U.S. COMMODITY FUTURES TRADING COMMISSION
Three Lafayette Centre
1155 21st Street, NW, Washington, DC 20581
Telephone: (202) 418-5430
Facsimile: (202) 418-5536

97-15

March 24, 1997

COMMODITY FUTURES TRADING COMMISSION RECEIVED FOR PUBLIC RECORD
MAR 26 5 11 PM '97

DIVISION OF
TRADING & MARKETS

Re: Rule 4.7(a) -- Request for Relief to Treat an Employee as a Qualified Eligible Participant

Dear :

This is in response to your letter dated February 25, 1997, to the Division of Trading and Markets ("Division") of the Commodity Futures Trading Commission ("Commission"), as supplemented by telephone conversations with Division staff. By this correspondence, you request on behalf of "X", a registered commodity pool operator ("CPO"), that the Division permit "X", in connection with its operation of the "Pool", to treat an employee of "X" as a qualified eligible participant ("QEP") as that term is defined in Rule 4.7(a).[1]

Based upon the representations made in your correspondence, we understand the pertinent facts to be as follows. The Pool is a limited partnership of which "X" serves as the general partner and CPO. The Pool has not yet commenced operations. "X" anticipates filing on behalf of the Pool a Notice of Claim for Exemption pursuant to Rule 4.7(a). Upon the filing of a Rule 4.7(a) notice, interests in the Pool may be sold only to QEPs.

You request relief in order that "X" may allow "A", an employee of "X" who does not qualify as a QEP, to invest in the Pool.[2] Specifically, "A" serves as a trader, market and quantitative analyst and a computer programmer responsible for the construction and implementation of theoretical pricing models. Prior to joining "X" and for the past five years, "A" worked in the securities industry as a trader/analyst of equities, commodity interest contracts and derivative products. "A" holds Series 3, 7 and 63 licenses and has undergraduate degrees in both mathematics and finance. In support of your request, you state that "A"

---

[1] Commission rules referred to herein are found at 17 C.F.R. Ch. I (1996).

[2] "A" is also employed by "Y", a registered commodity trading advisor and an affiliate company of "X".

consents to being treated as a QEP and that he will have access to information pertinent to investment in the Pool.

Based upon the foregoing representations, it appears that granting the requested relief would not be contrary to the public interest or the purposes of Rule 4.7(a). Accordingly, the Division will not recommend that the Commission take any enforcement action against "X" for failure to comply with Rule 4.7(a) if it claims relief pursuant to Rule 4.7(a) with respect to the Pool, notwithstanding investment in the Pool by "A" and his treatment as a QEP.

This letter does not excuse "X" from compliance with any otherwise applicable requirements contained in the Commodity Exchange Act[3] or the Commission's regulations issued thereunder. For example, "X" remains subject to the antifraud provisions of Section 4o of the Act,[4] the reporting requirements for traders set forth in Parts 15, 18, and 19 of the Commission's regulations, and to all otherwise applicable provisions of Part 4. Moreover, this relief is applicable to "X" solely in connection with its operation of the Pool.

The relief granted in this letter is based upon the representations you have made to us. Any different, changed or omitted facts or circumstances might require us to reach a different conclusion. In this regard, we request that you notify us immediately in the event the operations or activities of "X" or the Pool, including the composition of the Pool's investors, change in any way from those as represented to us.

This letter represents the position of this Division only. It does not necessarily represent the views of the Commission or any other office or division of the Commission. If you have any questions concerning this correspondence please contact me, or Charles O'Brien of my staff, at (202) 418-5450.

Very truly yours,

Susan C. Ervin
Chief Counsel

---

[3] 7 U.S.C. § 1 et seq. (1994).

[4] 7 U.S.C. §§ 6b and 6o (1994).