

September 15, 2004

VIA E-MAIL: rule-comments@sec.gov

Jonathan G. Katz, Secretary
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: *File No. S7-30-04—Registration under the Advisers Act
of Certain Hedge Fund Advisers*

Dear Mr. Katz:

Amaranth Advisors L.L.C. (“Amaranth”) submits this letter in response to the request by the Securities and Exchange Commission (the “Commission”) for comments on the above-captioned rule (the “Proposed Rule”) requiring registration of certain hedge fund advisers under the Investment Advisers Act of 1940 (the “Advisers Act”), as set forth in Release No. IA-2266 (the “Release”), which was published the Federal Register on July 28, 2004.

Amaranth is a manager of private investment vehicles commonly referred to as hedge funds. Contrary to media stereotypes of hedge fund managers, Amaranth does not “operate in the shadows” outside of regulatory scrutiny. Amaranth is registered as a commodity pool operator with the Commodity Futures Trading Commission, is a member of the National Futures Association and counts among its affiliates two SEC-registered broker-dealers who are members of the National Association of Securities Dealers and one investment counsel and portfolio manager registered with the Ontario Securities Commission. As a result, Amaranth already devotes significant resources to regulatory compliance¹ and is subject to many compliance obligations that are duplicative of those that would be required by the Proposed Rule.

¹ Among many other compliance activities, we monitor compliance with Regulation D, a non-exclusive safe harbor under the Securities Act of 1933 that enables issuers of securities to ensure that they are not engaged in a public offering. We would note for the record that the legal uncertainty surrounding the scope of Regulation D’s prohibition on “general solicitation and advertising” in connection with an offering of hedge fund interests poses a significant obstacle to public statements by hedge fund managers. In fact, our firm routinely declines to respond to media inquiries, to participate in conferences and to provide information to hedge fund data aggregators due to the potential legal risks inherent in doing so. Since one of the policy goals articulated in the Release is to bring to light more information about hedge funds, we would suggest that a relatively costless way to do so would be to relax this prohibition with respect to hedge fund interests that are privately offered exclusively to “qualified purchasers” as defined under the Investment Company Act of 1940. This measure was specifically recommended by the SEC Staff in its September 2003 report, *Implications of the Growth of Hedge Funds*.

Amaranth does not support the Proposed Rule. We agree with the concerns expressed by Commissioners Glassman and Atkins in their dissent from the Release, as well as the public critiques of the Proposed Rule offered by Federal Reserve Chairman Alan Greenspan. We also support the positions advocated in the comment letter submitted by the Managed Funds Association. We do not understand why the Commission is proceeding so urgently with this rulemaking when the public policy problem to be addressed remains poorly defined and the proposed regulatory response is so burdensome. Instead, we respectfully suggest that the Commission take more time to understand the data already available to it and to other federal regulators under existing law with a view toward devising a more narrowly tailored response to whatever problems may eventually be identified. We believe that a better informed approach would result in better public policy.

We appreciate this opportunity to comment.

Respectfully submitted,

Karl Wachter
General Counsel
Amaranth Advisors L.L.C.