate the Commission's consideration of our proposals. We offer our recommendations to assist the Commission in developing informed regulations for Funds' use of derivatives that address investor protection concerns under Section 18. Our recommendations are intended to provide Commission staff with alternatives that would be simple to administer and enforce.

1. Background – Managed Futures Funds and Strategies

Managed Futures Funds use futures and other derivatives to gain access to global commodity, currency, interest rate and equity markets. These contracts, in contrast to the instruments traded by other alternative mutual funds, are primarily exchange-traded and backed by a central clearinghouse. They are also the most liquid types of derivatives instruments, characterized by daily, and sometimes intra-day margining, and transparent, continuous pricing throughout each trading day.

Managed futures is a fundamentally different investment strategy to more traditional long-only investments in bonds and equities, often the core investments for many retail and non-accredited investors. These strategies are generally traded by CTA's and contain important features for investors looking for alternatives to compliment a traditional bond and/or equity portfolio:

1. CTA's can take long or short positions and generate uncorrelated returns for investors in up or down markets.
2. CTA's typically trade a range of financial, commodity and foreign exchange markets and potentially benefit from trends in these markets.
3. Trendfollowing[5] CTA's primarily use price data to detect a trend and take positions in the direction of the trend. In contrast, many bond and equity investment managers rely primarily on fundamental information to determine positioning.
4. The driver of returns for most trendfollowing CTA's is that the markets they trade exhibit trends, in contrast to equities and bonds, where the return drivers are often linked to a particular macroeconomic environment.

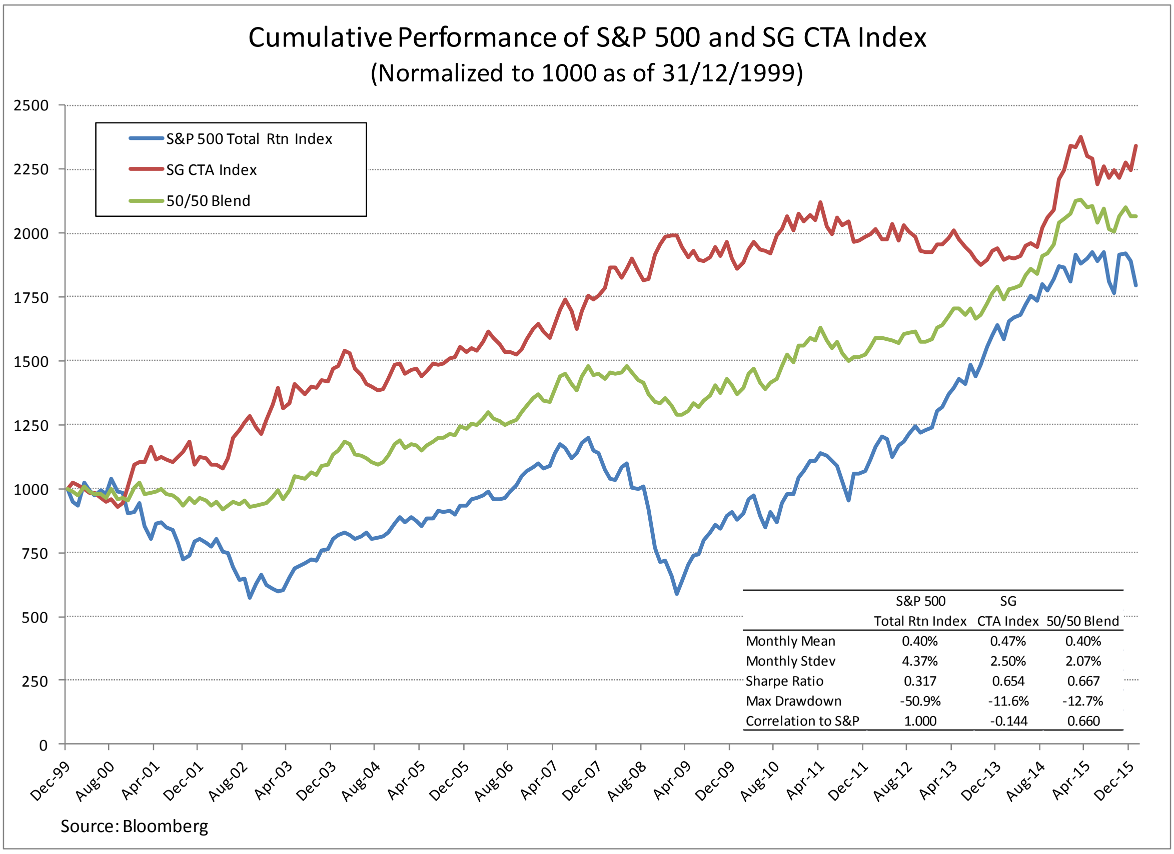
Reflecting these differences, the returns from managed futures strategies have historically been uncorrelated to those of traditional equity or fixed-income investments. Chart 1 below highlights the

[4] More specifically, we note the Commission's pending regulatory reforms under Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203 (2013), and the other pending proposals cited in Commissioner's Piwowar's dissenting statement concerning the Proposed Rule. See Commissioner Michael S. Piwowar Dissenting Statement at Open Meeting on Use of Derivatives by Registered Investment Companies and Business Development Companies, issued December 11, 2015.

[5] An investment strategy based on the technical analysis of market prices, rather than on the fundamental strengths of the markets. Traders and investors using a trend following strategy believe that prices tend to move upwards or downwards over time. They try to take advantage of these market trends by observing the current direction and using this to decide whether to buy or sell.

benefits of alternative mutual fund strategies[6] by comparing the performance of the S&P 500 Total Return Index to the SG CTA Index, as well as a 50/50 blend. The correlation of the S&P 500 to the SG CTA Index is effectively zero with a value of -0.144, and the CTA index produced greater returns with less downside and lower volatility than the S&P 500. While the performance of individual managers and Funds will vary, these results are reflected across a number of indices such as the Barclays CTA index or BTOP 50 index.

Chart 1 - Performance of the S&P 500 Total Return Index and the SG CTA Index



The appeal of liquid, transparent and uncorrelated returns has been a significant factor in the growth of managed futures strategies, including Managed Futures Funds. This rapid pace continued after the financial crisis in 2007 and 2008, as investment allocations to Managed Futures Funds grew dramatically.

The Commission states that Funds that do not wish to rely on the proposed rule may wish to consider deregistering under the Investment Company Act, with the Fund's sponsor offering the Fund's strategy as a private fund or as a public (or private) commodity pool, which do not have statutory limitations on the use of leverage.[7] However, we believe investing through a mutual fund may provide certain advantages over investing in a public commodity pool for retail investors, including: (1) typically lower fees, (2) third-party custody requirements, (3) daily liquidity, (4) daily pricing that is easily and publicly accessible, (5) transparency, (6) accessibility, and (7) investor protection resulting from regulatory disclosure and substantive operating requirements, including

[6] Returns for the SG CTA Index reflect the performance of Managed Futures in private placement funds rather than mutual funds. We expect the same benefits to arise in the mutual fund space.
[7] Proposing Release at 80912.

strict limits on affiliated transactions, portfolio concentration and the holding of security-related issuer securities.[8]

We are concerned that, while we believe the Commission is seeking to ensure investor protection, finalization of the Proposed Rule as currently proposed will produce the unintended result of limiting investment choices available to investors by limiting their access to a diversified portfolio solution.

2. Comments on the Proposed Rule

We are fundamentally concerned with the Proposed Rule's limits on a Fund's derivatives notional exposure. The Proposed Rule would require Funds to comply with either one of two portfolio limitations immediately after entering into each derivatives transaction.

Under the first limit, referred to as an **"Exposure-Based Portfolio Limit"**, the aggregate exposure of a Fund may not exceed 150% of the value of its net assets.[9] In this context, "Exposure" would mean the aggregate notional amounts of the Fund's derivatives transactions. The notional amount under the Proposed Rule would be defined generally as the market value of an equivalent position in the underlying reference asset, or the specified or principal amount on which payment obligations under a derivatives transaction are calculated. For purposes of calculating exposure, a Fund would be permitted to net any directly offsetting derivatives transactions that are the same type of instrument and have the same underlying reference asset, maturity and other material terms. Funds could net substantially similar transactions across different counterparties.

Under the second limit, referred to as the **"Risk-Based Portfolio Limit"**, a Fund's permitted exposure could increase to 300% of net assets if its derivatives exposure reduces the Fund's exposure to market risk. The Proposed Rule would permit a Fund to maintain the 300% notional exposure if the value-at-risk ("**VaR**") of a Fund's portfolio inclusive of derivatives transactions were less than the VaR of the portfolio without any derivatives. As the Proposing Release states, a Fund's VaR is an estimate of potential losses on an instrument or portfolio, expressed as a positive amount in U.S. dollars, over a specified time horizon and at a given confidence level, subject to certain minimum requirements for the VaR analysis. The netting concepts noted with respect to the Exposure-Based Portfolio Limit would also apply to the Risk-Based Portfolio Limit.

The Commission requests comment on whether the use of notional amounts as the basis for calculating a Fund's exposure under a derivatives transaction is appropriate.[10] We strongly believe that imposing the proposed notional-based limits on a Fund's derivatives activity is unnecessary for the purpose of addressing investment risk. In our opinion, basing Funds' portfolio exposure limits on the aggregate notional amounts of derivatives transactions is too blunt a measure, and will force many Funds to substantially alter their strategies or de-register without good reason. We are concerned at the potential for unintended consequences if the Proposed Rule is implemented in its current form. In particular, the leverage proposals contained in the Proposed Rule may actually result in Managed Futures Funds offering less diversified products to investors in order to comply with exposure-based leverage limits. Not only would this result in more concentrated managed futures portfolios, but the reduced diversification could impact the expected return profile of

8 See, e.g., 15 U.S.C. §§ 80a-17(f), 18(f) and 22.

9 Based on our reading of the examples on p. 80909 of the Proposing Release, we understand that the 150% limit would authorize a Fund to have a 250% gross exposure limit consisting of 100% cash and 150% derivatives exposure. We seek the Commission's clarification that our interpretation is correct.

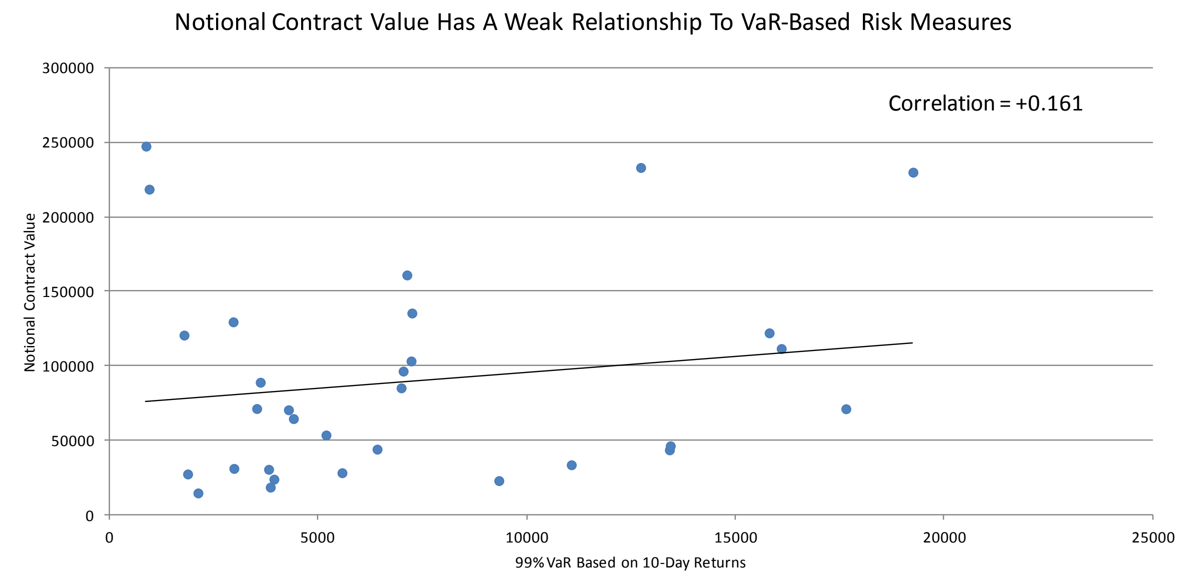
10 Proposing Release at 80907.

Managed Futures Funds, potentially reducing the portfolio value of Managed Futures Funds to investors. In our view, the objective of protecting investors should be to limit risk, not simply to limit an overall investment or exposure. In addition, investor choice and investor protection will be undermined by depriving investors of opportunities to invest in well-diversified alternative mutual fund strategies and their potential benefits (as described in the previous section).

A notional-based limit represents a significant departure from three decades of precedent and market practice. It also has inherent problems in addressing risk and leverage. Across a variety of futures contracts, in particular fixed income, a notional approach significantly overstates the risk. For example, the CME Eurodollar contract has a notional value of $1 million, with initial margins ranging from $300 to $700 depending on the contract expiration. The Chicago Mercantile Exchange **("CME")** sets higher margins on contracts with later expirations, due to their higher volatility. Since the notional amount would be a fixed dollar amount for notional exposure calculations, a Fund would be unable to adjust the exposure calculation to address particular risks of derivatives transactions or the risks associated with changing market and trading environments.

Chart 2 below highlights the flaws in using a notional approach to quantify and regulate leverage, primarily because it bears little relationship to and is a poor proxy for risk. Chart 2 shows these flaws visually by presenting a scatter plot of notional value versus VaR for 31 futures contracts across the four major sectors of commodity, fixed income, equity and currency.

Chart 2 - Scatter plot of Notional Contract Value vs. VaR for 31 Futures Contracts



Note: Based on 31 liquid futures markets traded on US exchanges (13 Commodity, 11 FX, 5 Fixed Income, 2 Equity Index), measured on 31/01/2016.
VaR measure is a proxy, computed on 3-years of data using the formula: Var10 = percentile(abs(rollingSum(diff(CtrValue),10)), 0.99)
Source: Bloomberg

The lack of distinction between risk and exposure may result in the unintended consequence of less diversified products (e.g. the removal of Bond and Interest rate contracts from managed futures strategies) being offered to investors in order to comply with the proposed limits. This would result in more concentrated portfolios, and the reduced diversification could impact the expected return profile of Managed Futures Funds, potentially reducing the portfolio value of Managed Futures Funds to investors. The risks facing retail and non-accredited investors may actually be increased as a result.

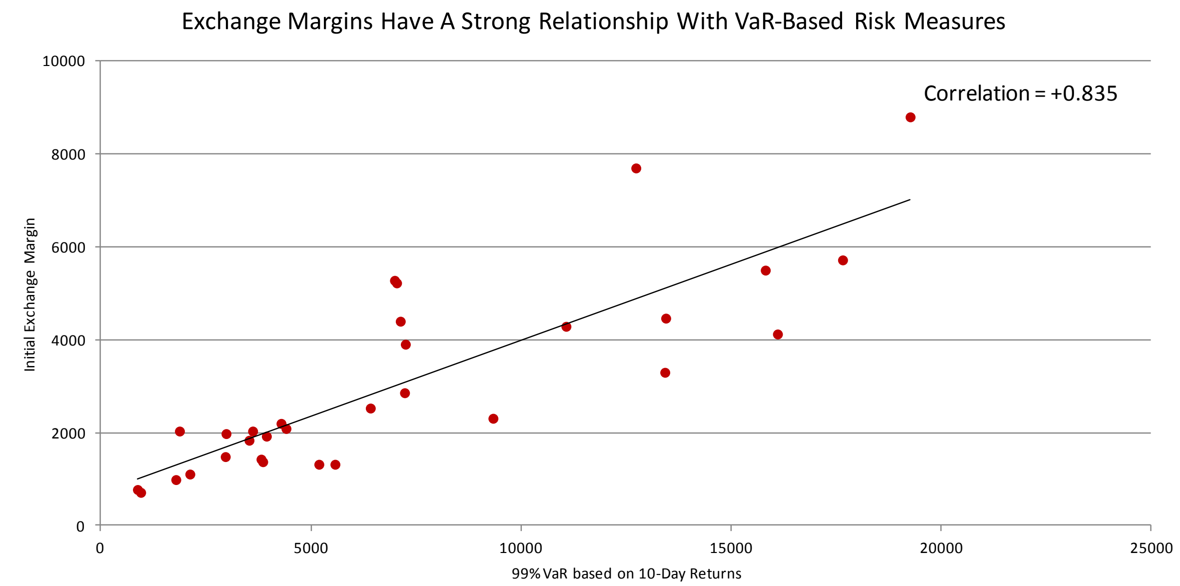
We believe that the asset segregation requirements under the Proposed Rule would be entirely sufficient to address and ameliorate concerns over derivatives transactions risks. The Proposed Rule would require a Fund to segregate on its books each day "qualifying coverage assets" ("**Qualifying Coverage Assets**") equal to the sum of a "**Mark-to-Market Coverage Amount**", which reflects the Fund's net obligations if the Fund exited its derivatives positions on such day, plus a "**Risk-Based Coverage Amount**", which is designed to capture additional losses the Fund would suffer if it exited its derivatives transactions under stressed market conditions. These combined asset segregation requirements would be a significant enhancement in investor protection by requiring Funds to earmark a greater amount of assets than is currently required by the Commission.

3. Recommendation: Margin-based approach

If the Commission does require additional investor protections beyond its asset segregation requirements, we urge the Commission to consider replacing the notional-based portfolio limits with a much simpler margin-based approach that, in our view, better quantifies and addresses the specific risks posed by a wide array of derivatives.

As shown below in Chart 3, when we compare exchange initial margins to VaR for the same representative futures contracts as those used in Chart 2, there is a strong and meaningful relationship.

Chart 3 – Scatter plot of Exchange Initial Margin vs. VaR for 31 Futures Contracts



Note: Based on 31 liquid futures markets traded on US exchanges (13 Commodity, 11 FX, 5 Fixed Income, 2 Equity Index), measured on 31/01/2016.
VaR measure is a proxy, computed on 3-years of data using the formula: Var10 = percentile(abs(rollingSum(diff(CtrValue),10)),0.99)
Source: Bloomberg

Even inside a sector, we note that there is no reliable relationship between notional contract value and either exchange initial margin or VaR. As shown in Chart 4 below, which covers U.S. Treasury instruments ranging in maturity from two years to 30 years, there is a significant variation as the initial margin and VaR increase with the maturity of the instrument.

Chart 4 - Notional Value and Initial Margin for U.S. Treasury Futures as of 31/01/2016[11]

	Notional Contract Value	Initial Margin	99% VaR 10-day returns
2-Year Note	218,609	715	896.6
5-Year Note	120,695	990	1750.5
10-Year Note	129,625	1,485	2844.8
Long Bond	161,313	4,400	7146.6

Source: Bloomberg

Based on our demonstrable concerns with using a notional approach for leverage limits, we suggest that the Commission consider replacing the notional-based portfolio limits with a much simpler margin approach. This would have the additional benefit of being easier to monitor and detect on a daily basis by clearing brokers, managers and regulators. Since Managed Futures Funds are fully funded, there should be significant cash, or other eligible assets, available to meet an amount equal to a multiple of the required initial margin for each derivatives transaction that a Fund enters into. In our view, a margin-based approach has the following benefits:

- For futures contracts and OTC derivatives, margin amounts are determined and continuously reviewed by the exchanges and clearinghouses, and are adjusted to reflect risk. For example, futures exchanges have historically increased initial margins during volatile, riskier time periods across a wide variety of futures contracts, including fixed income, stock index and energy, thus reducing capital available for increased exposures.

- Using margin solves the problem of large dollar value notional fixed income contracts with low volatility, such as the CME Eurodollar contract example highlighted above and in the Proposed Rule.[12]

- Using margin avoids the possible ambiguities associated with the various ways to calculate VaR. (e.g. time frame, etc.)

- Margin is more responsive to current conditions than VaR, which is based on a look-back period that may be slow to incorporate spikes in volatility.

- Using margin allows for the setting of a definitive overall limit.

- Margin is independently set by the exchanges, easy to comply with, and easy to track. It is adjusted higher when market volatility and risk increases. It is in the clearing house and the clearing brokers self interest to ensure that the levels are sufficient for the current level of risk in the markets.

- For futures contracts, margin takes advantage of, and harmonizes, methods honed by the CFTC over the past four decades.

- Margin data and reports are easily accessible from the clearing broker relationships.

[11] VaR measure is computed on 3-years of historic data with a 10-day holding period.
[12] Proposing Release at 80908.

a) Proposed margin methodology

Under the proposed margin approach, registered Funds that use derivatives would be subject to a limit of 35% of assets under management **("AUM")** that could be used as initial margin assets to support its derivatives trading activity (a "**Margin Cap**"). In addition, a Fund would be required to implement and maintain in a custodian account, cash, cash equivalents, and/or liquid securities in an amount equal to one times the Funds total margin usage. Thus, if a Funds total margin utilization was $100, $100 would be posted to the Funds counterparties as margin support for its positions, and an additional $100 would be maintained in a custodian account.

In our view, the use of segregated margin assets by Funds would function as an enhancement to the asset coverage tests in the Proposed Rule that would both reinforce the Commission's asset segregation requirements and address the Commission's concerns with the insufficiency of mark-to-market segregation alone for limiting a Fund's leverage from the use of derivatives transactions.

We believe that using a Margin Cap would be relatively easy to apply and would better address the Commission's concerns regarding undue speculation and the need to retain adequate assets in reserve to protect investors. Limiting the amount of assets that are both available for use as margin assets and eligible to meet margin calls would decrease a Fund's ability to engage in undue speculation. Also, this approach would benefit from the flexibility of margin requirements, which are modified in response to market conditions. As a particular market becomes more volatile, margin requirements would increase, which would decrease the Fund's ability to increase the risk of its portfolio and force them to decrease positions if they were previously near or at the limit.

As a practical matter, we believe that the Margin Cap approach would be a realistic and workable solution for a large number of Funds. This approach addresses the Commission's concerns regarding investor protection, while avoiding the unintended consequence of limiting investor options or forcing Funds to offer less diversified products to investors. The simplicity of the approach should make it attractive for the same reason that the Exposure-Based Portfolio Limit is appealing: Funds would have fewer complicated formulas to apply and less discretion for interpretation, reducing possible market manipulation or abuse.

The Commission requested comment on whether it could permit Managed Futures Funds to obtain additional exposure while still addressing the undue speculation concern expressed in section 1(b)(7) and the asset sufficiency concern expressed in section 1(b)(8).[13] We firmly believe the Margin Cap approach addresses these concerns. As only 35% of a Funds AUM is available for margin purposes, a limit is placed on the level of exposure that can be taken.

4. Comments on additional elements of the Proposed Rule

We believe that the margin-based approach described above would be entirely sufficient to address and ameliorate concerns over derivatives transactions risks. Combined with the asset segregation requirements in the Proposed Rule, this would represent a significant enhancement in investor protection.

However, in response to questions raised by the Commission in the Proposed Rule, we have provided comment on a number of important areas in the sections that follow.

[13] Proposing Release at 80913.

a) Risk-adjusted exposure calculations

We believe notional-based exposure limits are not required and are not a good proxy for risk. However, if the Commission does proceed with implementing some form of notional-based exposure limits, we urge the Commission to subject these limits to certain adjustments based on the type of derivatives transactions the Fund has entered into.

The Commission seeks comment on whether there are other appropriate adjustments for determining a fund's exposure to certain derivatives, such as Euribor and Eurodollar futures, that the Commission should consider to avoid overstating a Fund's derivatives investment exposure.[14] The Commission also requests comment on whether it should consider requiring or permitting the notional amounts for interest rate futures to be adjusted so that they are calculated in terms of 10-year bond equivalents.[15]

We firmly believe that if the Commission adopts a notional limit, the calculation of notional exposure for a wide variety of derivatives transactions, and particularly interest rate and fixed-income derivatives, should be subject to certain risk-adjustment factors or "haircuts" to more appropriately address the specific risks arising from each underlying asset class. We refer to this adjusted notional exposure calculation as the "Risk-Adjusted Exposure."

We believe the commission should consider requiring or permitting the notional amounts for interest rate futures and swaps to be adjusted so that they are calculated in terms of 10-year bond equivalents. We support this risk-adjustment method and believe that the Commission should authorize this option for Funds in calculating their exposures with respect to both fixed-income and interest rate derivatives.

For example, the adjusted notional exposure for a 3-month Eurodollar contract with a $1,000,000 notional value would be determined by dividing the contract duration in months by the 10-year duration in months and multiplying that quotient by the contract notional amount, as follows: $1,000,000 * (3/120) = $25,000. The result would be an adjusted notional exposure of $25,000, as opposed to $1,000,000. An alternative approach is to adjust these contracts to 10-year equivalents using the actual duration of each contract traded (as opposed to the nominal duration in the example above).

We believe this would provide a more accurate assessment of a Fund's exposure to interest rate and fixed-income risk, as the full notional exposure of such derivatives significantly overstates the Fund's actual exposure. Moreover, authorizing this risk-adjustment method is consistent with the SEC's Form PF, which provides for the calculation of exposures of interest rate derivatives in terms of the 10-year equivalent duration-adjusted value for such positions.

Adjusting bonds and interest rate derivatives to 10-year equivalents is standard market risk practice. If not already in place, the calculations are easy to implement for most Funds trading these instruments and 10-year equivalents are a more accurate reflection of risk in these instruments.

b) Alternative portfolio VaR test

We also recommend modifying the conditions that would authorize a Fund to maintain up to 300% notional exposure under the Risk-Based Portfolio Limit, subject to the risk adjustments described

[14] Proposing Release at 80908.
[15] *Id.*

above. We respectfully ask the Commission to consider imposing an absolute portfolio VaR limit of 20% of a Fund's net asset value to qualify for a 500% Risk-Based Portfolio Limit. A Fund's portfolio VaR would have to be less than 20% of its net asset value after entering into a derivatives transaction in order for the Fund to increase its derivatives exposure up to the 500% limit. We believe an absolute VaR test would incentivize Funds to maintain risk control by virtue of the absolute 20% limit. Our proposed absolute VaR test would be subject to SEC-approved parameters that would require a Fund to use a minimum 99% confidence interval, a time horizon of not less than 10 and not more than 20 trading days, and a minimum of three years of historical data. SEC-approved parameters for the absolute VaR test would provide consistency across Funds to facilitate the SEC staff's compliance oversight and enforcement. As an additional benefit, an absolute VaR test would subject a Fund's portfolio to both a limit on VaR with a 20% cap and on risk-adjusted exposure by imposing a 500% cap. We believe the imposition of such hard limits would be less prone to interpretation and potential manipulation.

If the Commission determines not to authorize an absolute VaR test, we suggest an alternative that would authorize a Fund to maintain up to 500% notional exposure if the VaR at this level did not exceed the VaR at 250% notional exposure. Under this alternative VaR test, a Fund would compare the VaR of its total portfolio with the VaR of a subset portfolio that includes securities and derivatives exposure of up to 250% exposure. A Fund's use of derivatives in excess of 250% must be risk reducing to the Fund's portfolio in order for the Fund to qualify for the higher 500% limit. We refer to this as the "Modified VaR Test". Under the Proposed Rule, a Fund could maintain an aggregate exposure up to 150% of its net assets regardless of its VaR. Under the Modified VaR Test, a Fund could obtain up to 250% exposure, and then become subject to the 500% limit on an exposure amount in excess of 250%. We believe it would be reasonable for the Commission to authorize a Fund to maintain exposure of up to 500%, but only if the Fund's VaR does not exceed the VaR at 250%. Requiring a Fund to determine whether the VaR of its portfolio would increase or decrease as a result of any derivatives exposure added to its portfolio in excess of the Exposure-Based Portfolio Limit would ensure that the additional exposure has a diversifying impact rather than being additive to portfolio risk. A Fund would apply the Modified VaR Test in a consistent manner to both portfolios, preserving an Exposure-Based and Risk-Based Portfolio Limit.

c) End of business day calculations of portfolio limits

The Commission has requested comment on whether requiring a Fund to comply with the Proposed Rule's portfolio limitations immediately after entering into any senior securities transaction poses any operational challenges.[16] If the Commission decides to adopt a notional-based exposure limit, we recommend that Funds be permitted to recalculate their notional-based exposures at the end of each business day, as the Proposed Rule provides for determining a Fund's compliance with its asset segregation requirements. Considering the frequency with which many Funds enter into derivatives on a daily basis, the potential operational burdens imposed on Funds to re-calculate their notional exposure after execution of each transaction throughout a trading day would be significant and very difficult to operate. Many counterparty give-ups only occur at the end of each business day, so Funds may not have visibility on all transaction details until that time. In addition, Funds are required to wait until transactions are cleared by counterparties, which also may not happen until end of day in certain cases.

[16] Proposing Release at 80925.

d) Grace period for passive breaches

In response to the Commission's comment request,[17] we suggest that the Commission provide Funds with a 7-day grace period to cure a breach of the applicable portfolio limit should such a breach unintentionally occur. A grace period would provide Funds the opportunity to liquidate or unwind from transactions in a responsible manner in order to comply with the applicable exposure limit and to minimize potential scenarios that could ultimately result in unwarranted harm to investors.

5. Conclusion

We have significant concerns with certain aspects of the Proposed Rule, particularly the notional-based exposure limits, which have the potential to substantially restrict, or eliminate altogether, the ability of Funds to offer managed futures strategies to retail and other non-accredited investors. Investors looking to diversify a traditional portfolio may wish to consider an allocation to managed futures, as the returns generally do not display correlation to traditional equity or fixed-income investments, and have delivered positive returns in a variety of market conditions.

We are concerned that an unintended consequence of the Proposed Rule may not be the complete elimination of these strategies, but their continuation in a less-diversified offering to investors. The effect may be to limit notional exposure, but could increase risk to retail and other non-accredited investors because the portfolio would be less diversified. Managed Futures Funds provide diversification for investors because the strategy is fundamentally different to long only investments in bonds and equities which are often the core investments for many investors.

We believe that an overall leverage limit is unnecessary given the practical effect of the Commission's robust asset segregation requirements and the potential reinforcing effect of the Commission's other related regulations after their adoption.

If the Commission believes additional investor protections are required beyond the proposed asset segregation requirements, we urge the Commission to consider replacing the notional-based portfolio limits with a much simpler margin-based approach that, in our view, better quantifies and addresses the specific risks posed by a wide array of derivatives.

We thank the Commission for the opportunity to provide comments on the Proposed Rule. We would welcome the opportunity to discuss our responses and views in greater detail. Please do not hesitate to contact Tony Gannon at [redacted] with any questions the Commission or its staff might have regarding this letter.

Respectfully submitted,

Tony Gannon
CEO & CIO
Abbey Capital Limited

[17] Proposing Release at 80925.