



May 6, 2021

VIA ELECTRONIC SUBMISSION

The Honorable Maxine Waters
Chairwoman, House Financial Services Committee
2129 Rayburn House Office Building
United States House of Representatives
Washington, DC 20515

Re: Proposed Legislation Affecting Family Offices

Dear Chairwoman Waters:

The Private Investor Coalition (“PIC”) is submitting this letter in response to the hearing entitled “Game Stopped? Who Wins and Loses When Short Sellers, Social Media, and Retail Investors Collide, Pt. III” and the several draft bills listed in the hearing memorandum. PIC is a nationwide organization consisting of single family offices (“SFOs”) who share a common interest in public policy issues impacting the SFO community.

While not explicit, it is apparent that at least two of the draft bills listed in the hearing memorandum are motivated in part by the rapid collapse of Archegos Capital Management and the significant losses sustained by its trading partners. As the hearing memo states:

Just as some market participants were questioning the systemic impact of heavily leveraged hedge funds such as Melvin Capital failing, Archegos Capital Management, a highly leveraged family investment vehicle, defaulted on certain obligations, leaving prime brokers and commercial banks with significant losses, thereby highlighting the interconnected risks between financial institutions. These events, particularly the lack of transparency into Archegos’s holdings, have also caused experts to ask the SEC to improve transparency through expanded 13-f reporting.

As customers of the financial institutions involved in the Archegos transactions, we share the Committee’s concerns regarding the level of risk the Archegos counterparties assumed in those trades. No financial institution, especially those that have been repeatedly backed and bolstered by the American taxpayer, should be permitted to allow a single customer to put at risk the sizable and material portion of its balance sheet that occurred with Archegos. The fact that the internal risk management systems employed by these financial institutions failed to adequately assess and

manage their exposures to the Archegos trades should be the primary focus of the Committee's work in response to Archegos.

Unfortunately, a counter narrative has developed that blames family offices for the Archegos collapse. CFTC Commissioner Dan Berkovitz characterized it as follows, "The collapse of Archegos Capital Management and the billions of dollars in losses to investors and other market participants is a vivid demonstration of the havoc that errant large investment vehicles called "family offices" can wreak on our financial markets."¹ In calling for increased regulation of family offices, Commissioner Berkovitz also stated, "the Commission remains generally unaware of the very existence of these large commodity pools, is hampered in its ability to oversee their activities, and does not even know whom to contact should issues arise."² Commissioner Berkovitz' ire toward family offices is both misplaced and factually incorrect.

Family Office Positions Are Visible and Reported to Regulators

Family offices are subject to the same regulation and oversight of their market activities as other market participants. Family offices must comply with margin requirements, trading restrictions, position limits and reporting requirements, including reporting requirements tied to investments in swaps and derivatives as well as those applying to investors who take large stakes in publicly traded securities. Regulatory regimes that apply to family offices include:

- Sections 13(d) & (g): Any person, including family offices, owning 5 percent or more of publicly traded companies must file public disclosures of the applicable holding.
- Section 13(f): any person, including family offices, having investment discretion over \$100 million or more in publicly traded securities must file Form 13F disclosing all such positions to the SEC on a quarterly basis.
- Section 13(h): Any person, including family offices, whose transactions in exchange-listed securities equal or exceed (i) two million shares or \$20 million during any calendar day, or (ii) 20 million shares or \$200 million during any calendar month, must register with the SEC and obtain a unique "Large Trader" identification number. Registered broker-dealers are required to adopt procedures to monitor their customers for activity that would trigger the larger trader identification requirements and to report such activity to the SEC by the next day.
- Legal Entity Identifier ("LEI") Numbers: any market participant, including family offices, must obtain Legal Entity Identifier ("LEI") numbers when they engage in swaps and derivatives trading. LEI numbers give regulators from all G20 nations access to the identity, location and contact information of swap participants. The LEI numbers are used by regulators to surveil market activity. *No person or fund can trade swaps and derivatives without an LEI number.*
- Large Trader Reporting/CFTC Form 40: The CFTC operates a comprehensive system of collecting information on market participants. Under regulations set out in Parts **15, 16, 17, 18, 19,** and **21** of the CFTC's regulations, the Commission collects market data and position information from exchanges, clearing members, futures commission merchants (FCMs), foreign brokers, and traders, including family offices who

¹ <https://www.cftc.gov/PressRoom/SpeechesTestimony/berkovitzstatement040121>.

² Id.

meet the reporting thresholds.³ CFTC Form 40 is one of the mechanisms utilized to collect this information. A copy of CFTC Form 40 is attached as Exhibit A and can be found at <https://www.cftc.gov/sites/default/files/idc/groups/public/@forms/documents/file/cftcform40.pdf>.

- **Security Based Swap Reporting:** Finally, the Committee should be aware that SEC regulations on Security-Based Swaps are set to go into effect later this year. A summary prepared by the SEC is attached as Exhibit B to this letter and can be found at <https://www.sec.gov/swaps-chart/swaps-chart.pdf>. Had these regulations been in place earlier, they would have alerted the SEC to the emerging risk presented by Archegos as they directly address the gaps in existing reporting requirements exposed by the Archegos trades. These new regulations will apply to family offices just like other market participants.

As evidenced by these reporting regimes, both the CFTC and the SEC have the same information about family office market positions as they have for all other market participants. Family offices are not exempt from regulatory oversight or scrutiny regarding the impact their trades have on the markets. The Archegos collapse was enabled by a gap in the reporting regulations – no market participant was required to directly report its Security-Based Swap positions. That gap will be remedied by the new Security-Based Swap regulations going into effect later this year and, potentially, by the 13F reporting changes being considered by the Committee.

13F Reporting

Section 13(f) applies to an “institutional investment manager” which includes “any person, *other than a natural person*”. Under this definition, all family offices must comply with Section 13(f) if there is more than one person whose money is managed by the family office. As such, nearly all family offices are subject to Section 13(f). If Archegos was legally entitled not to report its positions under Section 13(f), it was because Archegos was only managing the assets of a single person, not because it was a family office.

PIC supports draft legislation to increase reporting requirements under section 13(f) of the Securities Exchange Act of 1934. This draft legislation would 1) increase the frequency of Form 13F filings from quarterly to monthly, 2) include short and security-based swap positions in 13F filings, and 3) require the Securities and Exchange Commission (SEC) to study the use of confidential treatment and promulgate new rules to reduce the use of confidential treatment.

While we believe the draft legislation has merit, we would strongly recommend allowing for a 30-day reporting deadline rather than the 5-business day limit included in the proposed bill. Five business days is simply too short. Increasing the reporting frequency to monthly with a 30-day reporting deadline is a significant improvement in transparency over current reporting requirements, but would still allow filers sufficient time to prepare, verify and submit their reports.

³ <https://www.cftc.gov/IndustryOversight/MarketSurveillance/LargeTraderReportingProgram/index.htm>.

Regarding the draft bill's provisions on confidential treatment, family offices often benefit from confidential treatment of the 13F forms they submit to the SEC and we welcome the opportunity to review and highlight why confidential reporting is both desirable and necessary. Confidential reporting ensures the privacy of personal financial information and is consistent with other laws, such as the Freedom of information Act and the Internal Revenue Code, that protect personal financial information from public disclosure when submitted to the federal government.

Family Office Exemption

In adopting the Family Office Exemption under the Investment Advisers Act of 1940 (the "IAA"), Congress recognized there was no need to regulate the relationship between a family office and the family that owns and controls the family office. The IAA was designed to protect investors from their advisers. With family offices, the advisers only work for and are hired and managed by the families they serve, so the IAA's investor protections simply need not apply. As such, PIC strongly opposes the draft legislation to limit the Family Office Exemption to those family offices with Assets Under Management (AUM) of \$750 million or less.

Moreover, neither the IAA nor the examinations conducted by the SEC under it, address market or systemic risks. Subjecting family offices of any size to the IAA will not prevent another Archegos. Rather, it will redirect scarce SEC resources away from examining advisers who deal with retail customers where SEC protections are most needed. We have no objection to regulating the market activity of family offices in a similar fashion as all other market participants. However, the IAA was never intended to apply to families managing their own money and we see no public policy benefit in regulating that relationship today.

Conclusion

PIC supports improved reporting under Section 13(f) but opposes limiting the Family Office Exemption. The Archegos meltdown had nothing to do with its status as a family office and imposing additional IAA reporting requirements on family offices will do nothing to protect investors or the markets from systematic risk. Those risks are addressed by focusing on the failures of the financial institutions involved to adequately assess and manage the exposures they took on. Family offices have strong interest in ensuring that the financial institutions we entrust with our assets properly manage their risks and avoid excessive balance sheet exposure to any single counterparty.

Had Archegos behaved more like the typical family office, none of this would have happened. Family offices typically focus on wealth preservation and risk management by embracing prudent investment strategies, including a strong emphasis on diversification and ensuring that no single investment can cause material harm. The Archegos collapse was the result of its highly concentrated and leveraged bets using swaps not fully visible to regulators or its prime broker counterparties. We encourage the Committee to focus on the risk management failures of Archegos' counterparties and the excessive leverage the financial institutions afforded Archegos, including exploring the feasibility of imposing margin limits on swap and derivative transactions similar to how Regulation T imposes margin limits on securities trading.

PIC appreciates the opportunity to comment on these draft bills and would be pleased to answer any questions the Committee may have in this matter.

Respectfully submitted,

A handwritten signature in blue ink that reads "Timothy P. Terry". The signature is stylized with a large, sweeping initial "T" and a long horizontal line extending to the right.

Timothy P. Terry
Secretary, Private Investor Coalition
PIC@PrivateInvestorCoalition.com

EXHIBIT A

(To commence on the following page)



OMB NO. 3038-0009

CFTC FORM 40

STATEMENT OF REPORTING TRADER

Public reporting burden for this collection of information is estimated to average 20 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Agency Clearance Officer, Office of General Counsel, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, DC 20581; and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503.

PRIVACY ACT NOTICE

The Privacy Act of 1974 says that each Federal Agency that asks you for information must tell you the following:

1. Its legal right to ask for the information and whether the law says you must give it.
2. What purpose the agency has in asking for it, and the use to which it will be put.
3. What could happen if you do not give it.

For the large trader reporting system of the Commodity Futures Trading Commission, the law covers the following:

1. The CFTC form 40.
2. The series '04 reports.
3. Any questions concerning records of your cash, futures, and option positions which you are required to maintain by the regulations under the Commodity Exchange Act.

Our legal right to ask for information from traders with large futures or option market positions is granted in sections 4i and 8 of the Commodity Exchange Act (7 U.S.C. 6i and 12). Disclosure of the information called for is mandatory and failure to comply may result in the imposition of criminal or administrative sanctions (see *e.g.*, 7 U.S.C. 9, 213a-1, 13(c)).

The information requested is used generally in the Commission's market surveillance activities to provide information concerning the size and composition of the commodity futures or option markets, and to permit the Commission to monitor and enforce the speculative position limits that have been established. The complete listing of routine uses, in accordance with the Privacy Act, 5 U.S.C. §522a, and the Commission's rules thereunder, 17 CFR Part 146, of the information contained in these records is found in the Commission's annual notice of its system of records.

Data from the forms may be used by the Commission in the conduct of investigations or litigation and, in limited circumstances, may be made public in accordance with provisions of the Commodity Exchange Act. It may also be disclosed to other government agencies and to contract markets to meet their responsibilities assigned to them by law.

GENERAL INSTRUCTIONS

Who Must File a Form 40 – Every person who holds or controls a reportable position must file a CFTC Form 40, Statement of Reporting Trader. (See section 18.04 of the regulations under the Commodity Exchange Act.)

Persons include individuals, associations, partnerships, corporations, and trusts.

What to File – All traders required to file must complete Part A. In addition:

1. Traders who are individuals, partnerships, or joint tenants must also complete Part B.
2. All other traders must complete Part C.
3. All traders commercially engaged in the marketing of cash commodities or in business activities that they hedge by using futures or option markets must also complete Schedule 1.

When to File – A reportable trader must file a Form 40 on call by the Commission or its designee.

Where to File – This statement is to be submitted to the nearest CFTC office or as otherwise instructed.

Signature – Your signature is required as the last item on Part A.

COMPLETING PART A

All reportable traders are required to complete Part A and all questions must be answered. If the trader filing the Form 40 is an independent account controller and is not employed by, in partnership with, or similarly affiliated with the trader in whose name futures or option trading is done, the controller is the reporting trader and should answer all questions with respect to himself, not with respect to the person whose trading is controlled.

1. **Name and address of the trader.** If futures or option trading is done in the name of a firm, list the firm's name as the reporting trader. If the futures or option trading is done in the name of an individual, list the reporting trader's last name, first name, and middle initial.
2. **Principal business and occupation of the reporting trader.** Show the principal business or occupation of reporting trader. In addition, for question 2b, check at least one and/or as many categories as are applicable.
3. **Type of trader.** Indicate type with respect to the reporting trader. If individual, joint tenant, or partnership is indicated, complete Part B in addition to Part A. If corporation, association, or trust, etc., is indicated, complete Part C in addition to Part A.
4. **Is the reporting trader registered under the Commodity Exchange Act?** Answer "yes" only if the registration is currently in effect. Note: If the registration status changes during the next twelve months, the reporting trader is not required to file an updated Form 40.
5. **Does the reporting trader control the futures or option trading for any other persons?** Traders control the futures or option trading of other persons if, by power of attorney or otherwise, they actually direct trading in futures or option accounts of other persons. Persons who control all or a portion of the assets of commodity pools must give the names and addresses of each commodity pool operator and for each commodity pool operator the names of the pools for which trading is controlled. For managed or guided account customer programs in which 10 or more persons participate, give the name of the program indicating that it is a customer trading program and give the name and address of the person sponsoring the program.
6. **Does any other person control the trading of the reporting trader?** Do not include brokers unless, by power of attorney or otherwise, the broker actually directs the trading. Persons who are commodity pool operators, or participate in the management of commodity pools by selecting an advisor to trade the assets of the pools, give the names of each pool for which assets are

managed, indicate whether you are a commodity pool operator for the pool, and, for each pool, give the names, addresses and business phones of those controlling the trading of the assets of the pool.

7. **Give names and locations of all firms through which the reporting trader now carries accounts.** In addition, provide the name of the account executive at each office of the firms at which the futures or option trading accounts are carried. (Note: If the information in answer to this question changes, an updated statement is not required.)
8. **Do any other persons guarantee the futures or option trading accounts of the reporting trader or have a financial interest of 10 percent or more in the reporting trader or the futures or option accounts of the reporting trader?** If "yes," list the names and locations of such persons and show whether they guarantee the accounts by checking "G," or have a financial interest in the accounts of the reporting trader by checking "F."
9. **Does the reporting trader guarantee or have a financial interest of 10 percent or more in futures or option accounts not in the trader's name or have a financial interest of 10 percent or more in another futures or option trader?** If "yes," give (1) the names of the accounts that the reporting trader guarantees or in which the reporting trader has a financial interest (including interest as a limited partner), the names of the principal owners of such accounts, and the names and the locations of the brokerage firms through which such accounts are carried; and/or (2) the names of the futures or option traders in which the reporting trader has a financial interest. In addition, show whether the reporting trader guarantees (G) or has a financial interest (F) in the traders or accounts listed.
10. **Does the reporting trader represent a foreign government?** If the reporting trader is a representative or instrumentality of a foreign government, specify the relationship according to those shown on the form. On a continuation sheet, briefly elaborate on the type of relationship, and indicate any manner in which the futures or option trading is restricted or otherwise controlled.

COMPLETING PART B

To be Completed by Individuals, Joint Tenants, and Partnerships

1. Give the **telephone number** at which the reporting trader can be contacted during normal business hours.
2. **Employer and job title.** This question should be answered only if type of trader (Part A, question 3) has been checked "individual."
3. **Is the reporting trader commercially engaged in business activities hedged by use of the futures or option markets?** This would include production, merchandising, or processing of a cash commodity, asset/liability risk management by depository institution, security portfolio risk management, etc. If "yes," complete schedule 1 listing the futures or option contract used, the cash commodity(ies) hedged, or the risk exposure covered, and the marketing occupations associated with hedging uses. (*For a definition of hedging, see the instructions for completing Schedule 1.*)
4. **Does the reporting trader participate in the management of any organization that holds another futures or option trading account?** If the reporting trader is an officer, partner, or holds a position of similar responsibility, answer "yes."
5. **For partnerships and joint tenants.** For partnerships, list the name and address of each partner, excluding limited partners in commodity pools. (Limited partners with 10 percent or more financial interest should be reported under Part A, question 9.) For joint tenants, list each tenant. In both instances, indicate which person ordinarily places orders.

COMPLETING PART C

To be Completed by Traders Who Checked Corporation, Association, Trust, or "Other" Type of Trader in Part A

1. **For corporations, associations, and trusts.** In answering item "b" of this question, a company is considered to be your parent if it has more than 50 percent financial interest in your firm. List all parent companies. For example, a company that is a wholly owned subsidiary of a wholly owned subsidiary would have two parent companies.
2. **Is the reporting trader commercially engaged in business activities hedged by use of the futures or option markets?** This would include production, merchandising, or processing of a cash commodity, asset/liability risk management by depository institution, security portfolio risk management, etc. If "yes," complete schedule 1 listing the futures or option contract used, the cash commodity(ies) hedged or the risk exposure covered, and the market occupations associated with hedging uses. *(For a definition of hedging, see the instruction for completing schedule 1.)*
3. **Person(s) to contact regarding a firm's futures or option trading.** If the person to contact regarding the firm's futures or option trading is different than the person controlling such trading, give name, office address, and business telephone number under question 3b. If same, please indicate.

COMPLETING SCHEDULE 1

To be Completed Only by Traders Who Checked "Yes" to Question 3 of Part B or Question 2 of Part C

General Definition. Bona fide hedging transactions and positions mean transactions and positions in a contract for future delivery on any contract market, or in a commodity option, where such transactions or positions normally represent a substitute for transactions to be made or positions to be taken at a later time in a physical marketing channel, and where they are economically appropriate to the reduction of risks in the conduct and management of a commercial enterprise, and where they arise from:

1. The potential change in the value of assets which a person owns, produces, manufactures, processes, or merchandises or anticipates owning, producing, manufacturing, processing, or merchandising;
2. The potential change in the value of liabilities which a person owns or anticipates incurring; or
3. The potential change in the value of services which a person provides, purchases, or anticipates providing or purchasing.

If the reporting trader's use of the futures or option markets conforms to this general definition, complete schedule 1 using a continuation sheet if necessary. The schedule is comprised of three parts based on the type of futures or option market used for hedging: financial futures and options including currencies; agricultural and natural resources futures and options, excluding livestock and meats; and, livestock and meats futures and options. For each of the three types of futures and option markets that you use for hedging, first list or check-off all merchandising or marketing activities associated with your hedging. Next, list the futures and option markets you use and the cash market instruments, commodities, or risk exposure that you hedge. If the marketing activities listed on the schedule do not adequately describe activities associated with your hedging, check "other" and attach a short narrative comment. Please contact any CFTC office if you have questions.

Complete and return this statement promptly. Print or type. ALL TRADERS MUST COMPLETE PART A

PART A

1. Name of reporting trader (if individual – last, first, middle initial). _____

Street Address

City/State/Country/Zip/Postal Code

2. a. Principal business and occupation of the reporting trader (be specific). _____

Does the reporting trader's business include the trading of futures or options for customers? YES NO

b. Is the reporting trader's futures or option trading for, on behalf of, or in association with, any of the following: (Check at least one and as many more as are applicable.)

- (1) A customer trading program of an FCM?
- (2) A commodity pool?
- (3) Speculative activity (i.e., futures or option transactions that do not constitute hedging)?
- (4) Commercial use by self or employer?
- (5) Other (specify). _____

3. Type of trader (check only one):

- a. Individual
 - b. Joint tenant
 - c. Partnership
 - d. Corporation
 - e. Association
 - f. Trust
 - g. Other (specify) _____
- } In addition to Part A, complete Part B
- } In addition to Part A, complete Part C

4. Is the reporting trader registered under the Commodity Exchange Act as:

YES NO

- a. A futures commission merchant?
- b. An introducing broker?
- c. An associated person of an FCM?
- d. A commodity trading advisor?
- e. A commodity pool operator?
- f. A floor broker?
- g. A floor trader?

5. Does the reporting trader control the futures or option trading of any other persons? Persons include individuals, associations, partnerships, corporations, and trusts. YES NO

If "YES," give names and addresses of such persons. See the instructions for reporting commodity pools and managed or guided account customer trading programs. (Use a continuation sheet if necessary.)

Name Street Address

City/State/Country/Zip/Postal Code

Name Street Address

City/State/Country/Zip/Postal Code

Name Street Address

City/State/Country/Zip/Postal Code

6. Do any other persons control the trading of the reporting trader? *(Do not include brokers who merely execute orders.)*
 If "YES," give names, addresses, and business telephone numbers of such persons. See the instructions for reporting trading advisors that trade the assets of commodity pools. *(Use a continuation sheet, if necessary.)*

YES	NO
_____	_____
Name	Street Address
_____	_____
Business Phone	City/State/Country/Zip/Postal Code
_____	_____
Name	Street Address
_____	_____
Business Phone	City/State/Country/Zip/Postal Code

7. Give names and locations of all firms through which the reporting trader now carries accounts and the name of the account executive at each firm. If U.S. location, give city and state; if foreign country, give city and country. *(Use a continuation sheet, if necessary.)*

_____	_____
Firm	City/State/Country
_____	_____
Account Executive	

8. Do any other persons guarantee the futures or option trading accounts of the reporting trader or have a financial interest of 10 percent or more in the reporting trader or in the futures or option accounts of the reporting trader? YES NO
 If "YES," give names and locations (city and state) of such persons. Indicate whether they guarantee (G) or have a financial interest (F) in the reporting trader or the accounts. *(Use a continuation sheet if necessary.)*

_____	_____	(F)	(G)
Name	Location		
_____	_____	(F)	(G)
Name	Location		

9. Does the reporting trader guarantee or have a financial interest of 10 percent or more in futures or option accounts not in the trader's name or have a financial interest of 10 percent or more in another futures or option trader (including interest as a limited partner)? YES NO

If "YES," give (a) the names of such accounts that the reporting trader guarantees or in which the reporting trader has a financial interest, the names of the principal owners of such accounts, and the names and the locations of the brokerage firms through which such accounts are carried; and/or (b) the names of the futures or option traders in which the reporting trader has a financial interest. In addition, show whether the reporting trader guarantees (G) or has a financial interest (F) in the traders or accounts listed.

(1) _____	(F)	(G)	(2) _____
Account or Trader Name			Principal Owner(s) of the Account
(3) _____			(4) _____
Brokerage Firm Carrying the Account			Brokerage Firm Location

10. Does the reporting trader represent a foreign government, act as an agent of a foreign government, receive financing from a foreign government either through ownership of capital assets or provision of operation expenses, or is the reporting trader an entity specially acknowledged by a statute or regulation of a foreign jurisdiction? YES NO

If "YES," give the name of the country that the trader represents and complete items a through e below.

Name of Country _____

a. Does the reporting trader act as an agent of the government?	YES	NO		
b. Is the reporting trader acknowledged by a statute or regulation of a foreign jurisdiction?			YES	NO
c. Does the government directly or indirectly control the trading?	YES	NO		
d. Does the government finance the reporting trader, either through capital ownership of assets or by providing operating expenses?	YES	NO		
e. Use a continuation sheet to briefly describe the nature of the relationship(s) with foreign governments indicated in items a-d above, or any other manner in which the reporting trader represents a foreign government.				

 This statement should be signed by the reporting trader personally.
 If the reporting trader is in the name of an organization, a partner, officer, or trustee should sign this form.
 Name and title should be **printed or typed** on the lines above signature and date.

Name (print or type)	Title
Signature	Date

PART B

For Individual, Joint Tenant or Partnership Accounts
If INDIVIDUAL, JOINT TENANT, or PARTNERSHIP is Checked as Type of Trader in Part A, Item 3,
Complete This Part B

Name of Reporting Trader (as shown in Part A) _____

1. Business Telephone Number of Reporting Trader. _____

2. Answer a and b only if type has been checked "Individual."

a. Name of Employer _____

b. Job Title _____

3. Is the reporting trader engaged in business activities hedged by use of the futures or option markets? This would include production, merchandising or processing of a cash commodity, asset/liability risk management, security portfolio risk management, etc. YES NO

If "YES," complete **Schedule 1** listing the futures or option contract used, the cash commodity(ies) hedged or the risk exposure covered, and the marketing occupations associated with hedging uses. (For a definition of hedging, see the instructions for completing Schedule 1.)

4. Does the reporting trader participate in the management of any organization that holds another futures or option trading account? YES NO

If "YES," give names and addresses of organizations and check type. (Use a continuation sheet, if necessary.)

Name of Organization	Corporation
Street Address	Partnership
City/State/Country/Zip/Postal Code	Trust
	Other (specify) _____

5. For partnerships and joint tenants: List name and address of each partner and/or joint tenant, excluding limited partners in commodity pools. (Limited partners with 10 percent or more financial interest should be reported under question 8 of Part A.) Indicate by an asterisk which person ordinarily places orders. (Not required if the reporting trader is a futures commission merchant registered under the Commodity Exchange Act.) (Use a continuation sheet, if necessary.)

Name	Street Address
	City/State/Country/Zip/PostalCode
Name	Street Address
	City/State/Country/Zip/PostalCode
Name	Street Address
	City/State/Country/Zip/PostalCode

PART C

For Corporations, Associations, Trusts, or "Other" Types of Traders Only
 If CORPORATION, ASSOCIATION, TRUST, or "OTHER" is Checked as Type of Trader in Part A, Item 3,
 Complete this Part C

Name of Reporting Trader (as shown in Part A) _____

1. For firms such as corporations, associations, trusts:

a. Is this firm organized under the laws of any state or other jurisdiction in the United States? YES NO
 If "NO," give the name of the country under whose jurisdiction the reporting trader is organized: _____

b. List the names and locations of all parent companies. Indicate whether or not the parents are organized or incorporated under the laws of any state or other jurisdiction in the United States by checking "YES" or "NO." If the reporting trader has no parent organization check "NONE." NONE YES NO

Name	Location	YES	NO
_____	_____		
Name	Location	YES	NO
_____	_____		

c. Give names and locations of all subsidiaries, if any, that trade in commodity futures or options. Indicate whether or not each company is organized or incorporated under the laws of any state or other jurisdiction in the United States by checking "YES" or "NO." If no subsidiaries, check "NONE." NONE YES NO

Name	Location	YES	NO
_____	_____		
Name	Location	YES	NO
_____	_____		
Name	Location	YES	NO
_____	_____		

2. Is the reporting trader engaged in business activities hedged by use of the futures or option markets? YES NO
 This would include production, merchandising or processing of a cash commodity, asset/liability risk management, security portfolio risk management, etc.

If "YES," complete **Schedule 1** listing the futures or option contract used, the cash commodity(ies) hedged or the risk exposure covered, and the marketing occupations associated with hedging uses. (For a definition of hedging, see the instructions for completing Schedule 1.)

3. a. Give name, office address, and business telephone number of person(s) controlling the futures or option trading of the reporting trader. If different persons are responsible for different commodities, use a continuation sheet to list the information below for each controller, and indicate the commodities for which they are responsible.

Name	Street Address
_____	_____
Business Telephone Number	City/State/Country/Zip/Postal Code
_____	_____

b. Give name, office address, and business telephone number of person to contact regarding the futures or option trading of the reporting trader.

Name	Street Address
_____	_____
Business Telephone Number	City/State/Country/Zip/Postal Code
_____	_____

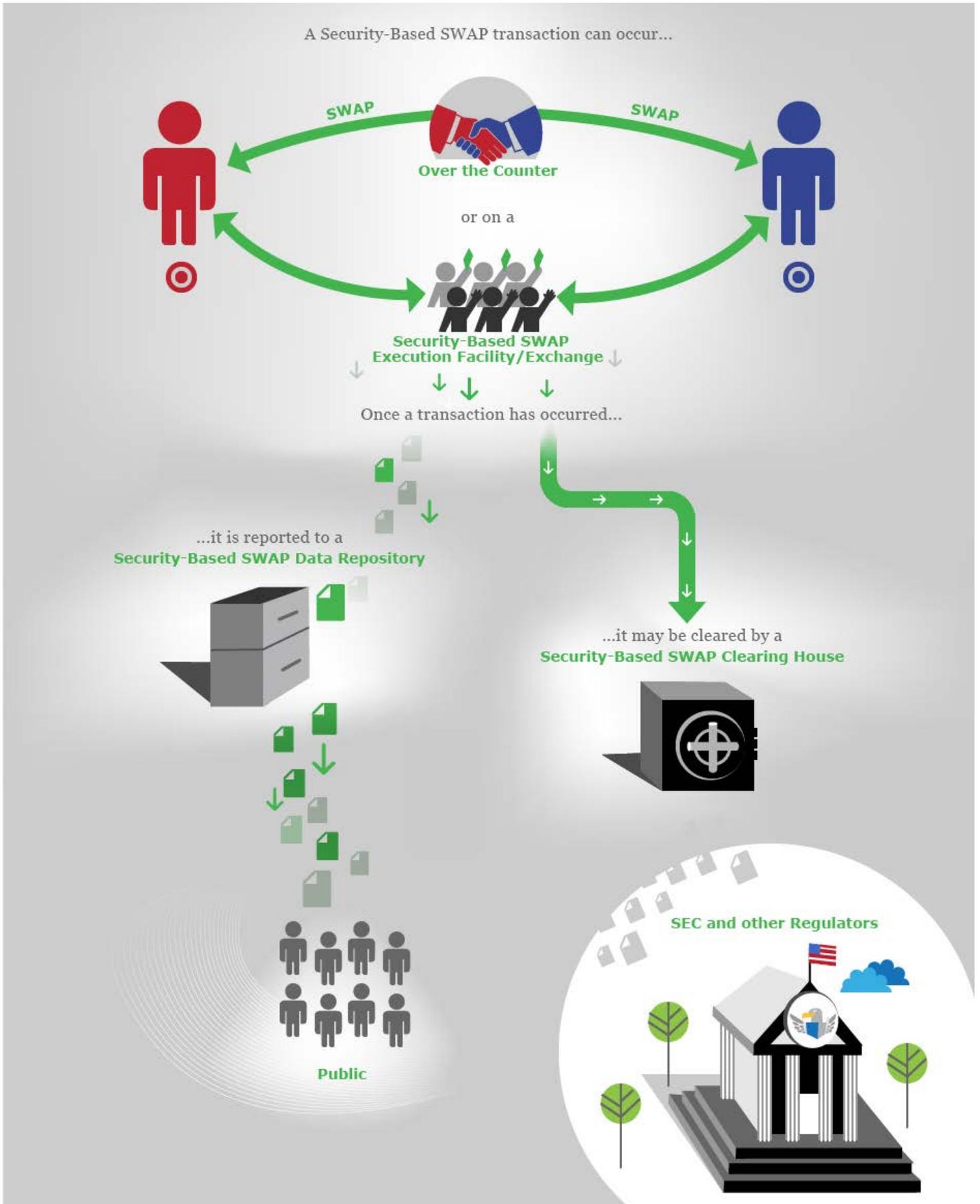
EXHIBIT B

(To commence on the following page)



The Regulatory Regime *for* **Security-Based Swaps**

The Regulatory Regime for Security-Based Swaps*



* This graphic is based on the provisions of Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act as well as the SEC's implementation efforts to date.

Swaps are financial contracts in which two counterparties agree to exchange or “swap” payments with each other as a result of such things as changes in a stock price, interest rate or commodity price.

In 2010, Congress passed legislation tasking the SEC and CFTC with creating a regulatory regime to govern this multi-trillion dollar market. The 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act assigned the CFTC responsibility for “swaps” and the SEC responsibility for a portion of the market known as “security-based swaps,” which include, for example, swaps based on a security, such as a stock or a bond, or a credit default swap. The new regime is intended to make this market more transparent, efficient and accessible.

Under the new regime, the SEC would regulate:

- dealers and major players in the security-based swap market;
- trading platforms and exchanges on which certain security-based swaps would be transacted;
- clearing agencies that generally step in the place of the original counterparties and effectively assume the risk should there be a default; and
- data repositories, which would collect data on security-based swaps as they are transacted by counterparties, make that information available to regulators, and disseminate data, such as the prices of security-based swap transactions, to the public.

For the first time, regulators would be able to monitor and oversee the market.

Counterparty

There are three types of counterparties who could enter into a security-based swap transaction with another counterparty:



- Security-based swap users
- Major security-based swap participants
- Security-based swap dealers

Security-based swap users are participants in the market who are not required to register with the SEC.

There are rules defining the types of counterparties considered to be [major security-based swap participants and dealers](#). These parties would have to [register with the SEC](#) and be subject to various requirements, including adhering to certain proposed capital, margin, and segregation and [business conduct standards](#). They would have to provide their counterparties a [trade acknowledgement](#) detailing information specific to the security-based swap transaction.

Security-Based Swaps



Under the Dodd-Frank Act, the SEC regulates “security-based swaps,” and the CFTC regulates “swaps.” There are rules defining which [types of transactions](#) are considered “swaps,” which are considered “security-based swaps,” and which fall outside the definition of either. Existing rules prohibit fraud, manipulation, and deception in the trading of security-based swaps. The Commission has also proposed [additional rules](#) in this area.

Over the Counter (OTC)s



OTC security-based swap transactions are those that are negotiated between two counterparties, as opposed to being transacted on a SEF or an exchange in which many counterparties are brought together to trade. Rules would dictate which security-based swaps must be transacted on a SEF or an exchange.

Security-Based Swap Execution Facilities (SEFs)



SEFs are a type of regulated trading market that bring together multiple participants to transact in security-based swaps. Certain security-based swaps that are required to be cleared would need to be transacted on a SEF or an exchange. Other types of security-based swaps may be transacted on a SEF or an exchange, or on an OTC basis by negotiation between two counterparties.

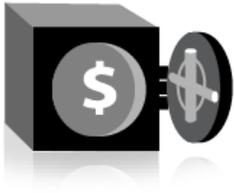
There are proposed rules regarding the [registration of SEFs](#), as well as their duties and core principles. There are also proposed rules intended to mitigate [conflicts of interest](#) that might arise in a SEF.

Security-Based Swap Data Repositories



Security-based swap data repositories are centralized recordkeeping facilities. There are proposed rules reflecting the [core principles and duties](#) of security-based swap data repositories, describing what transaction information counterparties would be required to report to a security-based swap data repository, and what information security-based swap data repositories would be required to [publicly disseminate](#).

Security-Based Swap Clearing Agencies



Certain transactions would be required to be cleared through security-based swap clearing agencies. Security-based swap clearing agencies step in the place of the original counterparties and effectively assume the risk should there be a default. There are proposed rules outlining standards for the [operation and governance](#) of clearing agencies and rules specifying how clearing houses are to [submit information](#) to the SEC for a determination of which types of security-based swap transactions must be cleared. There are also proposed rules that provide qualified 'end users' with an exemption from [mandatory clearing](#), subject to certain conditions.

The Public



For the first time, the public will be able to see trade and price information about [security-based swap transactions](#).

SEC and Other Regulators



In order to monitor and oversee the security-based swap market, the SEC and other regulators would have access to information contained in security-based swap data repositories. The SEC, and in some cases, other regulators, would also directly oversee key players in the security-based swap market, including security-based swap dealers, major security-based swap participants, swap execution facilities, exchanges, security-based swap data repositories, and security-based swap clearing agencies.