



U.S. COMMODITY FUTURES TRADING COMMISSION

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Market Participants Division

Amanda Olear
Director

Mr. Nathan Howell
Sidley Austin LLP
One South Dearborn Street
Chicago, IL 60603

RE: Commission Regulations 4.7(b)(3) and 4.22--Request for Exemptive Relief from Audited Annual Financial Statements

Dear Mr. Howell:

This is in response to your letter dated February 21, 2024, to the Market Participants Division (“Division”) of the Commodity Futures Trading Commission (“Commission”). You request on behalf of III Capital Management, (“III Capital”), the commodity pool operator (the “CPO”) for III Alpha One Convexity Fund Ltd. (the “Pool”), exemptive relief from Commission Regulations 4.7(b)(3) and 4.22(d),¹ which require the CPO to distribute to the Pool’s participants, and file with the National Futures Association (“NFA”), Annual Reports, which contain audited financial statements concerning the Pool, within 90 days of the close of the Pool’s fiscal year.

Based on the representations made in your letter, the Division understands the relevant facts to be as follows. The Pool has a single participant, and operates pursuant to an exemption under Commission Regulation 4.7. The Pool has operated continuously from January 1, 2023, through its permanent cessation of trading on January 31, 2024. As of January 31, 2024, the net asset value of the Pool was zero dollars.

You request that the audited financial statements that would have been contained in the Pool’s 2023 Annual Report be combined with the Pool’s period of operation in 2024, creating a 13-month combined audited Annual Report for the Pool, covering the period from January 1, 2023, through the date of the Pool’s cessation of trading, January 31, 2024. The participant has agreed in writing to waive the right to receive separate audited financial statements for the Pool for the 2023 fiscal year and the 2024 stub period.

¹ Commission Regulations referred to herein are found at 17 C.F.R. Ch. I (2023).

Commission Regulations 4.7(b)(3) and 4.22(c) require the CPO to distribute to the Pool's participants, and file with NFA, an Annual Report within 90 calendar days after the end of the Pool's fiscal year. This Annual Report must include, among other things, financial statements for the Pool, which must be audited by an independent public accountant pursuant to Commission Regulation 4.22(d). The principal purpose of the reporting required by Commission Regulations 4.7 and 4.22 is to ensure that pool participants receive accurate, fair and timely information on the overall trading performance and financial condition of a pool.

The Division understands, however, based upon the representations made in your letter, that requiring the Pool to expend its resources preparing and auditing the Annual Report for the brief period in which the Pool was in operation in 2024 would cause the Pool to incur substantial costs. These costs may not be in the interests of the participant, in light of this brief period of operation. As such, the Division believes that providing exemptive relief with respect to the Pool's 2023 and 2024 audited financial statements is neither contrary to the purpose of Commission Regulations 4.7 and 4.22 nor to the public interest. Accordingly, pursuant to the authority delegated to it by the Commission through Regulations 140.93 and 4.12(a), the Division hereby grants exemptive relief from the provisions of Commission Regulations 4.7(b)(3) and 4.22(d) that require the CPO to prepare and distribute to the participant, and file with NFA, separate Annual Reports containing audited financial statements for the year ending December 31, 2023, and the wind-up period ending January 31, 2024, with respect to the Pool.

The exemptive relief granted in this letter is conditioned on the CPO's distribution to the Pool's participant, and the filing with NFA, of an Annual Report containing combined audited financial statements for the period beginning January 1, 2023 and ending January 31, 2024, in full compliance with applicable Commission Regulations.

This letter, as well as the exemptive relief granted herein, is based on the representations that have been made to the Division and is applicable to the CPO solely with respect to the operation of the Pool. Any different, changed, or omitted facts or conditions might render this exemptive relief void. Moreover, the relief issued by this letter does not excuse persons relying on it from compliance with any other applicable requirements contained in the Commodity Exchange Act or in the Commission regulations issued thereunder. Finally, the Division also retains the authority to condition further, modify, suspend, terminate, or otherwise restrict the terms of the exemptive relief provided herein in its discretion.

Mr. Howell
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If you have any questions regarding this letter, please contact Pamela Geraghty, Deputy Director, at pgeraghty@cftc.gov, Elizabeth Groover, Acting Associate Director, at egroover@cftc.gov, Peter Sanchez, Special Counsel, at psanchez@cftc.gov, or Michael Ehrstein, Special Counsel, at mehrstein@cftc.gov.

Very truly yours,

A handwritten signature in cursive script that reads "Amanda Olear".

Amanda Olear
Director
Market Participants Division

cc: Regina Thoele, Compliance
National Futures Association