

CFTC Letter No. 99-51**November 16, 1999****Exemption****Division of Trading & Markets**

Re: Rules 4.21 and 4.22 Request for exemption from CPO disclosure and reporting requirements in connection with registered CPOs' operation of certain investee funds solely for the purpose of facilitating the trading of commodity pools operated by those CPOs.

Dear :

This is in response to your letter dated August 12, 1999, to the Division of Trading and Markets (the Division) of the Commodity Futures Trading Commission (the Commission), as supplemented by your letter dated September 20, 1999 and by telephone conversations with Division staff. By your correspondence, you request on behalf of your clients P and Q that the Division extend the exemption from the Disclosure Document delivery and periodic reporting requirements of Rules 4.21 and 4.22¹ it issued by letter dated October 22, 1998 (the "Division Letter")² to P and Q (each a registered commodity pool operator ("CPO") and commodity trading advisor ("CTA")) in connection with their operation of certain commodity pools (the "Sub Funds") to certain other commodity pools for which P and Q will serve as CPOs (the "New Sub Funds"). Specifically, the New Sub Funds are: R and S .

The exemption granted by the Division Letter recognized that all of the participants in the Sub Funds were feeder funds operated by P and Q³ To require P and Q to deliver Disclosure Documents and to make periodic financial reports to the participants in the Sub Funds would be, practically speaking, to require P and Q (as the CPOs of the Sub Funds) to deliver and to report to themselves (as the CPOs of the feeder funds). Accordingly, by the Division Letter P and Q were exempted from the requirements of Rules 4.21 and 4.22 with respect to the operation of the Sub Funds.

In support of your current request you represent, among other things, that: (1) P and Q intend to permit R to trade commodity interests; (2) the only participants in R are S and one of the Sub Funds described in the Division Letter T ; (3) in turn, the only participants

in S are two feeder funds, U (of which P is the general partner and CPO) and V (of which Q is the operator pursuant to a written agreement);⁴ (4) investors are permitted to invest in the feeder funds, but not in R, T or S; and (5) no feeder fund or sub fund operated by P or Q other than the Sub Funds, the New Sub Funds and those feeder funds identified as such in the Division Letter and in this letter trade commodity interests, whether directly or indirectly through participation in commodity pools.

Based upon the foregoing representations, the Division hereby: (1) confirms that the exemption granted by the Division Letter continues to apply with respect to the operation of the Sub Funds; and (2) pursuant to the authority delegated to it by Rule 140.93(a), exempts P and Q from the requirements of Rules 4.21 and 4.22 in connection with the operation of the New Sub Funds.

This letter, and the exemption provided herein, are based upon the representations you have 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 the activities or operations of P, Q or any New Sub Fund changes in any material way from those represented to us. Further, this letter does not excuse P or Q from compliance with any other applicable requirements contained in the Commodity Exchange Act (the Act⁵), or in the Commission's regulations issued thereunder. For example, each 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. Finally, this letter is applicable to P and Q solely in connection with the operation of the Sub Funds and the New Sub Funds.

If you have any questions concerning this correspondence, please contact Chris Cummings an attorney on my staff at (202) 418-5445.

Very truly yours

John C. Lawton

Acting Director

¹ Commission rules referred to herein are found at 17 C.F.R. Ch. I (1998).

² CFTC Staff Letter No. 99-06, [Current Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶27,544 (October 22, 1998).

³ The Division Letter refused your request for an interpretation that the Sub-Funds were not commodity

pools as defined in Rule 4.10(d). Although you do not raise the issue in your current correspondence, we confirm that the New Sub-Funds are also pools.

⁴ As set forth in the Division Letter, the only participants in T are feeder funds operated by P or Q. The facts set forth in your current request do not affect the exemption granted in the Division Letter to P and Q with respect to the operation of T.

⁵ 7 U.S.C. § 1 et seq. (1994)