

Mutual Funds Won't Register With CFTC Without a Fight

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The Investment Company Institute (ICI) and the U.S. Chamber of Commerce have recently filed a lawsuit against the U.S. Commodity Futures Trading Commission (CFTC), contesting a new requirement that would [require funds and their investment advisers to register with the CFTC](#) and the Securities and Exchange Commission (SEC). The lawsuit comes among a series of cases that try to undermine efforts to implement the Dodd-Frank Act.

The CFTC approved the rule in February by a 4-1 vote. It would require mutual funds that invest in commodities through futures contracts and derivatives to register as commodity pool operators. Previously, the funds did not have to register with the CFTC if they were registered with the SEC. Under the new rule, advisers would be subject to additional record keeping, reporting, advertising restrictions, and disclosure obligations.

"Mutual funds are already one of the most regulated entities in the financial industry," said Paul Stevens, president and chief executive of ICI. "The CFTC has not justified why this extra regulatory burden is necessary. It will create additional costs with no benefits to shareholders. Ultimately, the cost will come out of shareholder pockets."

"The CFTC's rule will affect virtually every registered investment company offered to American investors today," he added.

It is far too early to determine where the case will come out so it is unclear how the lawsuit will impact registration under the new rule. Under the new rule, advisers would have to register with the CFTC by the later of Dec. 31 or 60 days after the agency finalizes its definition of the term "swap."

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