



U.S. COMMODITY FUTURES TRADING COMMISSION

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Division of Swap Dealer
and
Intermediary Oversight

Gary Barnett
Director

CFTC Letter No. 13-20
No-Action
March 13, 2013
Division of Swap Dealer and Intermediary Oversight

Re: Section 4m(1)
Request for Commodity Pool Operator Registration Relief

Dear :

This is in response to your letter dated December 11, 2012, to the Division of Swap Dealer and Intermediary Oversight (the "Division") of the Commodity Futures Trading Commission (the "Commission" or "CFTC"), as supplemented by your email message, sent February 19, 2013 (collectively, the "correspondence"). By the correspondence, you seek relief on behalf of "A" from the requirement to register with the Commission as a commodity pool operator ("CPO") under Section 4m(1) of the Commodity Exchange Act (the "Act")¹ in connection with serving as the managing member of the "Pool", such that "B" may serve as the Pool's CPO instead.

Based upon representations made in the correspondence, we understand the pertinent facts to be as follows: The Pool is organized as a limited liability company. While "A" is the Pool's managing member, "A" has delegated all of its management authority to "B", the Pool's investment manager. "A" is making this request for the purpose of avoiding the duplicative requirements that would otherwise be imposed by the registration of multiple affiliated entities with the Commission as CPOs.²

In support of your request you represent that:

1. "A" and "B" are under common ownership and control. Specifically, you are the Managing Member of each of "A" and "B", and you and Messrs. "C" and "D" own, respectively, 46.50%, 46.50%, and 7.00% of each of "A" and "B".

¹ 7 U.S.C. §6m(1) (2006). The Commission's regulations are found at 17 CFR Part 1 *et seq.* (2012). Both the Act and the Commission's regulations may be accessed through the Commission's Web site at <http://www.cftc.gov>.

² "A" anticipates that "B" may in the future serve as the CPO for other investment vehicles affiliated with "A" and "B".

2. Pursuant to the Pool's limited liability company agreement and its investment management agreement with "B", "A" has delegated all of its investment management authority to "B". "A" does not engage in the solicitation of investors for the Pool, nor does it manage property of the Pool.
3. "B" is in the process of registering with the CFTC as a CPO,³ and the books and records of "A" are maintained at the offices of "B".
4. "A" has no employees or other persons acting on its behalf, and it does not engage in any other activities that are subject to the Act or the Commission's regulations.
5. "A" is not subject to a statutory disqualification under Section 8a(2) or 8a(3) of the Act.

In further support of your request, "A" and "B" have acknowledged in writing an undertaking to be jointly and severally liable for any violation of the Act or Commission regulations.

Based on the foregoing, and consistent with prior practice in this area,⁴ the Division will not recommend that the Commission commence any enforcement action against "A" for failure to register as a CPO under Section 4m(1) of the Act in connection with serving as the managing member of the Pool. This position is, however, subject to the conditions that: (1) "B" serves as the CPO of the Pool; and (2) "B" becomes and remains registered as a CPO.

The relief issued by this letter does not excuse "A" from compliance with any other applicable requirements contained in the Act or in the Commission's regulations. For example, "A" remains subject to all antifraud provisions of the Act⁵ and the Commission's regulations, as well as the reporting requirements for traders in the Commission's regulations, and all applicable provisions of Part 4, including Regulations 4.20 and 4.41.

This letter, and the position taken herein, are based upon the representations made to us and are subject to compliance with the conditions stated above. Any different, changed or omitted material facts or circumstances might render this letter void. In this regard, you must notify the Division immediately in the event that the operations or activities of "A", "B" or the Pool change in any material respect from those represented to us. Further, this letter and the position taken herein represent the views of this Division only, and do not necessarily represent the views of the Commission or of any other office or division of the Commission.

³ In the past, "B" relied on an exemption from registration as a CPO pursuant to Regulation 4.13(a)(4), which the Commission has rescinded.

⁴ See, e.g., CFTC Staff Letter 12-24 (Sept. 24, 2012); CFTC Staff Letter 11-01 (Mar. 22, 2011), and CFTC Staff Letter 10-33 (Sept. 21, 2010), which may be accessed on the Commission's Web site.

⁵ See, e.g., Sections 4b and 4o, 7 U.S.C. §§6b and 6o.

If you have any further questions concerning this correspondence, please contact Israel J. Goodman, Special Counsel, at (202) 418-6715.

Very truly yours,

Gary Barnett
Director
Division of Swap Dealer and
Intermediary Oversight