U.S. COMMODITY FUTURES TRADING COMMISSION
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Market Participants
Division

Amanda L. Olear
Director

Gabriel D. Rosenberg
Davis Polk & Wardwell LLP
450 Lexington Ave
New York, NY 10017

RE: Supplemental No-Action Position with Respect to CPO and CTA Registration for the Directors and Manager of Royalty Pharma plc

Dear Mr. Rosenberg:

This letter is in response to your letter dated April 17, 2023 (the "Request"), to the Market Participants Division ("Division" or "MPD") of the Commodity Futures Trading Commission ("Commission" or "CFTC"), as well as additional conversations with MPD staff. You request on behalf of Royalty Pharma plc (collectively with its subsidiaries, the "Company"), RP Management, LLC (the Company's "Manager"), and any member of the Company's board of directors (the "Directors"), confirmation that MPD would not recommend enforcement action against the Manager or Directors for failure to register as a commodity pool operator ("CPO"), or against the Manager for failure to register as a commodity trading advisor ("CTA"), with respect to their activities managing the Company. You submit the Request as an addendum to include additional underlying facts to a staff no-action letter previously issued to the Company by the Division on March 23, 2021 ("Prior No-Action Letter").[1] The Prior No-Action Letter provided no-action positions similar to that which you are currently requesting with respect to facts you represented were attendant to the Company's operations at that time.

Based upon the representations in the Request, we understand the relevant facts to be as follows. The Company is a public limited company based in England and Wales that acquires biopharmaceutical royalty interests, which obligate others to pay royalties to the Company that are directly based on the sales price of certain biopharmaceutical products.[2] The Company

[1] CFTC Letter No. 21-06 (Mar. 23, 2021).
[2] Pharmaceutical royalties are typically created when an owner of intellectual property, often a research institution or small biotech company, licenses that intellectual property to a licensee, typically a small biotech or large

finances its biopharmaceutical royalty investment activities through secured floating rate debt. Historically, the Company has hedged the interest rate risk associated with this floating rate debt by entering into interest rate swaps. Because of this use of commodity interests for the purpose of interest rate hedging, the Company sought no-action positions with respect to CPO and CTA registration with respect to those transactions from the Division, which it granted in the Prior No-Action Letter.

However, in the Request, you provide additional representations that, although the Company has not historically needed to hedge its foreign exchange (FX) risk, unanticipated events during and after the COVID-19 pandemic, including significant market shifts, have led to the Company growing more than initially projected, and to a dramatic increase in the Company's revenue derived from non-USD denominated markets, to an extent that now requires additional risk management activities related to managing the Company's FX risk. You further represent that other global macroeconomic events have occurred that, as a result, greatly increase FX volatility generally, and more specifically, increase the Company's exposure to FX risk. Therefore, according to the Request, the Company believes it is now prudent for it to begin actively managing and hedging its growing FX risk exposure.[3] In the Request, you state that the Company would like to hedge these FX and foreign currency risks using cross-currency swaps and/or non-deliverable forwards, swaps, options, and futures ("FX commodity interests").[4]

Based upon your representations in the Request, coupled with the Division's understanding of the facts and conditions in the Prior No-Action Letter, the Division understands that the Company's hedging activities, even if expanded to include the FX commodity interests described above, are for the purpose of managing the risks associated with its business of acquiring biopharmaceutical royalties. Therefore, the Division will not recommend that the Commission take enforcement action for failure to register as a CPO against the Company's Manager or Directors for engaging in FX commodity interests to hedge the Company's risks associated with operating its business of acquiring biopharmaceutical royalties; nor will it recommend that the Commission take enforcement action against the Manager for failure to

pharmaceutical company, in exchange for the right to receive a percentage of the net sales of biopharmaceutical products based on that intellectual property. The Company purchases biopharmaceutical royalties from the owners/licensors and, as a result, licensees generally become obligated to make their royalty payments to the Company, rather than to the original licensor.

[3] Additionally, you state in the Request that the Company may, in the future, find it beneficial to raise capital via the issuance of debt in non-USD currencies, and therefore, would like to be able to manage this FX risk exposure, as well as the FX risk arising from changing revenue sources.

[4] In the Request, you explain further that the vast majority of the non-USD market revenues the Company receives are converted to U.S. dollars prior to payment. You state that this fact means that the Company would not possess the foreign currency necessary to settle deliverable foreign exchange forwards or swaps, which are not considered commodity interests, making them generally unavailable to the Company for FX risk management purposes.

register as a CTA with respect to advice provided to the Company regarding the FX commodity interests described herein, provided that the following conditions are satisfied:

1. The FX commodity interests will have the effect of reducing risk relative to the risk of the unhedged positions;

2. The FX commodity interest positions held by the Company will not be established, held, altered, or terminated for the purpose of speculation or trading;

3. The FX commodity interests will be limited to transactions that hedge FX risks associated with the Company's financing arrangements and/or the biopharmaceutical royalties that the Company has acquired or intends to acquire;

4. The FX commodity interests will not introduce any new or additional risks to the Company other than counterparty credit risk;

5. The terms and conditions of the FX commodity interests will be consistent with those generally available in the traditional commodity interest markets;

6. The Manager and the Company will employ reasonable risk management policies and procedures to reasonably ensure compliance with the conditions set forth in this letter, including periodic testing to confirm ongoing compliance with respect to any amendments to the FX commodity interests or the Company's structure; and

7. The Company's commodity interest trading activities, in totality, will continue to be conducted in a manner consistent with the thresholds under Commission regulation 4.13(a)(3),[5] and the Company shall promptly notify the Division Director, if it becomes aware that it has exceeded such thresholds.

This letter, and the positions taken herein, represent the view of this Division only, and do not necessarily represent the position or view of the Commission or of any other office or division of the Commission. This letter does not excuse the affected persons from compliance with any other applicable requirements contained in the Commodity Exchange Act ("Act") or in the Commission's regulations issued thereunder. This letter does not create or confer any rights or obligations on any person or persons subject to compliance with the Act that bind the Commission or any of its other offices or divisions. Further, this letter, and the position contained herein, is based upon the representations made to the Division. Any different, changed, or omitted material facts or circumstances might render this letter void. The Division

[5] 17 CFR 4.13(a)(3). Commission regulations cited herein may be found at 17 CFR Ch. I, as well as on the Commission's website, https://www.cftc.gov.

retains the authority to condition further, modify, suspend, terminate, or otherwise restrict the terms of this letter, in its discretion.

Should you have any questions, please do not hesitate to contact Pamela Geraghty, Deputy Director, at 202-418-5634, or pgeraghty@cftc.gov, Elizabeth Groover, Special Counsel, at 202-418-5985, or egroover@cftc.gov, or Michael Ehrstein, Special Counsel, at 202-418-5957, or mehrstein@cftc.gov.

Very truly yours,

Amanda L. Olear
Director
Market Participants Division

cc: Regina Thoele, Compliance
National Futures Association