PIMCO

Via Electronic Submission to:
www.cftc.gov/projectkiss

September 29, 2017

Mr. Christopher Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: Project KISS (RIN 3038–AE55)

Dear Mr. Kirkpatrick:

This letter is submitted on behalf of Pacific Investment Management Company LLC ("PIMCO" or "we") to provide comments to the U.S. Commodity Futures Trading Commission (the "Commission" or the "CFTC") in response to its request for suggestions regarding applying the Commission's existing rules, regulations, or practices in a simpler, less burdensome, and less costly manner, also known as the "Project KISS" initiative.[1] PIMCO supports the CFTC's Project KISS initiative and appreciates this opportunity to share our comments and suggestions with the Commission. In addition, we stand ready to provide any additional information that will assist the Commission as it considers how best to implement each of the suggestions we set forth below.

Overview

As described in prior submissions to the CFTC,[2] PIMCO is registered with the CFTC as a commodity pool operator ("CPO") and commodity trading advisor ("CTA") and is also registered as an investment adviser with the U.S. Securities and Exchange Commission. As of June 30, 2017, PIMCO managed approximately $1.61 trillion in total assets, and approximately $435 billion in CPO assets, on behalf of millions of individuals and thousands of large institutions in the United States and globally, including state retirement plans, unions, university endowments, corporate defined contribution and defined benefit plans, and pension plans for teachers, firefighters and other government employees. Our services are provided through the

[1] 82 Fed. Reg. 23,765 (proposed May 24, 2017), https://www.gpo.gov/fdsys/pkg/FR-2017-05-24/pdf/2017-10622.pdf.

[2] *See, e.g.*, PIMCO Comment Letter to the CFTC, *re: Position Limits for Derivatives Proposal*, 1 (Feb. 28, 2017), https://comments.cftc.gov/PublicComments/ViewComment.aspx?id=61099.

management of separate client accounts, in accordance with the specific investment styles and objectives specified by the client, and through the management of mutual funds that are offered to institutional and individual investors. In the case of all of these management services, we are solely engaged in the long-term investment management of our clients' assets, in accordance with the full legal duties of a fiduciary. We do not engage in proprietary trading for our own account nor directly hold client funds, nor provide balance sheet lending to our investment clients. Our principal goal is to make sound, long-term investments that will meet our clients' objectives and provide them with stable and acceptable returns that are consistent with their risk preferences over their desired time horizons.

PIMCO believes that the Commission's rules and policies must be designed to support efficient, competitive, fair, liquid and deep futures and swaps markets. This is essential to our business and the businesses of many other market participants. To that end, we highlight in this submission several aspects of the CFTC's existing rules and policies that present barriers to efficient, competitive, fair, liquid and deep derivatives markets, and in each instance, we propose and/or point to proposals for solutions that the CFTC can pursue to correct the issues identified. We have organized our comments by grouping them under topic headings that parallel the specific categories identified in the CFTC's Project KISS portal, as follows: (1) Reporting, (2) Clearing, (3) Executing, and (4) Registration.

I. Reporting

A. The CFTC's Requirements for Real Time Public Reporting of Swap Transaction Data Should Be Revisited to Increase the Dissemination Delay and Reduce the Notional Cap Thresholds.

The Commission should revisit its current rules pertaining to the real time public reporting of swap transaction data for large notional off-facility swaps and block trades.[3] As set forth below, the current time delay for public dissemination of block trades is too short and has the cumulative effect of increasing the costs of these trades to PIMCO's clients and other end-users, reducing market liquidity and rewarding undesirable trading behavior. Accordingly, the current real time swap reporting rules, as set forth in Part 43 of the CFTC's regulations, should be revised to, in order of priority: (i) extend the time delay for reporting of block trade information to the public, (ii) lower the threshold for block trades that do not have to report specific trade details, and (iii) lower the minimum block sizes. Absent revisions to the rules, PIMCO, on behalf of its clients, will continue to pay an artificially high price to dealer counterparties in order to account for the fact that these larger trades are prematurely revealed to the market.

[3] 17 C.F.R. Part 43.

The Dissemination Delay Should Be Extended for Block Transactions.

The Commission should extend the time delay for public dissemination of block trade information to the market. The current time delay for most swaps does not afford enough time for PIMCO's counterparties to provide sufficient liquidity without passing on wider bid-ask spreads to PIMCO clients and other end-users. As PIMCO has described in its prior comments on this subject,[4] block transactions provide a critical mechanism for market participants to trade large orders and avoid potentially disruptive pricing and market impact that could result if the block trade details are prematurely disseminated. Importantly, the price at which the swap dealer offers the block to the end-user necessarily reflects the risk that bid-ask spreads will widen - a result of prematurely communicating block transaction information to the market. PIMCO has previously experienced instances wherein our block trade counterparties did not have sufficient opportunity to manage their risk as a result of the dissemination of block trade information. In such instances, our counterparties have indicated that the inability to lay off their risk will adversely impact the price to PIMCO (on behalf of PIMCO's clients) of block trades.

The Notional Cap Threshold for Transactions That Qualify for Anonymization Should Be Lowered.

The Commission should also reduce the notional cap threshold (cap sizes) for block trades that do not have to report specific trade details. The current cap sizes are set at a level that still forces the specific details of many large trades to be reported to the market. Lowering the threshold for very large transactions would mitigate the effects of premature block transaction reporting and therefore avoid increased bid-ask spreads for end-users. The information disseminated as part of real-time trade reporting, in conjunction with the short time delays described above for block trades, transmits critical information to short-term speculators before dealers and end-users are able to hedge their risk.

Minimum Block Size Thresholds Should Be Lowered.

The current minimum block trade thresholds should also be lowered so as to ensure that they capture the full scope of transaction sizes that have market moving capability, and that are therefore appropriate for delayed reporting. When the thresholds are too high, it inappropriately forces the public reporting of trading activity in a way that distorts market prices and/or raises

[4] PIMCO Comment Letter to the CFTC, *re: Effect of Block Trading Reporting Requirements on End-Users of Swaps (Notice of Proposed Rulemaking (the "Release"): Real-Time Public Reporting of Swap Transaction Data. RIN 3038-AD08)* (Feb. 7, 2011), https://comments.cftc.gov/PublicComments/ViewComment.aspx?id=58095&SearchText=PIMCO.

costs for end-users. The Commission should re-evaluate the current block thresholds, for reporting purposes, and start by requiring real time reporting of transactions of a size that are not market moving and will not impact the ability of end-users to hedge once they are reported.

The consequence of unnecessarily condensed reporting delays, coupled with artificially high cap sizes and block sizes, is increased costs for long-term investors – this is because dealer counterparties respond to these market dynamics by increasing the bid-ask spread of the block transaction to the end-user with whom the dealer is transacting. Fully aware of this dynamic created by the CFTC's real time reporting rules, algorithmic and "black box" systems have been designed and are used specifically to exploit the premature public reporting of large block transaction information, which we believe is contrary to the spirit of the rule. PIMCO accordingly urges the CFTC to revisit its rules regarding real time reporting, to provide better protections for block trade parties' trading information to mitigate the adverse effects described herein.[5]

II. Clearing

A. The CFTC Should Direct the Rescission and Withdrawal of Joint Audit Committee Alert 14-03.

Joint Audit Committee ("JAC") Alert 14-03[6] (the "Alert") addresses margining requirements of futures and centrally cleared swaps accounts held by the same beneficial owner. The Alert contains several provisions that present substantial challenges and burdens to PIMCO, our clients, our futures commission merchants ("FCMs"), and a variety of other market participants, and stands to upend the existing and long-standing market structure. Therefore, the Alert should be rescinded and withdrawn in the entirety as soon as possible.

The Alert requires that all accounts of the same beneficial owner within the same regulatory account classification (e.g., customer segregated, customer secured, cleared swaps customer, or noncustomer) should be combined for margin purposes, even if such accounts are under control by different managers. The Alert also states that when determining an account's margin funds for disbursement, all accounts of the same beneficial owner within the same regulatory account classification must be combined, even if under different control by different managers. The Alert also states that FCMs are only permitted to issue margin calls on an

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[5] PIMCO also generally supports the comments submitted by the Asset Management Group of the Securities Industry and Financial Markets Association, pertaining to the streamlining of reporting requirements for regulated entities, including Form PQR and Part 4.36(d).

[6] *See* Joint Audit Committee Regulatory Alert 14-03, *Receipt of Margin Funds and Combining Accounts for Margin Purposes* (May 21, 2014), http://www.wjammer.com/jac/jacupdates/2014/jac1403.pdf?n=16509.

individual account basis if the gross margin calls are otherwise "conservative" in relation to the aggregate margin call calculated for the combined account.

The foregoing aspects of the Alert negatively impact those beneficial owners, namely institutional investors such as ERISA plans, mutual funds, and pension plans, who use multiple asset managers to manage separate pools of assets with distinct investment strategies to maintain separate investment results. These same beneficial owners often engage the same asset manager to manage more than one portfolio for such beneficial owner, with each portfolio comprising a distinct pool of assets, employing a different investment strategy, and maintaining separate results, despite being controlled by the same asset manager and owned by the same beneficial owner.

The use of separately managed accounts (and separate portfolios owned by the same beneficial owner) is widespread by institutional investors. Such arrangements are memorialized in agreements entered into by PIMCO and our clients, as well as in customer clearing account agreements entered into with our FCMs. The Alert will conflict and interfere with these agreements without enhancing customer protection. Furthermore, the Alert runs afoul of fundamental principles of agency law, stands to have various unintended and adverse effects on the operation of the futures and cleared swaps markets, and should be rescinded and withdrawn in the entirety.

Conflict with FCM Clearing Agreements, Client Agreements, Client Requirements, and Longstanding Market Practice.

As noted above, the Alert conflicts with PIMCO's customer clearing account agreements entered into with FCMs for futures and cleared swaps, as well as investment management agreements entered into by PIMCO and our clients. Specifically, the customer clearing account agreements entered into with FCMs contain customary limited recourse provisions that require the FCM (i) to margin each account separately and (ii) to limit recourse only to the assets under management in the specific account. The Alert would seek to overrule these agreements. In addition, for certain separate account clients, namely ERISA plans, mutual funds, and pension plans, and government organizations, PIMCO's investment management agreements with such clients contain limited recourse provisions providing that PIMCO cannot bind the client to any obligations beyond those relating to the assets under management by PIMCO. These provisions are often mandated by applicable local law or such client's charter, bylaws, or similar constitutional prescription that require PIMCO to limit liability arising from its investments to the assets in that specific portfolio. Margining with accounts of a client that are not managed by PIMCO is impossible because PIMCO has neither transparency into the client's other account managed by itself or another manager nor the authority to impact an account outside of its control.

The Alert poses several unintended and adverse consequences to the longstanding practices of the futures and cleared swaps markets. As contemplated currently, the Alert would prevent PIMCO and our clients from accessing excess margin at the FCM in the event that another manager has a margin shortfall at the same FCM for a pool of assets beneficially owned by the same client (e.g., if one manager fails to timely satisfy a margin call at the FCM for the client, the FCM will not release excess margin for the same client's account at the FCM as managed by PIMCO). Often times, such excess margin is needed to cover a corresponding hedge position in another asset class. If not timely received, the client could be in default on the corresponding hedge position for failure to satisfy the collateral call for such position. Accordingly, the FCM's inability to release the excess margin to the client's PIMCO account gives rise to the unintended consequence of introducing greater systemic risk to the financial markets and systems more broadly.

Conflict with Fundamental Principles of Agency Law and CFTC Rule 1.56.

While the JAC and CFTC Staff have previously raised CFTC Rule 1.56, which addresses the "Prohibition of guarantees against loss," as a basis for nullifying limited recourse provisions in clearing agreements between asset managers and FCMs, we believe that the proposed interpretation of this regulation conflicts with fundamental principles of agency law.[7] Moreover, from a systematic risk perspective, we do not believe that Rule 1.56 can be read to require every asset owner to grant to every external asset manager unlimited authority over all of its assets. Institutional asset managers (including fund managers that receive separate mandates from pension funds, ERISA plans and mutual funds) universally contract with their clients on the basis of a mutual understanding that the principal's liability shall not exceed a specific allocation of assets to the manager/agent. This longstanding approach to asset management practice derives from fiduciary and statutory principles that constrain the principals' ability to contract for investment management services. That is, pension fund trustees, ERISA plan managers, or mutual fund advisers are not free to expose assets held in trust and in a fiduciary capacity to unlimited liability under contracts that provide for unlimited recourse. The Alert would ignore this history and force FCMs to use an unsound and legally conflicting practice to its treatment of client accounts.

We encourage the CFTC to also consider the history of the adoption of CFTC Rule 1.56, which was intended to address and prevent bucket shop/retail customer fraud (i.e., a fraudulent FCM promising a retail customer that it will forego ever making a margin call on a customer),

[7] *See* Restatement (Third) of Agency § 1.01, § 2.01 (Am. Law Inst. 2006). Specifically, the principle that an agent has a duty to act only within the scope of the agent's actual authority and to comply with all lawful instructions received from the principal concerning the agent's actions on behalf of the principal.

and prohibits an FCM from representing in any way that it will guarantee a customer against loss, limit the loss of a customer or not call for or attempt to collect margin from a customer.[8] The historical concerns motivating CFTC Rule 1.56 are completely distinct from JAC's application of Rule 1.56 to limited recourse provisions. Furthermore, as outlined above, JAC's proposed interpretation of applicable law and regulation is inconsistent with the fundamental principles of agency law – which require that an agent has a duty to act only within the scope of an agent's actual authority and to comply with all lawful instructions received from a principal concerning the agent's actions on the principal's behalf.[9] To apply Rule 1.56 as a basis for the implementation of the Alert inappropriately addresses the purpose of the rule, and materially disrupts the business and operation of the futures and cleared swaps market.

III. Executing

A. Pre-Hedging and Anticipatory Hedging of Block Trades Should Be Prohibited.

Certain designated contract markets ("DCMs") recently amended their futures block trade rules to permit pre-hedging and anticipatory hedging by parties to a block trade while in possession of non-public information related to the solicitation or negotiation of block trades.[10] In general, these rules permit parties to a potential block trade to engage in pre-hedging or anticipatory hedging of a position that they believe in good faith will result from the consummation of the block trade (with an exclusion for intermediaries who accept the trade for their own account and who continue to be prohibited from engaging in pre-hedging). The Commission should prohibit pre-hedging and anticipatory hedging of block trades, as these practices negatively impact block trade prices, impeding our ability, and the ability of other asset managers, to obtain the best available price on block transactions for their clients, and make it more difficult for DCMs to detect and enforce against the misuse of nonpublic information (including the illegal practice of front running).

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8 *See Prohibition of Guarantees Against Losses*, 46 Fed. Reg. 62,841 (Dec. 29, 1981). The CFTC promulgated Rule 1.56 in order to stop the practice of FCMs "offering and entering into agreements that provided that the customer would not be responsible for *any* sums that exceeded the initial margin payments of a futures contract." The rule was based upon the Commission's belief that this practice "threatened the safety of customer funds, created an incentive for the FCM to misuse customer funds and might be inherently deceptive." *See*, CFTC Letter No. 99-27, *Request for Exemption from the QEP Criteria of Rule 4.7*, n.5 (July 14, 1999).

9 *See* Restatement (Third) of Agency § 1.01, § 2.01 (June, 2017).

10 *See* CME Group, *Market Regulation Advisory Notice: Block Trades*, at Q&A 11 (July 31, 2017), http://www.cmegroup.com/rulebook/files/cme-group-ra1709-5.pdf; ICE Futures, Block Trade – FAQ § 24 (July 24, 2017), https://www.theice.com/publicdocs/futures_us/exchange_notices/Block_Trade_FAQ.pdf.

Because pre-hedging and anticipatory hedging will permit PIMCO's counterparties to trade based on our non-public information as soon as we solicit a price, PIMCO believes that block trade pricing will be negatively impacted in scenarios in which PIMCO may request a quote from one or more counterparties, who then immediately decide to first execute the same trade in the market themselves in order to "pre-hedge" the potential trade even before they provide us with a quote for the potential trade. The impact of this activity is that the price for the original trade will move away from PIMCO as a result of the pre-hedging activity of our potential counterparties, putting PIMCO's clients at an unfair disadvantage and increasing transaction costs. In addition, market makers acting in their capacity as brokers will expect pre-hedging activity to cause the market to move away from them when they execute a trade and will price in this risk accordingly, which may in turn lead to wider bid-ask spreads to the detriment of our clients, who will have to bear the increased costs.

DCMs have attempted to mitigate potential abuses of this privilege by indicating in their rulebooks that the front-running of a block trade when acting on material non-public information concerning an impending transaction by a third party, gained through confidential employment or broker/customer relationships, or in violation of a pre-existing duty, is prohibited. Such protections are inadequate in practice, because DCMs will have difficulty distinguishing and enforcing the misuse of non-public information and potential front-running, and further, because the prohibition does not apply to our counterparties as long as they are acting in a principal capacity. PIMCO therefore requests that the CFTC direct DCMs to prohibit the permissibility of pre-hedging or anticipatory hedging of futures block trades.

B. The CFTC Should Reconsider the Adoption of Its Position Limits Proposal.

PIMCO submitted a comprehensive comment letter in response to the Commission's position limits proposal on February 27, 2017, and we continue to encourage the Commission to review and be responsive to the issues raised therein, each of which are summarized as follows.

The Proposed Position Limits Are Neither Necessary Nor Appropriate.

Any benefits from the imposition of position limits must clearly outweigh the increases in regulatory cost and burden on market participants that would come from the imposition of position limits. That is, given the real and extensive cost of position limits, any CFTC proposed position limits should only be adopted if it is shown that limits are necessary for and appropriate to diminish the burdens on interstate commerce of excessive speculation, as required under the Commodity Exchange Act ("CEA"). The CEA provides that "[e]xcessive speculation . . . is an undue and unnecessary burden on interstate commerce," and that the CFTC "shall" adopt position limits "as the Commission finds are *necessary* to diminish, eliminate, or prevent such

burden."[11] However, the Commission has not met this burden, as it has not provided any compelling empirical evidence or data that would support the need for or imposition of the position limits rules that have been proposed.

Non-Spot Month Position Limits Should Not Be Adopted.

To justify imposing position limits for the proposed contracts outside of the spot month, the Proposal only highlights the hypothetical risk of creating the perception of a nearby shortage of the commodity which a speculator could do by accumulating extraordinarily large positions in the nearby (non-spot) month. We continue to believe that imposing position limits "prophylactically" is not a legally permitted basis from which to impose position limits. Before proceeding, the CFTC must first identify specific burdens on interstate commerce and the excessive speculation that causes such burdens, by demonstrating a statistically meaningful degree of correlation. That is, the CFTC should not implement non-spot month position limits without a data-driven record showing that non-spot month trading materially and negatively impacts commodity and commodity derivatives markets' liquidity, depth, volatility, the ability to hedge or otherwise.

The Commission should also recognize and carefully consider the impact that non-spot month limits will have on reducing market depth in more distant contract months, and must assess whether that impact conforms to the CFTC's mandate to protect price discovery and enable deep and liquid markets. Preserving market depth in outer contract months allows the market participants to manage their risk farther out the contract curve and is a crucial part of PIMCO's ability to manage client portfolios.

If the CFTC moves to adopt a position limits rule, it should substantially change the Proposal and focus only on issues relating to manipulation and market disruption around contract settlement and delivery (*i.e.*, physically delivered commodity futures contracts during the delivery period for that contract). The risk of market disruption, by way of a "corner" or "squeeze," is relevant for practical purposes solely in the delivery period, which is when the futures market prices converge with the underlying physical commodity or reference markets.

Position Limits Should Not Apply To Swaps Or Financially Settled Futures.

The CFTC should not apply position limits to swaps or financially settled futures contracts, because there is no practical risk of using an outsized speculative non-spot position in a swap or financially settled futures contract to squeeze or corner the underlying physical commodity market. A financially-settled swap position does not force other market participants to make or take delivery of the underlying physical commodity. Position limits primarily reduce

[11] 7 U.S.C. § 6a (2010) (emphasis added).

market liquidity and depth across the curve and necessarily increase transaction costs for commercial market participants seeking to execute cash-settled commodity swaps and futures contracts, and this reduces the ability to hedge commercial risks, with no related benefit.

Commodity Index Contracts Should Not Be Subject To Position Limits.

PIMCO agrees with the CFTC that a position in a commodity index contract should not be subject to position limits, and we appreciate the CFTC's commitment to this aspect of the Proposal.

Risk Management Exemptions Should Continue To Be Recognized For Position Limits Purposes.

Any final position limits rule should include a "Risk Management Exemption" for positions taken to manage financial and other risks faced by a market participant. The CFTC and the exchanges have recognized risk management exemptions from position limits for decades, without incident. The CFTC should affirm (i) that its positon limit rules will expressly allow market participants to use commodity derivatives markets for valid risk management purposes, and (ii) that the exchange risk-management exemption that is recognized in the Proposal will be available not only for excluded (*i.e.*, financial) commodities, but should be available for all commodities.

The CFTC Should Adopt The Higher Proposed Limit For The Legacy Contracts.

The limit levels set forth in the Proposal would increase some of CFTC's existing position limits for nine legacy agricultural commodity futures contracts, and we believe that the CFTC should adopt increased position limits for the legacy contracts as soon as possible. The open interest levels in these markets have grown in meaningful ways in the last five years, and the limit levels must be increased sooner rather than later.

Coordination With Foreign Regulators Is Critical To Avoid Differing Compliance Requirements.

The CFTC should coordinate with foreign regulators to avoid an outcome where global market participants are subjected to conflicting laws, different compliance requirements, and different compliance timelines for the same or similar products. CFTC Chairman Giancarlo has stated that global collaboration is a priority, and PIMCO similarly believes that it is important that CFTC and European regulators coordinate on position limits. An uncoordinated approach to position limit rules will likely cause U.S. market participants to experience a decrease in their ability to access liquidity because the complexity of navigating two (or more) different position limit regimes may discourage certain market participants from trading in commodities on

registered exchanges, or will be overly-burdensome and costly for CFTC-registered market participants to navigate and implement. Either outcome results in increased costs for end-users.

IV. Registration

A. The CFTC Should Revise the CPO Delegation Relief to Allow Delegation Between Non-Affiliated Entities.

The CFTC should broaden its current no-action relief to allow CPO delegation to unaffiliated entities. Specifically, the CFTC Staff has provided no-action relief from the requirement to register as a CPO of a given commodity pool to persons who have delegated certain of their CPO responsibilities ("Delegating CPO") to an affiliated entity that is a registered CPO ("Designated CPO").[12] Although this condition was likely intended to prevent entities from circumventing the registration requirements under the CEA, it has had the unintended consequence of precluding entities, such as non-natural person trustees of a series trust, who have legitimate reasons for not registering with the CFTC as a CPO from delegating such responsibility. PIMCO believes that there is no basis to condition the delegation relief in this way, particularly when the relief is separately conditioned on the requirement that the Designated CPO be registered with the CFTC in such capacity.

This clarification to the relief would have the dual benefit of providing the CFTC with transparency into the pool's operations through the Designated CPO while allowing the Delegating CPO to avoid duplicative and burdensome registration and reporting requirements. Indeed, in granting similar relief on an individualized basis, the CFTC Staff has recognized these benefits, and therefore, the relief should be extended to unaffiliated CPOs more broadly.[13]

B. The CFTC Should Re-evaluate CFTC Rule 4.7 and the Impact of Registration on Series Trusts and Similar Vehicles.

The CFTC should expressly clarify, in the context of CFTC Rule 4.20(a)(1), that the registration of a CPO for one series or pool in a trust does not trigger a requirement to register for all other pools within the parent trust.

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[12] CFTC Staff Letter No. 17-01, *Request For No-Action Relief from the Requirement to Register as a Commodity Pool Operator under Section 4m(1) of the Commodity Exchange Act*, (January 10, 2017); see also CFTC Staff Letter No. 14-69, *Requesting Registration No-Action Relief on an Expedited Basis for Commodity Pool Operators Who Delegate Certain Activities to a Registered Commodity Pool Operator Under Certain Circumstances*, 6 (May 12, 2014), http://www.cftc.gov/idc/groups/public/@lrlettergeneral/documents/letter/14-69.pdf.

[13] Staff Letter 14-126 indicated that Staff may continue to evaluate requests submitted for CPO registration no-action relief on a case-by-case basis.

Specifically, Rule 4.20(a)(1) requires a CPO to operate its pool as a cognizable entity that is separate from the pool operator. Historically, the CFTC Staff has distinguished each series in a series trust of a registered investment company ("RIC") as being separate. For non-RIC investment vehicles, however, the CFTC has not provided the same clarity, and instead, has generally viewed the entire trust as the sole legal entity. Nonetheless, many non-RIC investment vehicles and platforms are structured to provide for a series of pools or vehicles under a single umbrella or parent trust. As a general matter, similar to RICs, each underlying series in the non-RIC trust is separate, in terms of assets and liabilities, from other series under the trust. The series structure has become common in the non-RIC context because it allows for administrative and cost efficiencies that permit managers to provide their services to investors without incurring unnecessary and duplicative expenses. Additionally, certain investors may seek to invest in a series trust because it is more conducive to the legal or regulatory requirements applicable in the investor's local jurisdiction (e.g., certain banking entities domiciled outside of the U.S.). However, as a result of the CFTC Staff's historical view regarding series trusts in the non-RIC context, to the extent one series or pool in a non-RIC trust exceeds a given trading test or is otherwise required to register, all series in the trust could be required to register. This would result in the registration of pools despite the fact that they either do not hold commodity interests or would not exceed the trading test. Accordingly, the CFTC should clarify that the registration of a CPO for one series or pool in a trust should not trigger a requirement to register for all other pools within the parent trust.

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Thank you again for the opportunity to share our thoughts and suggestions for the CFTC's Project KISS initiative. We remain at the disposal of the Commission to provide additional information and our insight into the valuable and growing role that the derivatives markets serve for PIMCO, its clients and the broader marketplace.

Sincerely,

Emmanuel Roman
Managing Director, Chief Executive Officer
Pacific Investment Management Company LLC

cc: J. Christopher Giancarlo, Chairman
Sharon Y. Bowen, Commissioner
Brian D. Quintenz, Commissioner
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Michael Gill, Regulatory Reform Officer
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