

CFTC Letter No. 97-27**April 18, 1997****Division of Trading & Markets**

Re: Rules 4.21-4.26 -- Request for Relief from CPO Regulation

Dear :

This is in response to your letter dated March 7, 1997, to the Division of Trading and Markets (Division) of the Commodity Futures Trading Commission (Commission), as supplemented by a facsimile dated March 19, 1997 and telephone conversations between A , your associate, and Division staff. By this correspondence, you request on behalf of B , a registered commodity pool operator (CPO) and commodity trading advisor (CTA), relief from the disclosure, reporting and recordkeeping requirements of Rules 4.21-4.26¹ in connection with B s operation of (the Partnership).

Based upon the representations made in your correspondence, we understand the pertinent facts to be as follows. The Partnership is a Delaware limited partnership established in December, 1994. The Partnership currently has total assets of approximately \$1 million resulting from contributions and appreciation during the life of the Partnership. B serves as the CPO, CTA and sole general partner of the Partnership. The Partnership consists of four limited partners: B s mother, B s father, C and D (collectively, the Partners). B s mother has contributed over \$30,000 to the Partnership and B s father has contributed over \$350,000 to the Partnership. C , who is a close personal friend of B and a qualified eligible participant (QEP) as that term is defined in Rule 4.7(a), has contributed approximately \$15,000 to the Partnership. D , who is also a close personal friend of B but is neither a QEP nor an accredited investor as that term is defined in Regulation D under the Securities Act of 1933, has contributed \$10,000 to the Partnership. You claim that because of each Partner s personal relationship with B and his familiarity with B s trading style over the last two years, he is capable of assessing the merits and risks associated with trading commodity interests.

As noted above, two Partners are the parents of B and the other two Partners, C and D , are long-time personal friends of B . C is experienced in trading commodity interest contracts. He has been a close personal friend of B s for over ten years and is a registered associated person (AP) and president of a CPO since February, 1996.² D has been a close personal friend of B s for the past twelve years. He attended X University with B . D is currently employed as a union representative responsible for collective bargaining on behalf of various unions. He has an approximate net

worth of \$250,000 and an annual income of \$80,000. His investment experience consists of actively managing a personal retirement plan together with investing in numerous speculative equity funds. In support of your request, you represent that each Partner has full access to information pertinent to an investment in the Partnership. Further, you represent that B will not admit any additional limited partners to the Partnership prior to obtaining the express written consent of the Division.

Based upon the foregoing representations, the Division will not recommend that the Commission take any enforcement action against B based solely upon his failure to comply with Commission Rules 4.21-4.26 in connection with his operation of the Partnership. This letter is applicable to B solely in connection with his operation of the Partnership and does not excuse B from compliance with any otherwise applicable requirements contained in the Commodity Exchange Act (Act ³), or the Commission's regulations issued thereunder. For example, B remains subject to the antifraud provisions of Sections 4b and 4o of the Act,⁴ to 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.

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 the Partnership, including the Partnership's membership composition, change in any way from those as represented to us. Furthermore, nothing in this letter should be construed as limiting in any way the Commission's ability to institute enforcement proceedings or other action against B for any past violation of the Act or Commission regulations.

This letter represents the position of the Division of Trading and Markets 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

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

² C is registered as an AP of Y and Z. He is also listed as a principal of Z.

³ 7 U.S.C. § 1 *et seq.* (1996).

4 7 U.S.C. §§ 6b and 6o (1996).