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COMMODITY POOL OPERATOR REGISTRATION AND ONGOING COMPLIANCE

The Commodity Futures Trading Commission (the "CFTC") regulates the trading of commodity interests, which include instruments such as commodity futures, commodity options, security futures products, retail forex transactions, and swaps ("commodity interests"). The CFTC has adopted rules and regulations governing the registration and ongoing compliance requirements of investment advisers to separately managed accounts (commodity trading advisers or "CTAs") and managers of private funds (commodity pool operators or "CPOs"). Unless exempt, CPOs, along with their personnel, must register with the CFTC and the National Futures Association (the "NFA"), a self-regulatory organization that oversees CPOs, CTAs, and other futures market participants, and administers the CFTC registration process.

This guide is meant to provide an overview for private fund managers of the registration and regulatory requirements applicable to CPOs and their personnel, as well as provide guidance regarding ongoing CPO compliance. While this guide is intended to be a useful resource, keep in mind that it is written in general terms and that it may omit important details to private fund managers considering CPO registration. Please also note that this guide is not intended as legal advice and should not be relied upon as such.

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1. Definitions

***"Commodity Pool"*:** The term "commodity pool" refers to any investment trust, syndicate, or similar form of enterprise operated for the purpose of trading commodity interests, including: any future, security futures product, or swap; authorized commodity option or leverage transaction; or retail forex or commodity transactions as further defined in the CEA.

***"Commodity Pool Operator"*:** The term "commodity pool operator" includes any person engaged in a business that is in the nature of a commodity pool and who, in connection therewith, solicits, accepts, or receives from others, funds, securities, or property, either directly or through capital contributions, the sale of stock or other forms of securities, or otherwise, for the purpose of trading in commodity interests, including: any future, security futures product, or swap; authorized commodity option or leverage transaction; or retail forex or commodity transactions as further defined in the CEA.

Absent an available exemption (see Section 8 below), a firm that falls within the definition of a CPO must register as such with the CFTC through the NFA.

2. CPO Registration Requirements

CPO registration is done by using the NFA Online Registration System ("ORS"), which may be accessed at www.nfa.futures.org. All CPOs are required to be Members of the NFA in order to conduct futures business with the public.

(A) ***Firm Registration Requirements***:

1. Complete online Form 7-R ("Firm Application");
2. Pay a non-refundable application fee of $200; and
3. Pay CPO membership dues of $750

(B) ***Principal Registration Requirements***:

Principals of a firm registering as a CPO must meet certain registration requirements. The NFA defines the term "principal" as:

(1) An individual who is:

(a) A proprietor of a CPO that is a sole proprietorship;

(b) A general partner of a CPO organized as a partnership;

(c) A director, president, chief executive officer, chief operating officer, or chief financial officer of a corporation, or a person in charge of a business unit, division or function of a corporation the activities of which would fall within the regulatory jurisdiction of the CFTC; or

(d) A director, president, chief executive officer, chief operating officer, chief financial officer, manager, or managing member of a limited liability company or limited liability partnership vested with the management authority for the entity, and any person in charge of a principal business unit, division or function subject to regulation by the CFTC; or

(2) An individual who directly or indirectly, through agreement, holding companies, nominees, trusts or otherwise:

(a) Is the owner of 10% or more of the outstanding shares of any class of a CPO's stock;

(b) Is entitled to vote 10% or more of any class of a CPO's voting securities;

(c) Has the power to sell or direct the sale of 10% or more of any class of a CPO's voting securities;

(d) Has contributed 10% or more of a CPO's capital;

(e) Is entitled to receive 10% or more of a CPO's net profits; or

(f) Has the power to exercise a controlling influence over a CPO's activities that are subject to regulation by the CFTC.

Principals of a firm registering as a CPO must:

1. Complete online Form 8-R ("Individual Application")'

2. Submit fingerprint cards;

3. Complete the verification of the principal's Form 8-R; and

4. Pay a non-refundable application fee of $85.00

(C) ***Associated Person Registration Requirements*:**

Associated persons of a firm registering as a CPO must meet certain registration requirements. An individual is considered an "associated person" of a CPO if that person is associated with the CPO in any capacity as a partner, officer, employee, consultant, or agent (or who has a similar status or performs similar functions), and is involved in the solicitation of funds, securities, or property for a participation in a commodity pool. A person will also be considered an associated person if he supervises any person engaged in those solicitations.

Associated persons of a firm registering as a CPO must:

1. Complete online Form 8-R ("Individual Application");

2. Submit fingerprint cards;

3. Complete the verification of the associated person's Form 8-R;

4. Pay a non-refundable application fee of $85.00; and

5. Satisfy the NFA's *Proficiency Requirements*:

- Pass the National Commodity Futures Examination (Series 3 Exam) within the two years preceding their application, unless:

    -The individual has passed the examination that they intend to use to satisfy the proficiency requirements within 2 years of the date the application is filed, or more than two years prior to the date the application is filed provided there has not been a period of two consecutive years during which the individual was not registered as an Associated Person or Floor Broker or were not an approved principal of a registrant; or

-The individual is currently registered as a Floor Broker (defined as an individual who purchases or sells any futures contracts or options on futures on any contract market for any other person)

- *Retail Off-Exchange Forex*: Any individual seeking approval as a forex firm or forex individual must also pass the Series 34 Exam within two years of the date the application is filed

- *Alternative Examinations*: based on the individuals' registration status and the type of business the individuals conduct, they may be eligible for an alternative to the Series 3 Exam (i.e. the Series 31 Futures Managed Funds Examination, or the Series 32 Limited Futures Examination).

- *Waiver of Proficiency Requirements*: The NFA may waive the examination requirements for certain individuals who are associated with CPOs that are required to register solely because they operate commodity pools principally engaged in securities transactions and/or who are associated with Commodity Trading Advisers ("CTAs") that are required to register solely because their securities advisory services include advice on the use of futures and options for risk management purposes. The individual or firm requesting the waiver must provide a written description of the facts that qualify the individual for a waiver.

  For more detailed information regarding alternative examinations and waiver of proficiency requirements, visit the "Proficiency Requirements" section of the NFA's website at http://www.nfa.futures.org/NFA-registration/proficiency-requirements.HTML.

(D) ***Branch Offices***

A branch office is generally any location other than a CFTC registrant's main business address at which persons associated with the registrant engage in activities requiring registration as an associated person.

1. All branch offices are required to have a branch office manager who is registered as an associated person and has taken and passed FINRA's futures branch office manager examination (Series 30).

2. A CPO must report the existence of each of its branch offices in its Form 7-R, and must report a person's status as a branch office manager in that person's Form 8-R.

(E) ***Additional Requirements for CPOs Engaging in Retail Off-Exchange Forex Activities***:

1. Apply to become a forex firm by completing online Form 7-R

2. Have at least one principal that is also an approved Forex Associated Person

3. Submit payment of CPO Forex Firm membership dues of $2,500 (or surcharge of $1,750 if applicant is already an NFA member)

(F) ***Additional Requirements for CPOs Engaging in Swap Transactions***:

1. Apply to become a swap firm by completing online Form 7-R
2. Have at least one principal that is also an approved Swap Associated Person

3. The CPO Disclosure Document

CFTC Rule 4.21 requires a registered CPO to deliver a Disclosure Document to a prospective commodity pool participant prior to or when it delivers the commodity pool subscription agreement to the participant. The goal of the Disclosure Document is to provide investors with the information needed to make informed investment decisions. The CPO cannot accept an investor's investment in a commodity pool unless the CPO has received from the investor an acknowledgement signed and dated by the investor, stating that the investor has received the commodity pool's Disclosure Document. The Disclosure Document distributed to new commodity pool participants must not be more than 12 months old, and must be updated in the event of any material changes, or at least every 9 months if such Disclosure Document is still being used to solicit new commodity pool participants. *Disclosure Documents must be filed with the NFA using the NFA's Electronic Disclosure Document Filing System and must be approved by the NFA before first use*.

The content of a CPO Disclosure Document is governed by CFTC Rules 4.24 and 4.25, which require, among other things:

- Standardized, prominently displayed cautionary statements and risk disclosure statements, which may vary depending on the types of commodity interests traded by the commodity pool
- A table of contents
- A description of the CPO and its principals and their business backgrounds
- Descriptions of the CPO's trading manager, futures commission merchant (FCM), introducing broker (IB), FX counterparties, and CTA(s), and their business backgrounds
- The percentage allocation of commodity pool assets invested in any major investee pool
- The principal risk factors of investing in the commodity pool
- A description of the fees and expenses incurred by the commodity pool
- A break-even analysis
- A description of any conflicts of interest, including conflicts of interest involving the CPO, the CPO's trading manager, any major CTA, the CPO of any major investee pool or any principal of the foregoing, as well as any other person providing services to the commodity pool or soliciting participants for the commodity pool or acting as a counterparty to the commodity pool's retail FX transactions
- A description of any related party transactions

- A description of any material litigation occurring within the past 5 years
- A description of any restrictions on the transferability of a participant's interest in the commodity pool and the frequency, timing an manner of redemptions
- Disclosure regarding trading for the account of the commodity pool's CPO, trading manager, CTAs, or principals of those firms
- Performance disclosures (governed by CFTC Rule 4.25)
- Disclosure, if applicable, to "principal-protected pools"
- Disclosure regarding any restrictions on the transferability of commodity pool interests
- Discussion of the potential liability of commodity pool participants
- Discussion of the distribution of profits and taxation
- Disclosure of the minimum and maximum aggregate subscription levels
- Information regarding beneficial ownership of commodity pool interests by interested persons (i.e. the CPO, the trading manager, CTA, etc.)
- Other material information

For a more detailed discussion of the Disclosure Document content requirements, filing, and review process, please refer to the NFA's guide on disclosure documents for CPOs and CTAs, which is available at http://www.nfa.futures.org/nfa-compliance/publication-library/disclosure-document-guide.pdf.

4. Financial Requirements

***Recordkeeping Requirements*:**

CFTC Rule 4.23 requires registered CPOs, with respect to the commodity pool, to maintain:

- Itemized daily records of the commodity pool's commodity interest transactions
- Original journal entries or equivalent records showing all receipts and disbursements
- Acknowledgements from commodity pool investors of receipt of disclosure documents
- A subsidiary ledger or equivalent record for each commodity pool investor containing identifying information and other information concerning securities and other property that the commodity pool received from or distributed to the investor
- Adjusting entries and any other equivalent records forming the basis of entries in any ledger

- A general ledger or equivalent record detailing all asset, liability, capital, income, and expense accounts

- Trade confirmations, purchase and sale statements, and monthly statements received from futures brokers and retail foreign exchange dealers

- Cancelled checks, bank statements, journals, ledgers, invoices, computer generated records, and all other records, data, and memoranda prepared or received in connection with operating the commodity pool

- Originals or copies of written reports, communications, and advertising distributed to existing or prospective investors, as well as any such materials the CPO received from any CTA

- Manually signed copies of Account Statements and Annual Reports, and records of the key financial balances submitted to the NFA for each Annual Report.

CFTC Rule 4.23 also requires registered CPOs, with respect to the CPO itself, to maintain:

- Itemized daily records of each commodity interest transaction by the CPO and its principals, as well as confirmations, purchase and sale statements, and monthly statements furnished by futures brokers and retail foreign exchange dealers to the CPO or to its principals.

- Books and records and transactions in all other activities in which the CPO engages (i.e. cancelled checks, bank statements, journals, ledgers, invoices, etc.)

Recordkeeping Procedures: CFTC Rule 1.31 generally requires CPOs to keep required books and records for a period of at least five years from the date such records were made, and to keep them readily accessible during the first two years of the five-year period. All such books and records must be open to inspection by any representative of the CFTC or the Department of Justice, and, with the exception of books and records relating to particular investors or to the business of the CPO itself, must be made available to pool investors for inspection and copying during normal business hours at the main business office of the CPO. Upon the request of a pool investor, a CPO must also send copies of records to the investor by mail, within five business days, if reasonable reproduction and distribution costs are paid by the investor.

***Financial Statements*:**

CPOs are also required to prepare the following periodic financial statements:

1. A Statement of Financial Condition summarizing all asset, liability and partnership equity accounts contained the general ledger

2. A Statement of Income (Loss) summarizing the income and expense accounts contained in the general ledger, which must separately itemize the following information:

   -The total (gross) amount of realized gain or loss on commodity positions which were liquidated during the period

-The change in unrealized net gain or loss on commodity positions during the period, which can be computed from the Broker Balance – Open Trade Equity Account

-The total amount of net gain or loss from all other transactions in which the commodity poo engaged during the period, including interest and dividends earned or accrued

-Separate totals for all management fees, advisory fees, brokerage fees, and any other fees (in connection with commodity or investment transactions) during the period

-The total of all other expenses incurred or accrued by the commodity pool during the period, such as legal or accounting expenses

3. A Statement of Changes in Net Asset Value summarizing the change in the commodity pool's Net Asset Value (NAV) for the reporting period, which must separately itemize the following information:

-The NAV of the commodity pool as of the beginning of the reporting period

-Total additions to the commodity pool during the reporting period

-Total withdrawals and redemptions during the reporting period

-Total net income or loss of the commodity pool during the reporting period

-The NAV of the commodity pool as of the end of the reporting period

-Either (a) the NAV per outstanding participation unit as of the end of the participant's interest or (b) the share in the commodity pool as of the end of the reporting period

If a commodity pool has net assets of more than $500,000 at the start of its fiscal year, the required statements must be prepared *monthly*. If the net assets of the commodity pool at the start of its fiscal year are $500,000 or less, the statements are required to be prepared at least *quarterly*. In both cases, however, the statements must be prepared within 30 days of the end of the month or quarter, whichever is applicable.

5. CPO Reporting Requirements

Reporting Requirements to Commodity Pool Participants:

CFTC Rule 4.22 requires a registered CPO to prepare and distribute to commodity pool participants an Account Statement and an Annual Report.

1. ***Account Statements***

Each CPO Member must distribute account statements to commodity pool participants at least monthly within 30 days of the end of each month for commodity pools with a net asset value of more than $500,000. For commodity pools with a net asset value of less than $500,000, or exempt commodity pools under CFTC Regulation 4.7, the CPO must distribute account statements to participants at least on a quarterly basis within 30 days of the end of each quarter. However, a CPO is not required to distribute an account statement for the final reporting period of a fiscal year if participants receive an Annual Report within 45 days of the end of the fiscal year, which must include the Statements of Income (Loss) and Changes in Net Asset Value.

- A CPO must disclose any material business dealings, between the commodity pool, the commodity pool's operator, CTA, FCM, IB or the principals thereof, if the firm has not previously disclosed the information in the commodity pool's Disclosure Document, amendments, prior Account Statements or Annual Reports.

- Each Account Statement must be accompanied by a signed oath or affirmation that states to the best of the knowledge and belief of the individual making the oath or affirmation that the information contained in the document is accurate and complete.

2. ***Annual Reports***

CPO Members must file with the NFA, and distribute to each commodity pool participant, an Annual Report certified by an independent certified public accountant. CPOs may electronically file the Annual Report with the NFA via EasyFile, a Web-based system available at the NFA's website, www.nfa.futures.org. Annual Reports must be distributed to commodity pool participants within 90 days of the commodity pool's fiscal year-end. Generally, Annual Reports must be prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"), and must include the following:

- The NAV of the commodity pool for the two preceding fiscal years

- The NAV per outstanding participation unit in the commodity pool as of the end of each of the commodity pool's two preceding fiscal years, or the total value of the participant's interest or share in the commodity pool as of the end of the commodity pool's two preceding fiscal years

- A Statement of Financial Condition (balance sheet) as of the end of the commodity pool's fiscal year and the preceding fiscal year

- The Statement of Income (Loss), Statement of Changes in Financial Condition, and Statement of Changes in Net Asset Value. These statements must be included for the period starting with (a) the date of the last such statement filed with the CFTC and NFA or (b) the date of the formation of the commodity pool, whichever is more recent, and ending with the commodity pool's fiscal year end. The statements must also be included for the preceding fiscal year.

- Appropriate footnote disclosures and any additional material information as may be necessary to make the required statements not misleading

- The same signed oath or affirmation required for Account Statements

The Annual Report must be certified by an independent certified public accountant and must include the auditor's opinion with respect to the financial statements and schedules and with respect to the consistency of application of accounting principles.

Auditor's Report: the auditor's report must identify the financial statements audited in an introductory paragraph, describe the nature of an audit in a scope paragraph, and express the auditor's opinion in a separate opinion paragraph. The auditor's report should contain the following basic information:

-A title that includes the word "independent"

-A statement that the financial statements identified in the report were audited

-A statement that the financial statements are the responsibility of the commodity pool operator and that the auditor's responsibility is to express an opinion on the financial statements based on his audit

-A statement that the audit was conducted in accordance with generally accepted auditing standards

-A statement that generally accepted auditing standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements

-A statement that an audit includes:

(a) Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;

(b) Assessing the accounting principles used and significant estimates made by management; and

(c) Evaluating the overall financial statement presentation

-A statement that the auditor believes that his audit provides a reasonable basis for his opinion

-An opinion as to whether the financial statements present fairly, in all material respects, the financial position of the commodity pool as of the balance sheet date and the results of its operation for the periods then ended in conformity with generally accepted accounting principles

-The manual or printed signature of the auditor's firm

-The date of the audit report

Reporting Requirements to the CFTC and NFA

CFTC Rule 4.27 requires each CPO Member to report on at least a quarterly basis with the CFTC and NFA specific information about the firm and the commodity pools that it operates on Form CPO-PQR and Form NFA-PQR. Form CPO-PQR mirrors the reporting that SEC-registered investment advisers must make on Form PF with respect to their private fund clients. Form CPO-PQR is divided into three Schedules (A, B, and C), and the filing requirements for the Form depend on the size of the CPO and the commodity pools it operates. Form NFA-PQR is also required for certain CPOs, however this Form has been incorporated into the CFTC's Form in order to eliminate separate filings for the CFTC and NFA. Specifically, Form NFA-PQR consists of certain questions from Schedule A of Form CPO-PQR, as well as question B.6 of Schedule B (the "Pool Schedule of Investments").

Below are two tables: the first table summarizes the information required on each Schedule of Form CPO-PQR, and the second table summarizes the filing requirements for CPOs regarding Form CPO-PQR and Form NFA-PQR.

Table 1: Form CPO-PQR Information

Schedule	Which CPOs?	Required Information
A – Part 1	All CPOs	• Identifying information about each CPO, including the CPO's name, NFA ID#, contact information, Chief Compliance Officer, number of employees, number of equity holders, number of pools; and • Assets under management and net assets under management
A – Part 2	CPOs must complete and file a separate Part 2 for each non-exempt pool they operated any time during the reporting period	For each pool: • General identifying information; • Third party administrators; • Brokers; • Trading managers; • Custodians; • Auditor; • Marketers; • Statement of changes concerning assets under management, including the pool's net income, and any additions or redemptions to the pool; • Monthly and annual performance information; and • Subscription and redemption information
B	CPOs with at least $150M in aggregated pool assets under management as of the close of business on any day during the calendar year	For each mid-sized and large CPO: • Pool information including strategies, investment techniques, and beneficial owners; • Borrowings by type of creditor; • Top five counterparties to which the pool has the greatest net counterparty credit exposure both to and from the counterparty; • Trading and clearing practices; • Value of the pool's derivative positions; • Detailed Schedule of Investments by type; and • Assumptions as applicable to Schedule B
C – Part 1	CPOs with at least $1.5B in pool assets under management as of the close of business on any day during any of the specified calendar quarters	Aggregate information for the commodity pools, including: • List of investments by geography; and • Portfolio turnover
C – Part 2	CPOs must complete and file a separate Part 2 for each non-exempt	For each large pool: • Unencumbered cash and open positions of the pool; • Portfolio liquidity;

	pool they operated that had greater than $500M in net asset value at the close of business on any day during the reporting period	• For each of the top five counterparties identified in Schedule B, information regarding collateral and credit support; • Certain risk metrics; • Collateral practices with significant counterparties; • Financing information, including breakdown of secured and unsecured borrowing, derivatives exposures, and value of collateral and letters of credit supporting both; • Breakdown of the pool's committed financing and duration thereof; • Investor liquidity, including side pocket, gating arrangements, and lock-ups; • Long and short values of the pool's assets by type; and • Assumptions as applicable to Schedule C

Table 2: Filing Requirements for Both Form CPO-PQR and Form NFA-PQR

CPO	**Form CPO-PQR**		**Form NFA-PQR**	
	Schedules	**Frequency**	**Schedules**	**Frequency**
Small CPOs: less than $150M in pool assets under management	A (and Pool Schedule of Investments as required by Form NFA-PQR)	Annually, within 90 days of the end of the calendar year	A and Pool Schedule of Investments (Question B.6 of Form CPO-PQR)	Quarterly, within 60 days of quarters ending in March, June, and September
Mid-sized CPOs: at least $150M in aggregated pool assets under management as of the close of business on any day during the calendar year	A, B	Annually, within 90 days of the end of the calendar year	A and Pool Schedule of Investments (Question B.6 of Form CPO-PQR)	Quarterly, within 60 days of quarters ending in March, June, and September
Large CPOs: CPOs with $1.5B in aggregated pool assets under management as of the close of business on any day during any of the specified calendar quarters	A, B, C	Quarterly, within 60 days of quarter-end	N/A: Form CPO-PQR filing satisfies the NFA filing requirement	N/A: Form CPO-PQR filing satisfies the NFA filing requirement

***Note that Form PF Filers (SEC registered investment advisers) only need to complete Schedule A of Form CPO-PQR, but must also report a Pool Schedule of Investments quarterly, as required by Form NFA-PQR.

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6. Supervisory and Compliance Obligations

General Supervisory Obligations

NFA Compliance Rule 2-9 requires all NFA members to diligently supervise its employees and agents in the conduct of their commodity futures activities for or on behalf of the Member. Pursuant to this Rule, a CPO must establish and implement written supervisory policies and procedures (copies of which must be maintained at its main office and each of its branch offices) with respect to various aspects of its day-to-day operations, including:

- Screening and hiring of employees (especially to check if the prospective employee or his previous employers have been subject to any futures-related disciplinary proceeding)s;
- Monitoring employee email and the member's website (if any);
- Obtaining and maintaining the appropriate account documentation for new investors and ensuring such investors received the appropriate risk disclosure;
- Handling and recordkeeping of investor complaints;
- Training personnel with respect to their duties on behalf of the member and compliance with applicable CFTC and NFA rules; and
- Monitoring each branch office's compliance with the CPO's policies and procedures, and with applicable CFTC and NFA rules (including annual on-site visits to assess those officers' compliance)

    Branch Office Supervision: CPOs must have an adequate program for supervising branch offices, and must establish written procedures for performing day-to-day monitoring and surveillance activities, conducting annual on-site visits, and conducting ongoing training for firm personnel. Written procedures for the on-site examination should include steps to review the following areas:

    -Customer account files

    -Customer order procedures

    -Discretionary accounts

    -Sales practices

    -Customer complaints

    -Handling of customer funds

    -Proprietary trading

As part of the CPO's duty to establish and implement written supervisory policies and procedures regarding its day-to-day operations, the CPO should also maintain a CPO compliance manual that addresses procedures for complying with other CFTC/NFA requirements, particularly the disclosure, reporting, and recordkeeping requirements discussed above. The compliance manual should additionally address certain key compliance topics such as the firm's privacy policy, ethics training, disaster recovery planning, and annual compliance reviews. A discussion of these individual compliance topics follows below.

Privacy Policy

CFTC Regulation 160 requires CPOs to provide notice to customers about its privacy policies and practices. The CFTC's regulations generally restrict a CPO's right to disclose non-public personal information about investors. CPOs must have written policies and procedures that describe their administrative, technical, and physical safeguards for protecting investor records and information. The procedures must be reasonably designed to (1) keep investor records and information secure and confidential, (2) protect against any anticipated hazards to the security or integrity of those records, and (3) protect against unauthorized access to or use of the records or information. *CPOs must provide an investor with a privacy notice when the investor first establishes a relationship with the CPO, and annually after that.* The privacy notice must identify the categories of nonpublic personal information the CPO collects and describe the CPO's policies and procedures for protecting that information.

CPOs should also have policies and procedures addressing when it will disclose nonpublic personal information to unaffiliated third parties and how it will notify investors about its disclosure policies.

- If the CPO discloses nonpublic personal information to nonaffiliated third parties for other reasons, the notice must inform the investor that the CPO discloses or reserves the right to disclose nonpublic personal information to nonaffiliated third parties and that the investor has the right to opt out of that disclosure. The notice must identify the categories of nonpublic personal information that the CPO discloses and the categories of affiliates and non-affiliates to whom the CPO discloses the information. The notice must also inform investors that they may opt out of the disclosure and must provide a reasonable means for investors to exercise their opt-out rights.
- CPOs must provide amended privacy and opt-out notices before disclosing information to unaffiliated third parties if either the information or the third party does not fall within a category already identified in the privacy notice.
- All privacy and opt-out notices should be in writing, and may be delivered electronically if the investor agrees.

The NFA has a Privacy Policy Questionnaire (available at https://www.nfa.futures.org/NFA-compliance/publication-library/self-exam-questionnaire-appendix-d.pdf) that provides guidance for assessing a CPO's privacy policy. Specifically, a CPO's privacy policy should answer all of the following questions as completely as possible:

1. Does the CPO solicit, accept, or have any clients or customers who are individuals and who use the CPO's products or services primarily for personal, family, or household purposes? (Note: if the answer to this question is "no," then the CPO is not even required to have a privacy policy)

2. What types of nonpublic personal information does the CPO collect from clients or customers? Note that nonpublic personal information includes account numbers, trading history, account balances, social security numbers and all financial information obtained from the customer. It also includes names and addresses when that information is included in a list derived in whole or in part from nonpublic personal information, such as a list of the CPO's customers.

3. What does the CPO do administratively, technically, and physically to maintain the confidentiality and security of customer information? Specifically:

-How does the CPO safeguard paper documents?

-How does the CPO safeguard electronic information?

-Who has access to nonpublic personal information?

-How does the firm protect against unauthorized access, disclosure or use of the information?

4. Does the CPO disclose information to nonaffiliated third parties? If so, what categories of nonaffiliated third parties does the CPO disclose customer information to? For each category, what information does the CPO disclose and under what circumstances does the CPO disclose it?

5. What types of information are included in the CPO's written privacy notice?

6. When does the CPO provide new customers with the CPO's privacy policy? How often does the CPO provide its privacy policy to existing customers?

7. Under what circumstances does the CPO provide its privacy policy to consumers who do not become customers?

8. How does the CPO distribute its privacy policy to customers (i.e. electronically or mailed or included with account statements)?

9. Does the CPO give customers an opt-out notice? Note that this is not required if the CPO does not share nonpublic personal information with nonaffiliated third parties.

10. When does the CPO provide customers with amended privacy and opt-out notices?

Ethics Training

The CFTC's Statement of Acceptable Practices requires that all associated persons and individuals registered as a CPO receive ethics training to ensure they understand their responsibilities to the public, including responsibilities to observe just and equitable principles of trade, rules or regulations of the CFTC, rules of any appropriate contract market, registered futures association, or other self-regulatory organization, or any other applicable federal or state law, rule or regulation.

All CPOs should implement written procedures that outline their ethics training programs. Acceptable procedures will cover the topics that will be included in the training program; who will provide the training; the format of the training; how often the firm expects its employees to obtain ethics training; and how the firm will document that it has followed its written procedures. Topics to be addressed in training should include:

- An explanation of the applicable laws and regulations, and the rules of self-regulatory organizations or contract markets and registered derivatives transaction execution facilities;
- The registrant's obligation to the public to observe just and equitable principles of trade;
- How to act honestly and fairly and with due skill, care, and diligence in the best interests of customers and the integrity of the market;

- How to establish effective supervisory systems and internal controls;
- Obtaining and assessing the financial situation and investment experience of customers;
- Disclosure of material information to customers; and
- Avoidance, proper disclosure, and handling of conflicts of interest

The NFA has an Ethics Training Policy Questionnaire (available at http://www.nfa.futures.org/nfa-compliance/publication-library/self-exam-questionnaire-appendix-c.pdf) that provides guidance for assessing a CPO's ethics training policy. Specifically, a CPO's ethics training policy should answer all of the following questions as completely as possible:

- Who conducts the ethics training? If the CPO conducts training in-house, who are the training personnel (by name or title)? If the CPO utilizes an outside provider, what is the provider's name?
- What are the training personnel's or provider's qualifications? What proof does the CPO maintain that the training personnel or provider are qualified to conduct ethics training?
- What type of medium (i.e. Internet, audiotapes, computer software, video tapes, in-person courses) does the CPO utilize for the ethics training course?
- How frequently are employees required to complete the training? Specifically, how soon and how often are new registrants required to complete ethics training? How often are other registrants required to complete ethics training?
- How long is the ethics training program for new registrants? For existing registrants?
- List the topics the ethics training program addresses.
- What type of written materials are distributed during training? How does the CPO ensure that it maintains copies of those materials?
- What type of documentation or records does the CPO maintain as proof that its employees have completed the ethics training?
- How often does management review the CPO's ethics training policy?

Business Continuity and Disaster Recovery Planning

NFA Compliance Rule 2-38 requires each CPO to adopt a business continuity and disaster recovery plan reasonably designed to enable it to continue operating, to reestablish operations or to transfer its business to other NFA Members with minimal disruption. A CPO's plan should cover all areas that are essential to its business operations and should be tailored to its individual needs. At a minimum, the CPO's plan should address the following, as applicable:

- Establishing back-up facilities, systems and personnel that are located in one or more reasonably separate geographic areas from the CPO's primary facilities, systems and personnel (i.e. primary and back-up facilities should be located in different power grids and different telecommunication vendors should be used), which may include arrangements for the temporary use of facilities, systems and personnel provided by third parties;

- Backing up or copying essential documents and data (i.e. general ledger) on a periodic basis and storing the information off-site in either hard-copy or electronic format;
- Considering the impact of business interruptions encountered by third parties and identifying ways to minimize that impact; and
- Developing a communication plan to contact essential parties such as employees, customers, carrying brokers, vendors and disaster recovery specialists.

The CPO must update its plan as necessary to respond to material operational changes, and must also periodically conduct reasonable reviews designed to assess the plan's effectiveness. CPOs should distribute and explain the plan to its key employees in addition to ensuring that all employees are aware of the plan's essential components. The CPO should maintain copies of the plan at one or more off-site locations readily accessible to key employees.

The NFA has a Business Continuity & Disaster Recovery Plan Questionnaire (available at https://www.nfa.futures.org/NFA-compliance/publication-library/regulatory-requirements-appendix-c.pdf) that provides guidance for assessing a CPO's business continuity and disaster recovery plan. Specifically, a CPO's business continuity and disaster recovery plan should answer all of the following questions, if applicable, as completely as possible:

- Where are the CPO's backup facilities (including systems and personnel) located? Are the backup facilities located in separate geographical areas from the primary facility? Are the backup facilities on a different power grid than the primary facility? Do they utilize a different telecommunication vendor?
- What are the CPO's procedures for backing up or copying essential documents and data? How often is this done?
- Does the CPO store the information in hard copy? In electronic format? Here is the backup information stored?
- What staff competencies or duties are critical to continuing the CPO's operations? How has the CPO duplicated these competencies in order to minimize the effect on the CPO's operations if it loses primary staff?
- What specific steps will the CPO take to minimize the impact of business interruptions encountered by the following third parties:

  -Banks?
  -Carrying brokers?
  -Order routers?
  -Data providers?
  -Other third parties that are critical to continuing the CPO's operation?

- Describe the CPO's disaster-related communication plan. Specifically, how will the CPO contact each of the following essential parties:

  -Employees?
  -Customers?
  -Carrying brokers?

-Vendors?
-Other third parties that are essential to continuing the CPO's operation?

- How often does management review the plan for needed updates? What evidence does the CPO maintain as proof that a review was completed?
- How often is the plan tested for effectiveness? Describe the testing process, including whether the CPO plans to participate in any industry-wide disaster recovery testing. What evidence does the CPO maintain as proof that a test was completed?
- Where does the CPO maintain copies of the plan? Is the plan kept at one or more off-site locations that are readily accessible to key employees?
- List the key employees that have received the plan. Has the plan been explained to these employees? What essential components have been discussed with all other employees? How often will the plan be communicated or distributed to employees?
- What procedures are in place to ensure that any updated plan is distributed to key employees and that all other employees are notified of changes to essential components?
- Has the CPO provided the NFA with emergency contact information for one or more individuals who the NFA can contact in the event of an emergency?
- The preceding 12 components are the minimum areas that the plan should address. Please include additional information on any other areas that are essential to the CPO's operations.

Annual Compliance Self-Examination

In order to satisfy their continuing supervisory responsibilities under NFA Compliance Rule 2-9, CPOs are required to review their operations each year using the NFA's Self-Examination Questionnaire, which includes a general questionnaire that must be completed by all Members as well as five supplemental questionnaires that must be completed as applicable. The questionnaires are designed to aid Members in recognizing potential problem areas and to alert them to procedures that need to be revised or strengthened. The questionnaires focus on the Member's regulatory responsibilities and solicit information regarding whether the Member's internal procedures are adequate for meeting those responsibilities. The entire Self-Examination Questionnaire including all supplements may be found at http://www.nfa.futures.org/NFA-compliance/publication-library/self-exam-questionnaire.pdf.

After reviewing the annual questionnaires, an appropriate supervisory person must sign and date a written attestation stating that they have reviewed the Member's operations in light of the matters covered by the questionnaire. A separate attestation must be made for each branch office, and if the branch office reviews its own operations then the main office must receive a copy of the questionnaire's signed attestation. *These attestations should not be forwarded to the NFA but should instead be retained by the Member*. Signed attestations should be available for the most recent two years and retained for the most recent five years.

NFA Audits

As a means of monitoring and assuring compliance, the NFA conducts periodic on-site audits for all NFA Members. The NFA generally notifies a Member of an upcoming audit by telephone shortly before the audit is scheduled to begin. NFA audits have two major objectives:

- To determine whether the firm is maintaining records in accordance with NFA rules and applicable CFTC regulations, and
- To ensure that the firm is being operated in a professional manner and that customers are protected against unscrupulous activities and fraudulent or high-pressure sales practices.

At the outset of an audit, a member of the audit team will explain the purpose and scope of the audit and will indicate what books, statements and other information will be reviewed. During the course of the audit, additional records or documentation will be requested. Audit teams will review the Member's sales materials and practices, accounting procedures and financial records, and, if appropriate, disclosure documents, performance representations and trading records. The NFA will observe the Member's operations and conduct interviews with Member personnel. A preliminary list of records needed for the audit is provided at the announcement of the audit. The auditor will conduct a pre-audit interview with an individual of the firm that is knowledgeable of the firm's current operations. The interview will consist of a series of questions regarding the firm's business, including the type of customers the firm has, the solicitation methods used, the types of promotional materials used, etc.

After the audit has been completed, but before departing, the auditors generally meet with the Member in what is called an exit interview. The purpose of the exit interview is to discuss the findings of the audit, with emphasis on any deficiencies which were noted and ways in which they can be corrected. The audit team will also obtain representations from appropriate firm personnel on how the firm will correct the deficiencies. Upon completion of the fieldwork, the auditors will prepare an Audit Report. If the auditors find that the Member's books, records and other documents were without material deficiencies, the Audit Report will simply state that the audit has been completed and no material deficiencies were noted. If there were deficiencies, the Audit Report will note them. A written response to the Audit Report may be required.

Doing Business with Non-Members

NFA Bylaw 1101 prohibits Members from conducting customer business with non-Members unless such non-Member is notice-registered with the CFTC as an FCM or IB, and the account, order or transaction involves only security futures products.

There are certain minimal steps a Member should take to reduce the possibility of violating NFA Bylaw 1101, including:

1. Each Member should review the list of CFTC registrants with which it does business to determine if they are NFA Members. This review can be done through BASIC (Background Affiliation Status Information Center), which is accessible through NFA's website. BASIC contains CFTC registration and NFA membership information, as well as futures-related regulatory and non-regulatory actions contributed by the NFA, the CFTC and the U.S. futures exchanges.

2. Each Member should review its list of customers and, if there is any indication that a customer may be engaged in the futures business, the Member should inquire as to its registration and membership status.

3. If any customer is operating a commodity pool but claims to be exempt from registration as a CPO, the Member should verify that the customer has made the required filings with the CFTC and the NFA.

4. Members should monitor deposits to customer accounts to ensure they are received from customers and not third parties.

5. If a foreign broker with whom the Member does business solicits U.S. customers for transactions on U.S. exchanges, the Member should ensure the foreign broker is an NFA Member.

Restrictions on Advertising and Promotional Materials

The two primary rules governing CPO advertising and promotional materials are CFTC Rule 4.41 and NFA Compliance Rule 2-29.

1. **CFTC Rule 4.41**: CFTC Rule 4.41 broadly prohibits CPOs from advertising in any manner that (i) employs any device, scheme, or artifice to defraud any pool investor or prospective pool investor, or (ii) involves any transaction, practice, or course of business that operates as a fraud or deceit upon any pool investor or prospective pool investor. For these purposes, an advertisement generally includes any publication, distribution or broadcast of any report, letter, circular, memorandum, publication, writing, advertisement, or other literature or advice, whether by electronic media or otherwise.

Testimonials: Rule 4.41 also specifically prohibits the use of any "testimonial" (any third party statement that could be viewed as endorsing a CPO) in an advertisement unless the advertisement or material providing the testimonial prominently discloses:

- That the testimonial may not be representative of the experience of other investors;
- That the testimonial is no guarantee of future performance or success; and
- If more than a nominal sum is paid for the testimonial, the fact that it is a paid testimonial

Hypothetical Performance: Rule 4.41 also specifically prohibits a CPO from using any presentation of hypothetical performance for a commodity pool unless the presentation includes a standardized cautionary statement prescribed by Rule 4.41 or NFA Compliance Rule 2-29. This statement must be prominently disclosed and in "immediate proximity to" (i.e. the same page as) the presentation of performance. For these purposes, performance generally will be regarded as "hypothetical" if any trading activity factored into the performance figure has not in fact occurred. Performance will also be regarded as hypothetical if the performance results portray the composite performance that could have been achieved if assets of the pool had been, but in fact were not, allocated to multiple different trading programs during the performance period.

2. **NFA Compliance Rule 2-29**: Rule 2-29 generally prohibits an NFA Member from engaging in any communication that:

- Operates as a fraud or deceit;
- Employs or is part of a high-pressure approach; or
- Makes any statement that commodity interest trading is appropriate for all persons.

These standards apply both to a member's use of promotional materials and any other communications with the public.

Rule 2-29 also prohibits Members from using any promotional material that:

- Is likely to deceive the public;
- Contains any material misstatement of fact or contains any statement that the member knows omits a fact, the omission of which renders the promotional material misleading;
- Mentions the possibility of profit unless accompanied by an equally prominent statement of the risk of loss;
- Includes any reference to actual past trading profits without mentioning that past results are not necessarily indicative of future results;
- Includes any statement of opinion, unless the opinion is clearly identifiable as such and has a reasonable basis in fact; or
- Includes any specific numerical or statistical information about the past performance of any actual accounts (including rate of return) unless:

  -Such information is, and can be demonstrated to the NFA to be, representative of the actual performance for the same time period of all reasonably comparable accounts; and

  -In the case of rate of return figures, such figures are calculated in a manner consistent with CFTC Rule 4.25(a)(7).

Hypothetical Performance: Rule 2-29 also generally (1) requires Members to include one or more prescribed disclaimers in addition to, or in lieu of, the cautionary statement required by CFTC Rule 4.41, and (2) prohibits Members from using promotional material that makes any reference to hypothetical performance results that could have been achieved had a particular trading system of the Member been employed in the past if the Member has three months of actual trading results for that system. Note that these requirements relating to hypothetical performance do not apply if the Member directs the relevant promotional material solely to persons that are Qualified Eligible Purchasers (QEPs) as defined under CFTC Regulation 4.7.

Compliance and Recordkeeping: Rule 2-29 further requires Members to adopt and enforce written procedures for supervising their employees and associated persons for compliance with the Rule. Among other things, these procedures must require that a designated supervisor review and approve each piece of promotional material prior to the first use of such material. Members are also required to maintain copies of all promotional materials for the periods specified in CFTC Rule 1.31 as measured from the date of the material's last use.

7. Annual Filing Requirements with the NFA

Among other annual obligations, CPOs are required to provide an Annual Registration Update regarding their own registration and the registrations/filings with respect to their associated persons and principals. A registered CPO must also complete an Annual Questionnaire, as well as pay annual NFA membership dues of $750.

CPOs are required to complete the Annual Registration Update and the Annual Questionnaire in the ORS. The NFA typically sends a registered CPO a letter or email reminding the firm of its obligation to complete these steps:

- Complete an Annual Questionnaire

-Once a year NFA Members must complete an Annual Questionnaire on the anniversary of its NFA Membership. The questionnaire provides the NFA with information about the CPO and allows the NFA to better understand the composition of its membership as a whole.

- Complete the electronic Annual Registration Update
- Pay NFA membership dues
- Complete the NFA's Self-Examination Questionnaire
- Submit Annual Pool Financial Statements and Quarterly Reports to the NFA through the NFA's EasyFile System
- Distribute Annual Pool Financial Statements to current participants
- Send the CPO's Privacy Policy to every current participant (in addition to every new participant when the participant invests in a fund)
- Test the CPO's Disaster Recovery Plan and make any necessary adjustments
- Provide ethics training as outlined in the CPO's written Ethics Training Procedures
- File any new exemption notices electronically though the NFA's exemption system
- Update the CPO's questionnaire for any pools that have liquidated

8. CPO Exemptions

Overview of CPO Exemptions

The following is an overview of the exemptions available to CPOs. Some of the exemptions provide entire relief from CPO registration while other exemptions only provide relief to registered CPOs with respect to certain regulatory requirements.

EXEMPTIONS FROM CPO REGISTRATION		
Exemption Type	**Relief Provided**	**Who Qualifies**
4.13(a)(1) (Pool level for *Exempt* CPO)	Exemption provides an entity relief from CPO registration	An entity acting as a Pool Operator
4.13(a)(2) (Pool level for *Exempt* CPO)	Exemption provides an entity relief from CPO registration	An entity acting as a Pool Operator
4.13(a)(3) (Pool level for *Exempt* CPO)	Exemption provides relief from CPO registration in cases where the pool trades a minimal amount of futures	An entity acting as a Pool Operator
4.13(a)(5) (Pool level for *Registered* CPO)	Exemption provides relief from CPO registration to a director and trustee of an ETF pool operated by a *registered* CPO	CPO
4.5 (Pool level for *Exempt* CPO)	This exclusion provides relief from CPO registration on behalf of a qualifying entity, if the entity is already regulated by another regulatory authority	An investment company registered as such under the Investment Company Act of 1940; an insurance company subject to regulation by any

		state; a bank, trust company or any other such financial depository institution subject to US regulation; or a trustee of a named fiduciary or an employer maintaining a pension plan that is subject to ERISA.

EXEMPTIONS THAT PROVIDE RELIEF TO REGISTERED CPOs FROM CERTAIN REGULATORY REQUIREMENTS		
Exemption Type	**Relief Provided**	**Who Qualifies**
4.7 (Pool level for CPO)	Registered CPO is provided relief from certain financial reporting and disclosure document requirements for pools with *all* Qualified Eligible Persons ("QEPs")	CPO
4.7(b)(4) (Pool level for CPOs *of 4.7 pools*)	Registered CPO that operates 4.7 exempt pools is provided relief from maintaining books and records at the main business office	CPO
4.12(b) (Pool level for CPO)	Registered CPO is provided relief from specific requirements if less than 10% of the pool's assets is invested in futures	CPO
4.12(c)(2) (Pool level for CPOs *of ETFs*)	Registered CPO is provided relief from Disclosure Document delivery, and financial statement distribution if the pool is a Commodity Exchange Traded Fund (ETF)	CPO
4.12(c)(3) (Pool level for CPOs *of RICs*)	Registered CPO is provided relief to use substituted compliance if the pool is a Registered Investment Company (RIC)	CPO
CFTC Advisory 18-96 (Pool level for CPO)	Registered CPO is provided relief from reporting and disclosure requirements for foreign pools	U.S. CPOs
4.23(c) (Pool level for CPO)	Registered CPO is provided relief from maintaining books and records at the main business office	CPO

The following is a more detailed overview of the available CPO exemptions set forth above, including the requirements for each exemption and how to file.

CPO Registration Exemptions

1. Exemption 4.13(a)(1) (Pool level for Exempt CPO)

Requirements	How to File	Annual Requirements
Person operates only one Pool at any time; Operator does not advertise, receive compensation, and is not otherwise required to be registered with the CFTC	Exemption is processed through the NFA's Exemption System Provide the following: name, main business telephone, main fax number, and main email	Each person who has filed a notice of exemption from registration under this section must affirm on an annual basis the notice of exemption from registration, withdraw such exemption due to the cessation of activities

	addresses of the person claiming the exemption, and; the name of the Pool for which the exemption is being claimed	requiring registration or exemption therefrom, or withdraw such exemption and apply for registration within 60 days of the calendar year end through NFA's exemption system

2. **Exemption 4.13(a)(2) (Pool level for Exempt CPO)**

Requirements	How to File	Annual Requirements
Total gross capital contributions in all Pools operated or intended to be operated do not in the aggregate exceed $400,000 and none of the Pools operated has more than 15 participants	Exemption is processed through the NFA's Exemption System	Each person who has filed a notice of exemption from registration under this section must affirm on an annual basis the notice of exemption from registration, withdraw such exemption due to the cessation of activities requiring registration or exemption therefrom, or withdraw such exemption and apply for registration within 60 days of the calendar year end through NFA's exemption system
Persons excluded from 15 participants: The Pool's operator, CTA, principals and any of their children, siblings or parents; the spouse of any of these persons; any relative of the Pool operator, CTA, and principals including a relative of a spouse who has the same principal residence	Provide the following: name, main business telephone, main fax number, and main email addresses of the person claiming the exemption, and; the name of the Pool for which the exemption is being claimed	

3. **Exemption 4.13(a)(3) (Pool level for Exempt CPO)**

Requirements	How to File	Annual Requirements
Exemption provides relief from CPO registration in cases where the Pool trades only a minimal amount of futures. Participation is restricted to accredited investors, a trust formed by an accredited investor for the benefit of a family members, knowledgeable employees, or QEPs. Additionally, the Pool must meet one of two tests below	Exemption is processed through the NFA's Exemption System	Each person who has filed a notice of exemption from registration under this section must affirm on an annual basis the notice of exemption from registration, withdraw such exemption due to the cessation of activities requiring registration or exemption therefrom, or withdraw such exemption and apply for registration within 60 days of the calendar year end through NFA's exemption system
Two Tests 1. The aggregate initial margin and premiums relating to futures does not exceed 5% of the liquidation value of the Pool's portfolio 2. The aggregate net notional value of the positions relating to futures does not exceed 100% of the liquidation value of the Pool's portfolio	Provide the following: name, main business telephone, main fax number, and main email addresses of the person claiming the exemption, and; the name of the Pool for which the exemption is being claimed	

4. **Exemption 4.13(a)(5) (Pool level for Pool exempt under 4.12(c))**

<table>
<tr><th>Requirements</th><th>How to File</th><th>Annual Requirements</th></tr>
<tr><td>Provides relief to person acting as a director or trustee with respect to a Pool whose operator is a registered CPO and is eligible for relief under 4.12(c). This exemption is exclusive to ETF Pools</td><td>Exemption is processed through the NFA’s Exemption System</td><td rowspan="4">Each person who has filed a notice of exemption from registration under this section must affirm on an annual basis the notice of exemption from registration, withdraw such exemption due to the cessation of activities requiring registration or exemption therefrom, or withdraw such exemption and apply for registration within 60 days of the calendar year end through NFA's exemption system</td></tr>
<tr><td>The person acts solely to comply with SEC rules and exchange listing requirements that require the Pool to have an audit committee comprised of independent directors or trustees</td><td rowspan="3">Provide the following: name, main business telephone, main fax number, and main email addresses of the person claiming the exemption, and; the name of the Pool for which the exemption is being claimed</td></tr>
<tr><td>The person has no power or authority to manage or control the operators or activities of the Pool</td></tr>
<tr><td>The registered CPO of the Pool is and will be liable for any violation of the CEA or CFTC regulations by the person in connection with the person’s serving as a director or trustee</td></tr>
</table>

5. Exemption 4.5 (Pool level for Exempt CPO)

<table>
<tr><th>Requirements</th><th>How to File</th><th>Annual Requirements</th></tr>
<tr><td>Provides relief from CPO registration to an investment company under the Investment Company Act of 1940; an insurance company subject to state regulations; a bank, trust, or any other such financial depository institution subject to U.S. regulation; or a trustee of a name fiduciary or an employer maintaining a pension plan that is subject to ERISA</td><td>Exemption is processed through the NFA’s Exemption System</td><td rowspan="2">Each person who has filed a notice of exemption from registration under this section must affirm on an annual basis the notice of exemption from registration, withdraw such exemption due to the cessation of activities requiring registration or exemption therefrom, or withdraw such</td></tr>
<tr><td>If the person claiming the exclusion is an Investment Company, the notice of eligibility must also contain representations that such person will operate the qualifying entity as described in Rule 4.5(b)(1) for bona fide hedging purposes</td><td>Provide the following: name of the person filing the notice, the name of the qualifying entity</td></tr>
</table>

Derivatives trading cannot exceed 5% of the liquidation value of the entity's portfolio, or; an alternative net notional test to determine eligibility for exclusion from the definition of a CPO. This test is similar to the test currently in 4.13(a)(3) and permits entities to claim relief if the aggregate net notional values of the entity's commodity interest positions do not exceed 100% of the liquidation of the Pool's portfolio	(fund) that the CPO intends to operate pursuant to the exclusion	exemption and apply for registration within 60 days of the calendar year end through NFA's exemption system
Will not be, and has not been, marketing participation to the public as or in a commodity Pool, or otherwise as or in a vehicle for trading in the commodity futures, commodity options, or swap markets		

<u>Exemptions Providing Relief to Registered CPOs from Certain Regulatory Requirements</u>

1. Exemption 4.7 (Pool level for CPO)

Requirements	How to File	Annual Requirements
Pool participants must meet the definition in CFTC Regulation 4.7 of "qualified eligible person."*** Registered CPOs are provided relief from certain financial, reporting, and disclosure requirements: *Disclosure Relief*: - Exempt from delivering to potential investors disclosure documents pursuant to Rule 4.21 and filing amendments of disclosure documents with the NFA - Exempt from the specific disclosure document requirements pursuant to Rule 4.24 - Exempt from the performance disclosure requirements pursuant to Rule 4.25 *Reporting Relief*: - Exempt from the full reporting requirements to Rule 4.22(a) and (b), but the CPO must provide investors with a quarterly statement within 30 days of the end of the quarter which includes: (i) NAV of the exempt pool, (ii) change in NAV, and (iii) NAV per outstanding interest. Furthermore, CPOs must still file quarterly reports on Form CPO-PQR/NFA-PQR	Exemption is processed through the NFA's Exemption System CPO must select the Pool for which the exemption will be filed.	No Annual Notice required

Annual Report Relief: - Exempt from the annual reporting requirements of Rule 4.22(c) and (d) but the CPO must file and distribute, within 90 days of the end of the year, an annual report for the exempt pool that contains: (i) a statement of financial condition, (ii) statement of income, (iii) footnote disclosures, and (iv) other material information *Recordkeeping Relief*: - Exempt from the full recordkeeping requirements of Rule 4.23 but the CPO must maintain the reports discussed above and all books and records related to the exempt pool in accordance with Rule 1.31		

***The definition of "qualified eligible person" ("QEP") is lengthy, though it includes "qualified purchasers" as defined under the Investment Company Act of 1940. For a helpful overview of the definition of "qualified eligible person," please go to https://www.nfa.futures.org/NFA-compliance/NFA-education-training/NFA-member-workshops/forex-NY-workshop-qualified-eligible-person.pdf.

2. Exemption 4.7(b)(4) (Pool level for CPOs of 4.7 Pools)

Requirements	How to File	Annual Requirements
CPO is provided relief from maintaining books and records of its 4.7 exempt Pools at its main business office. Books and records can be maintained by one or more of the following: the Pool's administrator, distributor or custodian, or a bank or registered broker or dealer.	Exemption is processed through the NFA's Exemption System	No Annual Notice required
Books and records must be made available to a representative of the CFTC for inspection within 48 hours at the main business office or within 72 hours if the books and records are located outside the U.S.	CPO must select the Pools for which the exemption will be filed. If the CPO wishes to claim this exemption on behalf of the firm, it must file a firm level exemption for the CPO under 4.23(c)	
Disclosure of the location of books and records must be made in the Pool's disclosure document	CPO must identify by name each alternative record keeper and provide the main business address and main business telephone number of such person	
	Specify by reference the books and records that will be maintained with each alternative record keeper	
	CPO must file electronically with the NFA a statement from each person who will be keeping the required books and records. The statement must	

	acknowledge that the person will keep and maintain the required books and records for the Pool or CPO and will keep them in accordance with CFTC Regulation 1.31 and will make such books and records available for inspection by a representative of the CFTC, NFA, or the U.S. Department of Justice	

3. Exemption 4.12(b) (Pool level for CPO)

Requirements	How to File	Annual Requirements
Pool offered pursuant to Securities Act of 1933 or related exemption; Pool routinely engages in securities business; Futures trading limited to 10% of the Pool's assets. Registered CPO is provided relief from certain reporting and disclosure requirements	Exemption is processed through the NFA's Exemption System	No Annual Notice required
	CPO must select the Pools for which the exemption will be filed	

4. Exemption 4.12(c)(2) (Pool level for CPOs of ETFs)

Requirements	How to File	Annual Requirements
Pool offered pursuant to Securities Act of 1933; Pool listed for trading on a national securities exchange registered under the Securities Exchange Act of 1934	Exemption is processed through the NFA's Exemption System	No Annual Notice required
Disclosure Document must be readily accessible on an Internet website, the address of which must be provided to clients by the Pool operator, broker, dealer, or selling agent	CPO must select the Pools for which the exemption will be filed	
Account statements must be readily accessible on an Internet website maintained by the CPO within 30 calendar days after the last day of the applicable reporting period. The Disclosure Document must indicate the address of this website		

5. Exemption 4.12(c)(3) (Pool level for CPOs of RICs)

Requirements	How to File	Annual Requirements
Pool registered under the Investment Company Act of 1940	Exemption is processed through the NFA's Exemption System	No Annual Notice required
Account statements must be readily accessible on an Internet website maintained by the CPO within 30 calendar days after the last day of the applicable reporting period. The Disclosure Document must indicate the address of this website	CPO must select the Pools for which the exemption will be filed	

The CPO is exempt from disclosure document requirements under Rules 4.21, 4.24, 4.25, and 4.26 provided that if the offered Pool has less than 3 years of operating history, the document discloses the performance of all accounts and Pools managed by the CPO with substantially similar objectives and strategies to the offered Pool		
Disclosure provided on behalf of the Pool complies with Investment Company Act of 1940, the Securities Act of 1933, and the Securities Exchange Act of 1934		
Exemption from provisions of CFTC Regulation 4.23, which requires books and records to be made available to participants for inspection		

6. Exemption CFTC Advisory 18-96 (Pool level for CPO)

Requirements	How to File	Annual Requirements
Pool is organized offshore and has only non-U.S. participants. Registered U.S. CPO is provided relief from certain reporting and disclosure requirements	Hard copy of the Exemption Notice must be sent to the NFA	No Annual Notice required
	Provide the following: name, business address, business telephone number, and NFA ID# of the CPO claiming the exemption, and; the name of the Pool(s) for which the exemption is being claimed. If Section B is claimed (books and records held offshore), the notice must provide the name, title, full mailing address, telephone number, and relationship to the Pool of the person who will have custody of the Pool's books and records and the location outside the U.S. where those books and records will be kept	

7. Exemption 4.23(c) (Firm level or Pool level for CPO)

Requirements	How to File	Annual Requirements
CPO is provided relief from maintain books and records at its main business office. Books and records can be maintained by one or more of the following: the Pool's administrator, distributor or custodian, or a bank or registered broker or dealer	Exemption is processed through the NFA's Exemption System	No Annual Notice required

Books and records must be made available to a representative of the CFTC for inspection within 48 hours at the main business office or within 72 hours if the books and records are located outside the U.S.	CPO must select the Pools for which the exemption will be filed. If the CPO wishes to claim this exemption on behalf of the firm, it must file a firm level exemption for the CPO	
Disclosure of the location of the books and records must be made in the Pool’s disclosure document	CPO must identify by name each alternative record keeper and provide the main business address and main business telephone number of such person	
	Specify by reference the books and records that will be maintained with each alternative record keeper	
	CPO must file electronically with the NFA a statement from each person who will be keeping the required books and records. The statement must acknowledge that the person will keep and maintain the required books and records for the Pool or CPO and will keep them in accordance with CFTC Regulation 1.31 and will make such books and records available for inspection by a representative of the CFTC or the U.S. Department of Justice	