

CFTC Letter No. 97-14**November 27, 1996****Division of Trading & Markets**

Re: Section 4m(1) -- Request for CTA Registration No-Action Position by a Foreign Corporation Owned by United States Persons

Dear :

This is in response to your letter dated October 3, 1996, to the Division of Trading and Markets ("Division") of the Commodity Futures Trading Commission ("Commission"), as supplemented by telephone conversations with Division staff. By your correspondence, you request on behalf of "X" relief from the commodity trading advisor ("CTA") registration requirements of Section 4m(1) of the Commodity Exchange Act (the "Act").¹

Based upon the representations made in your letter, as supplemented, we understand the pertinent facts to be as follows. "X" is a corporation organized in the United Kingdom and registered with the Securities and Futures Authority. "X" was established primarily to provide real time advice and trade execution service with respect to European fixed income securities and currencies to "Y", a registered CTA, in connection with "Y's" and its affiliate's² investment advice to several investment funds (the "Funds"). One of the Funds is a Delaware limited partnership and the others are offshore corporations. From time to time, some of the Funds may have United States investors. "X's" advice and execution services will likely include advice and services with respect to European equities and commodity futures and/or options contracts traded outside the United States. To a lesser degree, "X" will provide advice and might also provide order placement services with respect to commodity futures and/or options contracts traded on United States contract markets. The Funds' identities will be disclosed when such order placement services are performed.

"X" is indirectly owned by three United States persons, two of whom are listed with the Commission as principals of "Y", "A", the President and a registered associated person ("AP") of "Y", and "B", the general counsel of "Y". The third owner of "X" is an employee of "Y", "C", who is in the process of registering as an AP of "Y". "A" and "B" are the directors of "X". "C" has been seconded to "X" and it is anticipated that from time to time other employees of "Y", including its principals and associated persons, may be seconded to "X" or may be employed on a part-time basis by "X" in London. "X" operates solely in the United Kingdom.

Based upon the foregoing, the Division will not recommend that the Commission take any enforcement action against "X" if it fails to register as a CTA in connection with its providing commodity interest trading advice to "Y" and its affiliate. However, this relief is subject to the condition that within thirty days of the date of this letter "X" and "Y" each provide the Division with written acknowledgements whereby each accepts joint and several liability for any violations of the Act or the Commission's rules issued thereunder committed by either party in connection with "X's" acting as a CTA.

The position taken in this letter is based on the representations you have made to us and is subject to compliance with the condition set forth above. Any different, changed or omitted facts or conditions might require us to reach a different conclusion. In this connection, we request that you notify us immediately in the event the operations and activities of "X" or "Y", including the ownership of "X", change in any way from those as represented to us. Moreover, this letter is applicable to "X" solely in connection with its acting as a CTA for "Y" and its affiliate.

If you have any questions concerning this correspondence, please contact me or Teresa Dondlinger Trissell, an attorney on my staff, at (202) 418-5450.

Very truly yours,

Susan C. Ervin

Chief Counsel

¹ The Act is found at 7 U.S.C. §§ 1 et seq. (1994).

² Specifically, this affiliate is "V", the general partner and registered commodity pool operator for "W", a commodity pool.