

CFTC Letter No. 01-85

November 21, 2001

Exemption

Division of Trading and Markets

Re: Request for Exemption from Rules 4.21 and 4.22

Dear :

This is in response to your letter dated October 31, 2001, to the Division of Trading and Markets (“Division”) of the Commodity Futures Trading Commission (“Commission”), as supplemented by telephone conversations with the Commission staff, in which you request that “X” a registered commodity pool operator (“CPO”) and the CPO of “Z” (the “Master Fund”), be granted an exemption from the disclosure, periodic, and annual reporting requirements of Rules 4.21 and 4.22.^[1]

Based upon your representations, we understand the facts to be as follows. “X” operates the Master Fund, which has as its sole participants two feeder funds, “Feeder Fund I” and “Feeder Fund II” (collectively the “Feeder Funds”). “X” serves as the CPO of Feeder Fund I and the registered CPO of Feeder Fund II is “Y”. “A” and “B” are the Managing Members of both “X” and “Y”.

Rules 4.21 and 4.22 require that a CPO comply with certain disclosure, periodic, and annual reporting requirements, as set forth in the Rules. Therefore, absent the requested exemption, “X” as the CPO of the Master Fund would: (i) be required to provide disclosure documents, periodic reports, and an annual report to itself as the CPO of Feeder Fund I; and (ii) with respect to Feeder Fund II, would effectively also be required to provide disclosure documents, periodic reports, and an annual report to itself since the Managing Members of both “X” and “Y”, the CPO of Feeder Fund II, are the same.

Based upon the representations contained in your letter, the Division believes that granting the requested exemption would not be contrary to the public interest and the purposes of Rules 4.21 and 4.22.^[2]

Accordingly, by the authority delegated to it under Rule 140.93(a)(1), the Division hereby exempts “X” from the disclosure, periodic, and annual reporting requirements of Rules 4.21 and 4.22, in connection with its operation of the Master Fund. This relief is subject to the conditions that: (i) “X” remains the CPO of the Master Fund and Feeder Fund I, “Y” remains the CPO of Feeder Fund II, and “A” and “B” remain the Managing Members of “X” and “Y”; (ii) “X” limits participation in the Master Fund to the Feeder Funds; and (iii) the annual reports of the Feeder Funds contain financial statements that include, among other information, the fees associated with the operation of the Master Fund.^[3]

The exemption granted by this letter does not excuse “X” from compliance with any other applicable requirements contained in the Commodity Exchange Act (the “Act”)^[4] or the Commission’s regulations issued thereunder. For example, it remains subject to all antifraud provisions of the Act and the

Commission's regulations issued thereunder, the reporting requirements for traders set forth in Parts 15, 18, and 19 of the Commission's regulations and to all other applicable provisions of Part 4. Moreover, this letter is applicable to "X" solely in connection with its operation of the Master Fund.

This letter, including the exemption granted herein, is based upon the representations that have been made to us. Any different, changed, or omitted facts or conditions might render the exemption void. You must notify us immediately in the event the operations or activities of "X", "Y", the Master Fund, Feeder Fund I, or Feeder Fund II change in any material way from those represented to us.

If you have any questions concerning this correspondence, please contact Michael A. Piracci, an attorney on my staff, at (202) 418-5430.

Very truly yours,

John C. Lawton
Acting Director

^[1] References to Commission rules cited herein are found at 17 C.F.R. Ch. 1 (2001).

^[2] See, CFTC Interpretative Letter No. 01-03, [Current Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 28,454 (January 16, 2001); CFTC Interpretative Letter No. 00-85, [1999-2000 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 28,223 (August 9, 2000).

^[3] See, letter from John C. Lawton, Acting Director, Division of Trading and Markets, to all registered CPOs (January 12, 2001) (<http://www.cftc.gov/tm/tmcpoannualreport2000.htm>). (Stating that "[a]t a minimum, the pool's financial statements should disclose, for each major investee fund: (1) the name of the fund; (2) the carrying value of the instrument; (3) liquidity information (such as limitations on withdrawals from the investee fund); and (4) the summary income statement information discussed in Regulation 4.22(e). This should include fees paid by the investee pool expressed in dollars.").

^[4] 7 U.S.C. § 1 *et seq.*