



U.S. COMMODITY FUTURES TRADING COMMISSION

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Division of Clearing and
Intermediary Oversight

Thomas J. Smith
Deputy Director

March 31, 2006

Re: "X", a registered commodity pool operator for "Y" and "Z"

Dear:

This is in response to your letter dated March 7, 2006, to the Division of Clearing and Intermediary Oversight ("Division") of the Commodity Futures Trading Commission ("Commission"). You submitted the letter on behalf of "X", a Commission-registered commodity pool operator ("CPO") and commodity trading advisor. "X" operates several commodity pools, including "Y" and "Z" (together, the "Funds"). Among other things, your letter requested, pursuant to Commission Regulation 4.22(f), an extension of time to June 30, 2006 for the Funds' audited Annual Reports for the year ending December 31, 2005 to be distributed to the Funds' participants, and filed with National Futures Association ("NFA"). Absent this relief, these Annual Reports would need to be distributed to participants and filed with NFA by March 31, 2006.

Based upon your letter, we understand the pertinent facts to be as follows. "Y" and "Z" are organized under the laws of the Cayman Islands. On _____, 2005, "X", as sole voting shareholder of "Y" voted to place "Y" into voluntary liquidation pursuant to the laws of the Cayman Islands. On _____, 2005, "X", as sole voting shareholder of "Z", voted to place "Z" in voluntary liquidation pursuant to the laws of the Cayman Islands. Further, in accordance with Cayman Island law, "X" appointed "A" and "B" of the firm "C" as liquidators of the Funds (the "Liquidators"). Pursuant to Cayman Island law, the Liquidators are now in legal control of the Funds, including the Funds' books and records. "X" no longer has legal control of the Funds. "X", however, will remain a Commission-registered commodity pool operator.

In support of your request, you represent that: (1) the Funds are no longer engaged in commodity interest trading and have effectively ceased operations; (2) the Funds' assets at December 31, 2005 consisted primarily of cash and cash equivalents, and certain receivable balances from "W", an "X" affiliate that is currently involved in a bankruptcy proceeding in the United States;¹ and (3) the extension of time is necessary in order for the Liquidators, who were appointed in late _____ 2005, and the Funds' public accountant to review the books and records

¹ The Funds also had several open "E" positions that expired in _____ 2006. You have represented that the December 31, 2005 Annual Reports will include as a "subsequent event" a discussion of the expiration of the "E" positions and the public accountant's audit of the depositing of any funds associated with the "E" positions into appropriate cash accounts maintained by the Funds.

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and to prepare audited financial statements, including determining the value, and appropriate disclosure, for the receivable balances due from “W”.

In light of the representations made in your letter, the Division believes that granting the relief requested is neither contrary to the purposes of Regulation 4.22 nor to the public interest. Accordingly, pursuant to the authority delegated by Regulations 140.93(a)(1) and 4.12(a), the relief requested is hereby granted. Audited Annual Reports for “Y” and “Z” for the year ending December 31, 2005 must be distributed to the respective Fund’s participants and filed with NFA on or before June 30, 2006.

This relief is based upon the representations that you have made to the Division. Any different, changed or omitted facts may result in a different determination. Should you have any questions, please do not hesitate to Kevin Walek, Assistant Director, at (202) 418-5463.

Very truly yours,

Thomas J. Smith

cc: Regina Thoele, Compliance
National Futures Association



Division of Clearing and
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Thomas J. Smith
Deputy Director

April 28, 2006

Re: "X", a registered commodity pool operator for "Y" and "Z"

Dear :

This is in response to your letter dated March 7, 2006, to the Division of Clearing and Intermediary Oversight ("Division") of the Commodity Futures Trading Commission ("Commission"), submitted on behalf of "X", a Commission-registered commodity pool operator ("CPO") and commodity trading advisor. "X" operates several commodity pools, including "Y" and "Z" ("Y" and "Z" are jointly referred to as the "Funds"). By your letter, you request that the Commission accept the Funds' December 31, 2005 certified annual reports as final annual reports indicating that the Funds have permanently ceased trading operations in accordance with Regulation 4.22(c) and that commencing January 1, 2006, "X" not be subject to the reporting requirements of Part 4 of the Commission regulations pending the final distribution of the Funds' assets to the participants. You further request relief from the requirement that "X" sign the oath or affirmation that is required to be filed with the Funds' annual reports filed with NFA.

Based upon your letter and other communications with Division staff, we understand the facts to be as follows. "X" is a Delaware limited liability company, and an indirect, wholly-owned subsidiary of "U". The Funds are constituted under the laws of the Cayman Islands and are registered in the Cayman Islands as exempted companies pursuant to the Companies Law and as mutual funds pursuant to Section 4(3) of the Mutual Funds Law. Both Funds filed with the National Futures Association notices of exemption pursuant to Commission Regulation 4.7.¹

The Funds' trading strategies included exchange-traded futures markets, forward markets and swap markets. The Funds appointed "V", a Commission-registered futures commission merchant, and "W" as clearing agents. On ____, 2005, "W" filed a bankruptcy petition under Chapter 11 of Title 11 of the United States Code in _____. The Funds had a substantial portion of their total assets on deposit with "W" in the form of cash and certain investments of off-setting forward contracts in foreign currency which settle in ____ 2006. "W" also is the largest investor in "Z".

In ____ 2005, the Funds' respective Boards of Directors ordered the Funds to cease all trading activities and to invest the Funds' assets solely in cash, or cash equivalents, to be held in

¹ Commission rules referred to herein are found at 17 C.F.R. Ch. I (2005).

accounts with highly-capitalized banks.² The Boards of Directors took this action in light of concerns arising in connection with the filing in bankruptcy by “T”, the ultimate parent of “X”. Neither the Funds themselves, nor “X”, were part of “T”’s bankruptcy filing.

However, as a direct result of the bankruptcy filing of “W”, you state that “X”, the sole voting shareholder of the Funds, voted to initiate voluntary liquidation procedures under the laws of the Cayman Islands for “Y” and “Z” on _____, 2005 and _____, 2005, respectively. Pursuant to Cayman law, “X” appointed “A” and “B” of “C” as liquidators of the Funds (the “Liquidators”). Further, you represent that with the initiation of the voluntary liquidation procedures, the Funds are no longer engaged in commodity interest trading and have effectively ceased operations. As the Liquidators have assumed legal responsibility of the Funds, they will be responsible for preparing, distributing to Fund participants, and filing with National Futures Association an audited financial report for the period ending December 31, 2005.³

Further, you represent that you are aware of no pending litigation with respect to “X” or the Funds. Moreover, as discussed in the Request for Exemption, the Liquidators have communicated with the Funds’ investors regarding their appointment and have kept investors informed with respect to the progress of the liquidations.

In light of the representations made in your letter, including (1) that the Funds have ceased operations and are in voluntary liquidation under the laws of the Cayman Islands, and (2) that the Liquidators have assumed legal responsibility for the Funds under Cayman Island law, including the requirement to provide the Funds’ participants with periodic reporting on the status of the liquidation and the Funds’ assets, the Division believes that granting the relief requested is neither contrary to the purposes of Regulation 4.22 nor to the public interest. In addition, since “X” has been displaced by the Liquidators under Cayman law as the entity legally responsible for the books and records of the Funds since _____ 2005, the Division believes that permitting the Liquidators to sign the oath or affirmation regarding the accuracy and completeness of the financial statements, as required by Regulation 4.22(h), would not be contrary to the purposes of Regulation 4.22 nor to the public interest. Accordingly, pursuant to the authority delegated by Regulations 140.93(a)(1) and 4.12(a), the Division will accept “Y”’s and “Z”’s certified annual reports for the year ending December 31, 2005 as “close out” annual reports indicating the permanent cessation of trading in accordance with Regulation 4.22(c) and “X” will not be required to provide the Funds’ participants with periodic account statements pursuant to Part 4 of the regulations pending the final distribution of assets to the participants. The Division also will accept an oath or affirmation signed by the Liquidators for each Fund in lieu of an oath or affirmation signed by “X”.

² Prior to _____ 2005, “Z”’s assets were held in customer-segregated accounts at “G” in the Cayman Islands and “Y”’s assets were held in customer-segregated accounts at “H” in the United States. Since _____ 2005, each Fund’s assets have been held in the Fund’s respective name in customer-segregated accounts at “J” in the Cayman Islands.

³ On March 31, 2006, the Division of Clearing and Intermediary Oversight granted an extension of time to June 30, 2006 for the Funds’ audited financial statements to be distributed to the participants and filed with National Futures Association.

This exemption is based upon the representations that you have made to the Division including that the Liquidators will report to participants regarding the status of the Funds as required by Cayman Island Law and is contingent upon the distribution to participants and filing with National Futures Association certified annual reports for the Funds for the year ending December 31, 2005. Any different or omitted facts may result in a different determination. This exemption does not relieve the CPO from any other applicable requirements of the Commission's regulations. Should you have any questions, please do not hesitate to contact me, or Kevin Walek, Assistant Director, at (202) 418-5463.

Very truly yours,

Thomas J. Smith

cc: Regina Thoele, Compliance
National Futures Association