

## CFTC Backgrounder 1-05

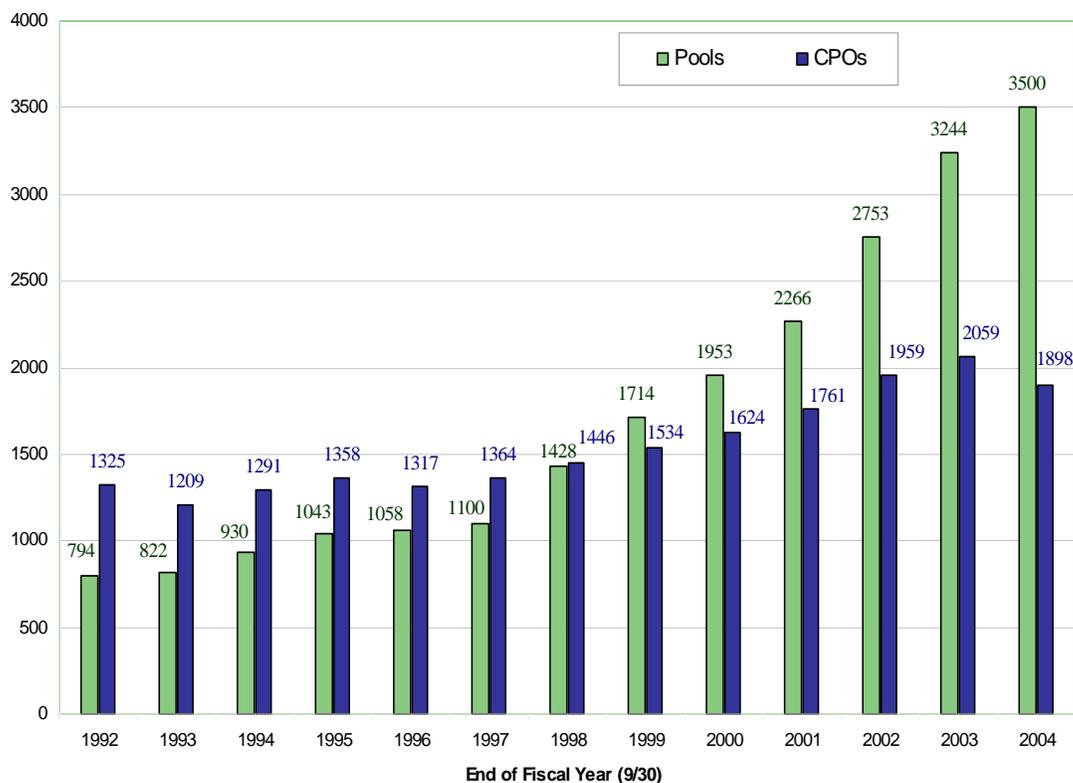
Date: March 24, 2005

### The CPO and Commodity Pool Industry

There are a large and growing number of CFTC-registered commodity pool operators (CPOs) which sponsor, operate or advise commodity pools – that is, pooled investment vehicles which invest or trade futures and options on commodities as well as other financial instruments. The growth of CPOs and commodity pools has continued steadily since 1974 when the term “Commodity Pool Operator” was added to the Commodity Exchange Act and CPOs were required to register with the CFTC.

The number of CFTC-registered CPOs at the end of FY 2004 was 1,898. While the number of CPOs has decreased from the 2,059 CPOs which were registered at the end of FY2003, the number of commodity pools has increased by 8%, from 3,244 to 3,500.

#### Annual Trends



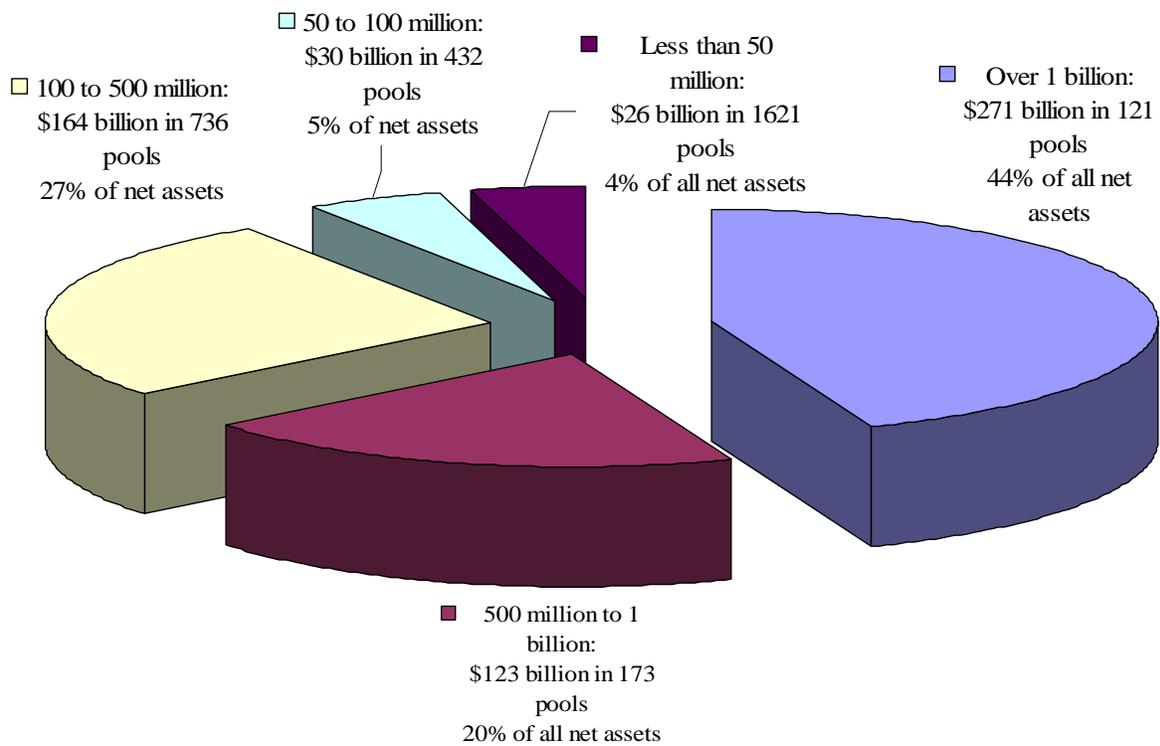
Commodity pools vary significantly in terms of size. Based on the financial statements for the 3,255 commodity pools which were filed for the calendar year ended 12/31/03, a majority of commodity pools are relatively small. About 1621 pools (50%) had \$50 million or less in net assets as of 12/31/2003 (an additional 172 reporting essential zero net equity). There were 1030

of the 3,255 commodity pools (32%) with over \$100 million in net assets. These “large” commodity pools had \$558 billion in net assets – or approximately 91% of all the net assets held by commodity pools.

Based on 12/31/03 financial statements the 3,255 commodity pools held \$614 billion in net assets.<sup>1</sup> This is an increase of \$190 billion or 45% in net assets from what was reported on commodity pool 12/31/02 financial statements (\$424 billion).

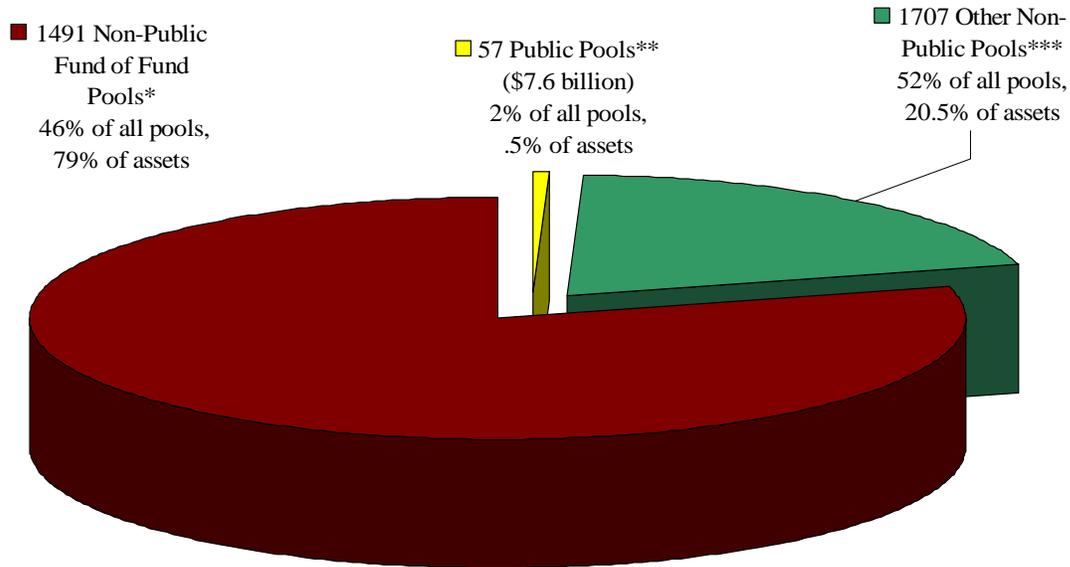
### Commodity Pools by Net Asset Size \$614 billion in 3255 pools

Source: NFA 12/31/03 financials, including 172 pools with zero equity



<sup>1</sup> In addition to futures and options, commodity pools are permitted to invest in equities, debt, cash commodities and other financial instruments. Commodity pools have significant non-futures and options asset holdings.

Virtually all commodity pools operated by registered CPOs were sold as private placements.<sup>2</sup> Only 57 of the 3,255 commodity pools were public offerings where the pool's securities were registered with the SEC and sold to retail investors.



\* "Fund of funds" herein means more than 50% of their total assets invested in other funds.  
 \*\* The estimate of public pools, 57, is a conservative estimate based upon mid-2004 data.  
 \*\*\*The total number of pools includes 172 pools with approximately zero net equity.

Source: NFA, Managed Account Report and Futures Magazine

### Domestic- and Foreign-Domiciled CPOs

Our latest figures show that the vast majority of registered CPOs, 92% (1,716 of 1,871), are domiciled in the United States. About 57% (1062) of all CPOs are domiciled in 4 states: New York, Illinois, Connecticut and California. Only 8 percent (155) of CFTC-registered CPOs are domiciled outside the US. CFTC 2004 Annual Report, "Futures Industry Registrants by Location." Domestic CPOs hold \$594 billion in net assets, 97% percent of all net assets held by CFTC-registered CPOs.

<sup>2</sup> A private placement is a private, nonpublic, offering of securities. These securities are exempt from registration under the Securities Act of 1933.