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Via email: standardsetting@cfainstitute.org

CFA INSTITUTE
CFA Centre for Financial market Integrity
Reference: Guidance Statement on the Use of Leverage and Derivatives
P. O. Box 3668
Charlottesville, VA 22903

We are honored to be able to comment on the Guidance Statement on the Use of Leverage and Derivatives and appreciate the opportunity to do so as part of the ongoing commitment to openness and transparency in the standards setting process at the CFA Institute.

Comments Requested

1. Do you agree with the principles established in the Guidance Statement?

Yes. This is a much improved version of this Guidance Statement over the previous offering. The use of materiality defined at the firm level is a greatly simplifying concept and fits with the firm definition of its own leverage and derivatives policy.

2. Are there other elements involved in the use of leverage and derivatives that are not included?

There are probably quite a number of elements not included, but a minimalist approach while we see how the industry works under this Guidance Statement is probably best. Modifications can be added later if needed.

3. Do you agree with the guiding principles provided to firms employing leverage and/or derivatives?

Yes. The guiding principles provided seem reasonably comprehensive without being overly restrictive. My only concern is with some of the computational requirements and recommendations that are not supported by the portfolio accounting system used by many smaller firms. Requiring a large number of manual or spreadsheet calculations introduces unnecessary complexity and error points. If the process is too complex, it reduces the voluntary compliance with the Standards due to the cost and effort required to come into compliance and/or remain compliant.

4. Do you agree with the proposed Effective Date?

Yes.

Once again, we thank the CFA Institute for the opportunity to offer our opinions on these Standards.

Sincerely,

Joseph T. Dabney III, CFA
President