

CFTC Letter No. 02-72**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 April 15, 2002, to the Division of Trading and Markets ("Division") of the Commodity Futures Trading Commission ("Commission"). By your correspondence, you request that "X", a registered commodity pool operator ("CPO") and commodity trading advisor ("CTA") and the CPO of "Master Fund I", "Master Fund II", "Master Fund III", and "Master Fund IV" (collectively the "Master Funds"), be granted an exemption from the periodic and annual reporting requirements of Rule 4.22.^[1]

Based upon your representations, we understand the facts to be as follows. In addition to the Master Funds, "X" serves as the CPO of "Feeder Fund I".^[2] Feeder Fund I offers multiple share classes (A1, B1, B2, and C1), each of which corresponds to a trading strategy offered by "X". "X" also serves as the CPO for "Feeder Fund II",^[3] "Feeder Fund III", and "Feeder Fund IV" (collectively the "Feeder Funds"). The Master Funds have as their sole participants the Feeder Funds. Master Fund I has as its sole participants Feeder Fund I (through the proceeds from the sale of class A1 shares) and Feeder Fund II. Master Fund II has as its sole participants Feeder Fund I (through the proceeds from the sale of class B1 shares) and Feeder Funds II and III. Master Fund III has as its sole participants Feeder Fund I (through the proceeds from the sale of class B2 shares) and Feeder Funds II and III. Master Fund IV has as its sole participants Feeder Fund I (through the proceeds from the sale of class C1 shares) and Feeder Fund IV.

Rule 4.22 requires that a CPO of a pool comply with certain periodic and annual reporting requirements, as set forth in the Rule. Therefore, absent the requested exemption, "X" as the CPO of the Master Funds 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.^[4] Accordingly, by the authority delegated to it under Rule 140.93(a)(1), the Division hereby exempts "X" from the periodic and annual reporting requirements of Rule 4.22, in connection with its operation of the Master Funds. This relief is subject to the conditions that: (i) "X" remains the CPO of the Master Funds and the Feeder Funds; (ii) "X" limits participation in the Master Funds to the Feeder Funds, and any fund for which "X" 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 Funds expressed

in dollars and a detailed schedule of investments made by the Master Funds.^[5]

The exemption granted by this letter does not excuse “X” from compliance with any other applicable requirements contained in the Commodity Exchange Act (“Act”)^[6] 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 Funds.

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 “X”, the Master Funds, or the Feeder Funds change in any material way from those represented to the Division.

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

^[2] “X” has previously claimed relief under Advisory 18-96 with regard to Feeder Fund I. *See*, CFTC Advisory 18-96, [1994-1996 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 26,659 (Apr. 11, 1996).

^[3] “X” has previously claimed relief under Rule 4.7 with regard to Feeder Fund II.

^[4] *See*, CFTC Interpretative Letter No. 01-86, [2000-2002 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 28,691 (Nov. 21, 2001); CFTC Interpretative Letter No. 01-85, [2000-2002 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 28,690 (Nov. 21, 2001).

^[5] *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.").

[\[6\]](#) 7 U.S.C. § 1 *et seq.* (2000).