



U.S. COMMODITY FUTURES TRADING COMMISSION

Three Lafayette Centre
1155 21st Street, NW, Washington, DC 20581
Telephone: (202) 418-5430
Facsimile: (202) 418-5547
aradhakrishnan@cftc.gov

Division of Clearing and
Intermediary Oversight

Ananda Radhakrishnan
Director

CFTC Letter No. 08-16
September 3, 2008
Exemption
Division of Clearing and Intermediary Oversight

Re: Regulations 4.21, 4.22 and 4.23
Request for exemption from certain Disclosure Document, reporting and
recordkeeping requirements in connection with the operation of a commodity
pool listed for trading on a national securities exchange

Dear :

This is in response to your letter dated July 15, 2008, to the Division of Clearing and Intermediary Oversight (the "Division") of the Commodity Futures Trading Commission (the "Commission"). By your letter, you request on behalf of a registered commodity pool operator ("CPO"), ("The CPO"), exemption from certain provisions of Commission Regulations 4.21, 4.22, and 4.23,¹ which concern, respectively, the disclosure, reporting and recordkeeping requirements applicable to registered CPOs, in connection with The CPO's operation of (the "Fund").

Based upon the representations made in your letter, we understand the facts to be as follows: the offering and sale of units of participation ("Shares") of the Fund will be made pursuant to an effective registration statement filed with the Securities and Exchange Commission ("SEC") (the "Registration Statement"), and the Fund's Shares will be listed for trading on a national securities exchange.² The Fund has been structured and will be operated in

¹ Commission regulations referred to in this letter are found at 17 C.F.R. Ch. I (2008). They can be accessed through the Commission's website, at: <http://www.cftc.gov/cftc/cftclawreg.htm>.

² Your request assumes, and the Fund's Registration Statement states, that the Shares are securities for purposes of the U.S. federal securities laws and will be offered, sold and transferred as such. While we may not necessarily agree with this categorization, the Division will not recommend that the Commission commence any enforcement action against the Fund or market participants in connection with the offer, sale and transfer of Shares in the manner contemplated by your request and the Disclosure Document for the Fund.

a manner substantially similar to an exchange-traded fund, or ETF. As is explained more fully in the correspondence, the sale of Shares of the Fund to Authorized Participants will be conducted in compliance with Regulation 4.21. Authorized Participants will receive (and will provide to The CPO written acknowledgement of such receipt) a Disclosure Document, which will comply in full with the requirements in Part 4 of the Commission's regulations, and which The CPO will update in accordance with Commission requirements. The current Disclosure Document for the Fund will be posted on the Internet website maintained by The CPO, and The CPO expects that prospective and actual investors will utilize the services of a registered broker-dealer, who either will inform them where they can obtain the current Disclosure Document, or, upon request, will deliver a copy of the current Disclosure Document. The same information that would otherwise be provided in the Fund's monthly Account Statements, including the Fund's net asset value and the certification required by Regulation 4.22(h), similarly will be readily available via The CPO's website, and the Fund's Disclosure Document will advise participants of this location.

You state that The CPO intends that certain books and records of the Fund will be kept by the Fund's administrator, custodian and transfer agent, "A", a banking corporation subject to regulation by the New York State Banking Department, at the address specified in your letter.³ "A" has provided the Division with a signed acknowledgment that the books and records of the Fund may be inspected and copied by any representative of the Commission or the United States Department of Justice and may be inspected and copied during normal business hours by Fund participants. Included are schedules specifying the classes of books and records, by subparagraph of Regulation 4.23, that "A" will be keeping.

You further ask for confirmation that "A" will not be deemed to be acting as a CPO solely by reason of keeping the Fund's records in the manner described in your correspondence, which the Division hereby so confirms. In this regard, the Division notes "A" will not be acting in the manner contemplated by the statutory definition of a "commodity pool operator" – *e.g.*, it will not be promoting the pool by soliciting, accepting or receiving from others property for the purpose of commodity interest trading, and will not have the authority to hire (and to fire) the Fund's commodity trading advisor, and to select (and to change) the Fund's futures commission merchant.⁴

Further in this regard, we note that listing on a national securities exchange does not affect The CPO's obligation to comply with any other provision of the Commodity Exchange Act (the "Act") or the Commission's regulations issued thereunder applicable to CPOs in particular or to persons in general. The Act is found at 7 U.S.C. §1, *et seq.* (2000), and also may be accessed through the Commission's website, at: <http://www.cftc.gov/cftc/cftclawreg.htm>.

³ That address is: "B".

⁴ *See, e.g.*, 49 Fed. Reg. 4778, 4780 (Feb. 2, 1984) (Commission acknowledged staff practice of employing these criteria in determining whether a person is, or is not, a CPO); and CFTC Staff Letter No. 08-01 [Current Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶30,795 (Jan. 11, 2008) (Division granted a CPO an exemption to keep pool books and records with the

Based upon the representations made in the correspondence, the Division believes that granting your request would not be contrary to the public interest and to the purposes of the regulations at issue. Accordingly, pursuant to the authority delegated in Regulation 140.93(a)(1), the Division hereby exempts The CPO in connection with its operation of the Fund from: (1) the requirement of Regulation 4.21(b) to obtain a signed acknowledgment of receipt of a Disclosure Document in the case of sales of Shares by the Authorized Participants to the public or sales of Shares on a national securities exchange, provided that the information required to be contained in the Disclosure Document is maintained and kept current on The CPO's website; (2) the requirement of Regulation 4.22 to deliver monthly Account Statements to purchasers of Shares, provided that the information that would otherwise be contained in such reports is maintained on The CPO's website; and (3) the requirement of Regulation 4.23 to keep required books and records at The CPO's main business office to the extent that such books and records are maintained at the offices of "A".

Consistent with prior practice,⁵ the exemption from the books and records location requirement of Regulation 4.23 is subject to the conditions that: (1) The CPO notify the Division and NFA if the location of any of the books and records required to be kept by Regulation 4.23 changes from that as represented to the Division; (2) The CPO remain responsible for ensuring that all books and records required by Regulation 4.23 are kept in accordance with Regulation 1.31 and for assuring the availability of such books and records to the Commission, NFA, and any other agency authorized to review such books and records in accordance with the Act and Commission regulations; (3) within forty-eight hours after a request by a representative of any of the foregoing, The CPO obtain the original books and records from "A's" office at the address previously specified, and will provide them for inspection at The CPO's main business office in New York, New York; (4) The CPO disclose in the Disclosure Document of the Fund the location of its books and records that are required under Regulation 4.23; and (5) The CPO remain fully responsible for compliance with Regulation 4.23.

This letter exempts The CPO from Regulations 4.21, 4.22 and 4.23, as stated above. It does not excuse The CPO from compliance with any other aspect of the Commission's disclosure, reporting and recordkeeping requirements for registered CPOs, nor does it excuse The CPO from compliance with any other applicable requirements contained in the Act or in the Commission's regulations issued thereunder. For example, The CPO remains subject to Regulation 1.31, and the Commission maintains its right under that regulation to inspect the required books and records of The CPO at the offices of "A". Additionally, The CPO remains subject to all antifraud provisions of the Act and the Commission's regulations, to 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.

pool's administrator and its distributor, neither of which was thereby deemed to be acting as a CPO of the pool.)

⁵ See, e.g., Staff Letter 08-01.

This letter is based upon the representations made to us and is subject to compliance with the conditions set forth above. Any different, changed or omitted material facts or circumstances might render this letter and the exemptions granted herein void. In this connection, you must notify us immediately in the event that the operations of The CPO or the Fund change in any material way from those represented to us.

If you have any questions concerning this correspondence, please contact me or Christopher W. Cummings, Special Counsel, at (202) 418-5445.

Very truly yours,

Ananda Radhakrishnan
Director