

CFTC Letter No. 02-71

May 24, 2002

Interpretation

Division of Trading and Markets

Re: Request for Exemption from Rule 4.22

Dear :

This is in response to your letter dated March 18, 1999, a copy of which was re-sent by facsimile on April 25, 2002, to the Division of Trading and Markets ("Division") of the Commodity Futures Trading Commission ("Commission") as supplemented by telephone conversations with Division staff. By your correspondence, you request that "V",^[1] a registered commodity pool operator ("CPO") and the CPO of the "Master Fund",^[2] be granted an exemption from the periodic and annual reporting requirements of Rule 4.22.^[3]

Based upon your representations, we understand the facts to be as follows. In addition to the Master Fund, "V" serves as the CPO of "Feeder Fund I"^[4] and "Feeder Fund II".^[5] The Master Fund has as its only participants Feeder Fund I and Feeder Fund II (collectively the "Feeder Funds").^[6]

Rule 4.22 requires that a CPO provide participants with certain periodic and annual reports, as set forth in the Rule. Therefore, absent the requested exemption, "V", as the CPO of the Master Fund, would be required to provide periodic reports and an annual report to itself as the CPO of the Feeder Funds.

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 Rule 4.22.^[7] Accordingly, by the authority delegated to it under Rule 140.93(a)(1), the Division hereby exempts "V" from the periodic and annual reporting requirements of Rule 4.22 in connection with its operation of the Master Fund. This relief is subject to the conditions that: (i) "V" remain the CPO of the Master Fund and the Feeder Funds; (ii) participation in the Master Fund is limited to the Feeder Funds, and any fund for which "V" is the sole CPO; 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 expressed in dollars and a detailed schedule of investments made by the Master fund.^[8]

The exemption granted by this letter does not excuse "V" from compliance with any other applicable requirements contained in the Commodity Exchange Act (the "Act")^[9] or the Commission's regulations issued thereunder. For example, "V" remains subject to all antifraud provisions of the Act and the Commission's regulations, the reporting requirements for traders set forth in Parts 15, 18, and 19 of the regulations and to all other applicable provisions of Part 4. Moreover, this letter is applicable to "V"

solely in connection with its operation of the Master Fund.

This letter, and the exemption granted herein, is based upon the representations that have been made to the Division. Any different, changed, or omitted facts or conditions might render the exemption void. You must notify the Division immediately in the event the operations or activities of “V”, the Master Fund, or the Feeder Funds 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] Prior to March 1, 2002, “V” was named “W”.

[2] Prior to March 1, 2002, the Master Fund was named “X”.

[3] Commission rules referred to herein are found at 17 C.F.R. Ch. I (2001). “V” was previously granted an exemption from the Disclosure Document delivery requirement of Rule 4.21 with regard to its operation of the Master Fund. *See*, CFTC Staff Letter No. 98-24, [1996-1998 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 27,301 (Mar. 24, 1998).

[4] Prior to March 1, 2002, Feeder Fund I was named “Y”.

[5] Prior to March 1, 2002, Feeder Fund II was named “Z”.

[6] “V” has previously claimed relief under Rule 4.7 with respect to Feeder Fund II, but has not claimed such relief with respect to Feeder Fund I or the Master Fund.

[7] *See*, CFTC Interpretative Letter No. 01-78, [2000-2002 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 28,648 (Sep. 10, 2001).

[8] *See*, letter from John C. Lawton, Acting Director, Division of Trading and Markets, to all CPOs (February 1, 2002) (<http://www.cftc.gov/files/tm/tmcpoannualreport2001.pdf>) (stating that "detailed income, fee and liquidity information for material investee pools and in total for all investee pools [are] 'material information,' " required to be disclosed in a pool's annual report, and further stating that, "the schedule of investments at the investor pool level should contain the details of the investments

carried by the investee pool. A schedule of investments at the investor pool level which simply lists the name of the investee pool is not sufficient.").

[\[9\]](#) 7 U.S.C. § 1 *et seq.* (2000).