

CFTC Letter No. 98-50**June 22, 1998****Division of Trading & Markets**

Re: Request for Exemption from Rules 4.7(a)(2)(ii) and (a)(2)(iii)

Dear :

This is in response to your letter dated February 19, 1998 to the Division of Trading and Markets ("Division") of the Commodity Futures Trading Commission ("Commission") as supplemented by your letter dated May 7, 1998 and telephone conversations with Division staff.¹ By your correspondence, you request that "X", a registered commodity pool operator ("CPO") and the CPO of the "Master Fund", be exempt from the periodic and annual reporting requirements of Rules 4.7(a)(2)(ii) and (a)(2)(iii), respectively.²

Based upon your representations, we understand the facts to be as follows. "X" operates the Master Fund, which has as its sole participants two feeder funds, ("Feeder Fund I") and ("Feeder Fund II"). "X" serves as the registered CPO of Feeder Fund I and the registered CPO of Feeder Fund II is "Y". "A", "B" and "C" are the Managing Members of both "X" and "Y". The Master Fund, Feeder Fund I and Feeder Fund II are each operated pursuant to Rule 4.7(a).³

Rules 4.7(a)(2)(ii) and (a)(2)(iii) require, respectively, that a CPO of a Rule 4.7(a) pool comply with certain periodic and annual reporting requirements as set forth in the rule. Thus, absent the exemption requested herein, "X" as the CPO of the Master Fund would: (1) be required to provide periodic reports and an annual report to itself as the CPO of Feeder Fund I; and (2) with respect to Feeder Fund II would effectively also be required to provide periodic reports and an annual report to itself since, as stated above, the same three persons are the Managing Members of both "X" and "Y", the CPO of Feeder Fund II.

Based upon the representations contained in your letter, the Division believes that granting the requested exemption would not be contrary to the public interest and the purposes of Rule 4.7(a).⁴ Accordingly, by the authority delegated to it under Rule 140.93(a)(1), the Division hereby exempts "X" from the periodic and annual reporting requirements of Rules 4.7(a)(2)(ii) and (a)(2)(iii), respectively, in connection with its operation of the Master Fund.

The exemption granted by this letter does not excuse "X" from compliance with any other applicable requirements contained in the Commodity Exchange Act ("Act") or the

Commission's regulations issued thereunder. For example, it remains subject to all antifraud provisions of the Act and the Commission's regulations issued thereunder, 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. Further, this letter is applicable to "X" solely in connection with its operation of the Master Fund.

This letter, and the exemption granted herein, are based upon the representations that have been made to us. Any different, changed or omitted material facts or circumstances might render this exemption void. You must notify us immediately in the event that the operations or activities of "X", "Y", the Master Fund, Feeder Fund I or Feeder Fund II change in any material way from those as represented to us.

If you have any questions concerning this correspondence, please contact Monica S. Amparo, an attorney on my staff, at (202) 418-5450.

Very truly yours,

I. Michael Greenberger

Director

¹ While you initially requested exemption from Rules 4.7(a)(2)(i) through (a)(2)(iv), by your May 7, 1998 letter you clarified the scope of your request to be applicable solely to Rules 4.7(a)(2)(ii) and (a)(2)(iii).

² Commission rules referred to herein are found at 17 C.F.R. Ch. I (1997).

³ "X" filed a Notice of Claim of Exemption pursuant to Rule 4.7(a) with respect to the Master Fund effective _____ and Feeder Fund I effective _____. "Y" filed a Notice of Claim of Exemption pursuant to Rule 4.7(a) with respect to Feeder Fund II effective _____. Thus, interests in each fund may only be sold to qualified eligible participants.

⁴ Cf. Division of Trading and Markets Interpretative Letter No. 97-62, [Current Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 27,122 (July 15, 1997) (CPO of a master fund whose sole participants were two feeder funds for which the CPO also served as CPO and general partner was exempt from providing a disclosure document to the feeder funds.)