

CFTC Letter No. 00-87**September 11, 2000****Exemption****Division of Trading & Markets**

Re: Rules 4.21 and 4.22: Request for Relief from Disclosure and Reporting Requirements

Dear :

This is in response to your letter dated July 27, 2000, to the Division of Trading and Markets (“Division”) of the Commodity Futures Trading Commission (“Commission”), as supplemented by your letter dated August 21, 2000 and telephone conversations with Division staff. By your correspondence, you request on behalf of “V”, a registered commodity pool operator (“CPO”), that the Division exempt “V” from the requirements in Rules 4.21 and 4.22¹ that “V” distribute disclosure documents, periodic account statements and annual reports to the “W” and “X” (collectively, the “Feeder Funds”) in connection with its operation of a new limited liability company (“Master Fund”)² to be formed to conduct the trading of the Feeder Funds.

Based upon the representations contained in your correspondence, it appears that granting your request would not be contrary to the public interest or the purposes of Rules 4.21 and 4.22. Specifically, we note that: (1) “V” will be the CPO of the Master Fund and is the CPO of the Feeder Funds; and (2) “V” will limit participation in the Master Fund to itself and the Feeder Funds, thereby prohibiting individual investors from participating in the Master Fund. Accordingly, by the authority delegated under Rule 140.93(a)(1), the Division hereby exempts “V” from Rules 4.21 and 4.22 to the extent that “V” would have to provide disclosure documents, periodic reports and an annual report to the Feeder Funds in connection with its operation of the Master Fund. This relief, however, is subject to the conditions that: (1) “V” remains the CPO of the Master Fund and the Feeder Funds; (2) “V” limits participation in the Master Fund to itself and the Feeder Funds; (3) “V” will disclose the master-feeder fund structure to current and potential investors in the Feeder Funds; and (4) the annual reports of the Feeder Funds contain financial statements that include, among other required information, the fees associated with the operation of the respective Master Fund.³

This letter does not excuse “V” from compliance with any other applicable requirements contained in the Commodity Exchange Act⁴ (“Act”) and the Commission’s regulations issued thereunder. For example, “V” remains subject to all of the 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 Commission's regulations and all otherwise applicable provisions of Part 4. Moreover, this relief is applicable to "V" solely in connection with its operation of the Master Fund.

This letter, and the exemption granted herein, are based upon the representations you have made to us and are subject to compliance with the conditions stated above. Any different, changed or omitted material facts or circumstances might render the exemption void. You must notify us immediately in the event the operations or activities of "V", the Master Fund, or the Feeder Funds changes in any material way from those as represented to us.

If you have any questions concerning this correspondence, please contact Barbara Stern Gold, Assistant Chief Counsel, at (202) 418-5450.

Very
truly
yours,

John C. Lawton
Acting Director

1 Commission rules cited herein are found at 17 C.F.R. Ch.1 (2000).

2 "V" will provide the Division with written notice of the name of the Master Fund as soon as practicable after the company is formed.

3 See letter from Henry J. Matecki, CFTC Acting Chief Accountant, dated January 19, 2000 to all registered CPOs. <http://www.cftc.gov/tm/tmcpoannualreport1999.htm>. The letter states 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) summary income statement information, which should identify fees paid by the investee pool to its CPO and CTAs *expressed in dollars.*"

4 7 U.S.C. § 1 *et seq.* (1994).