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January 23, 2003

Jean A. Webb, Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Advance Notice of Proposed Rulemaking
on CPO and CTA Registration Exemptions

Dear Ms. Webb:

Chicago Board Options Exchange, Incorporated ("CBOE") is pleased to comment on the "Advance Notice of Proposed Rulemaking on CPO and CTA Registration Exemptions" (67 Fed. Reg. 68,785 (November 13, 2002)) (the "Proposed Rules"). The Commodity Futures Trading Commission (the "Commission") has proposed rules regarding exemption from the commodity pool operator ("CPO") and commodity trading advisor ("CTA") registration requirements. We commend the Commission for its attention to this important area. CBOE is a registered national securities exchange with over a thousand broker-dealer members, many of which act as market makers and trade on a proprietary basis.

CBOE supports adoption of all of the Proposed Rules, as they provide registration relief to pools with different characteristics. In particular, CBOE believes it is important that the Commission adopt the interim No-Action Relief for CPOs and CTAs (as described in the Proposed Rules) as permanent exemptions from registration. CBOE believes that this relief most effectively advances the goal of balancing investor protection against imposing unnecessary and burdensome requirements on entities whose participants are sophisticated and/or knowledgeable investors. The No-Action Relief recognizes that there are individual accredited investors who are sufficiently sophisticated as to not need the additional protections that CPO and CTA registration provides. Further, the No-Action Relief allows such sophisticated and knowledgeable investors to determine by contract such business and financial matters as delivery of financial statements and similar matters.

Responding to the Commission's question regarding whether investor qualifications should vary with the extent of non-hedge commodity interest trading activities, CBOE notes that a relaxation of the amount of non-hedge commodity interest trading in which exempt pools can engage is generally desirable and is consistent with continually evolving contracts and strategies. In recent years, there has been a disconnect between the Commission's definition of a *bona fide* hedge and the activities permitted under the Securities and Exchange Commission's haircut rules. A relaxation of the amount of non-hedge activities exempt pools can transact would help reduce the impact of this inconsistency.

CBOE believes that the one-way disclosure requirements imposed on CPOs and CTAs is an appropriate and effective means of communicating to participants the relevant exemption under which the CPO or CTA operates and puts participants on notice as to the level of oversight to which the pool or advisor is subject.

CBOE requests clarification of the No-Action Relief with respect to the responsibility for ensuring compliance with the notional value requirement. CBOE respectfully submits that the Commission should clarify that clearing firms that clear contracts for pools operating under the No-Action Relief (or any other relief that the Commission ultimately adopts) will be permitted to rely on a representation by each pool that it is operating in compliance with the terms of the No-Action Relief or other relief. This is relevant because under Bylaw 1101 of the National Futures Association ("NFA"), clearing firms cannot handle transactions in commodity futures contracts for non-NFA members that are required to be registered as a CPO or CTA. If a pool claiming to be exempt under the No-Action Relief were operating in violation of the No-Action Relief, a clearing firm would not have any way of knowing this, given that the pool may have accounts with multiple clearing firms.

CBOE supports and encourages the Commission's efforts to provide reasonable requirements for pools composed of sophisticated and/or knowledgeable participants that would like to trade commodity futures but have not done so in the past due to the Commission's requirements. CBOE believes that the Proposed Rules are an important step towards the goal of encouraging participation in the commodity futures markets without sacrificing investor protection. CBOE looks forward to discussing with the Commission the ways in which CBOE's broker-dealer members may be eligible for additional relief from the CPO and CTA requirements.

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If you have any questions regarding our comments or would like to discuss our comments further, please contact Joanne Moffic-Silver at (312) 786-7462.

Sincerely,

/s/ Edward J. Joyce

Edward J. Joyce
President and Chief Operating Officer
