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CFTC Division of Swap Dealer and Intermediary Oversight Responds to Frequently Asked Questions Regarding Commission Form CPO-PQR

I. Filing Requirements

1. Who is required to complete and file a Form CPO-PQR?

Generally, all commodity pool operators ("CPOs") that operate at least one Pool during a Reporting Period (as defined below) must complete and file a Form CPO-PQR for that Reporting Period. However, an entity registered with the CFTC as a CPO that did not operate a Pool during the Reporting Period, or operated only Pools for which the CPO was not required to be registered with the CFTC as a CPO during a Reporting Period is not required to complete and file a Form CPO-PQR.[1]

For example, a registered CPO that operated only Pools pursuant to the registration exemption contained in Commission Regulation 4.13(a)(3) during the Reporting Period would not be required to complete and file a Form CPO-PQR. Similarly, a registered CPO that did not operate any Pools during the Reporting Period also would not be required to complete and file a Form CPO-PQR.

For purposes of this Form CPO-PQR, a Reporting Period is variable depending on the amount of the CPO's Assets Under Management ("AUM"). The term "Reporting Period" means any of the individual calendar quarters for Large CPOs and the calendar year for Small and Mid-Sized CPOs.

2. If a Pool is operated by two or more CPOs during a Reporting Period, is each CPO required to file a Form CPO-PQR?

Yes. All CPOs that operate at least one Pool for which they must be registered must complete and file a Form CPO-PQR. If two or more CPOs operate a Pool during a Reporting Period ("Co-CPOs"), each Co-CPO is required to file a Form CPO-PQR. However, not every Co-CPO is required to complete all of the Schedules or Parts of the Schedules of the Form CPO-PQR. Specifically, only the Co-CPO with the highest total AUM, aggregated across all Pools operated by the Co-CPOs, is required to fully complete Form CPO-PQR for the Pool. In this instance, the other Co-CPO(s) are required only to complete Part 1 of Schedule A of Form CPO-PQR.

Furthermore, if a Pool is operated by Co-CPOs, one of which also is an Investment Adviser ("IA") registered with the Securities and Exchange Commission ("SEC"), the non-IA CPOs must file the relevant sections of the Form CPO-PQR, consistent with the above description, such that the largest non-IA CPO would be required to fully file Form CPO-PQR even if a Form PF was filed for that Pool by the IA CPO.

[1] *See* CFTC Staff Letter 14-115 (Sept. 8, 2014).

3. Is a CPO that is registered as an Investment Adviser with the SEC and files a Form PF with the SEC permitted to file that Form PF with the CFTC in lieu of a Form CPO-PQR?

Yes, however, the CPO must also file Schedule A of Form CPO-PQR with the Commission. The CFTC has provided for substituted compliance to permit a CPO that is registered with the SEC as an IA and required to file a Form PF, to file that Form PF in lieu of most of Form CPO-PQR. The CPO, however, must file Schedule A of Form CPO-PQR with the CFTC in addition to Form PF. The CPO is not required to file Schedules B and C of Form CPO-PQR with the CFTC.

In addition, a CPO that is a registered IA and files a Form PF and Schedule A of Form CPO-PQR with the CFTC is not excused from filing NFA Form PQR with the National Futures Association ("NFA").

4. Does a CPO that is a registered Investment Adviser with the SEC have any obligations to file a Form CPO-PQR with the CFTC if the CPO takes advantage of substituted compliance by filing Form PF with the SEC?

Yes. All CPOs that operate at least one Pool must complete and file, at a minimum, Schedule A of Form CPO-PQR. As a Form PF filer, a CPO will be deemed to have satisfied its CFTC filing requirements with respect to Form CPO-PQR Schedules B and C only.

5. Does a CPO's Form PF substituted compliance filing impact when the CPO has to file Schedule A of Form CPO-PQR with the CFTC?

Yes. A CPO that is a registered IA with the SEC and files a Form PF in lieu of the Form CPO-PQR is also required to file Schedule A of Form CPO-PQR with the CFTC. The CPO is required to file Schedule A of Form CPO-PQR on a calendar year basis, and within the timeframe prescribed by its filing status in the Form CPO-PQR (i.e., either 60 days after the calendar year end for a Large CPO, or 90 days after the calendar year end for a Mid-Sized CPO). However, a Large CPO that is a registered IA with the SEC and that files a Form PF in lieu of the Form CPO-PQR is only required to file Schedule A of Form CPO-PQR on an annual basis as opposed to a quarterly basis. Furthermore, a CPO that files a Form PF in lieu of the Form CPO-PQR is still obligated under NFA rules to file NFA Form PQR.

II. Reporting Thresholds and Filing Questions

6. Instruction #3 to the Form CPO-PQR. In calculating whether a CPO meets the reporting threshold for Schedules B and/or C of Form CPO-PQR, does a CPO include all Parallel Managed Accounts, or just those that are "dependent" (as in the Form PF approach implemented by the SEC)?

Instruction #3 of the Form CPO-PQR Template provides, in relevant part, that for purposes of determining whether a CPO meets the reporting thresholds for Schedules B and C of Form CPO-PQR, the CPO must: (1) aggregate all Pools that are part of the same Parallel Pool Structures[2], Parallel Managed Accounts[3], and Master Feeder Arrangements[4]; and (2) treat any Pool or Parallel Managed Account operated by the CPO's

[2] Form CPO-PQR defines the term "Parallel Pool Structure" as any structure in which one or more Pools pursues substantially the same investment objective and strategy and invests side-by-side in substantially the same assets.

[3] Form CPO-PQR defines the term "Parallel Managed Account" as any managed account or other pool of assets that the CPO operates and that pursues substantially the same investment objectives and strategy and invests side-by-side in substantially the same assets as the identified Pool.

[4] Form CPO-PQR defines the term "Master-Feeder Arrangement" as an arrangement in which one or more funds ("Feeder Funds") invest all or substantially all of their assets in a single fund ("Master Fund"), or a fund that issues multiple classes or series of shares or interests and each class (or series) invests substantially all of its assets (or other interests in) a single underlying "Master Fund."

Affiliated Entities[5] as though it was operated by the CPO. The question has been raised as to whether a CPO must include all Parallel Managed Accounts or just the Parallel Managed Accounts that are "dependent" (as defined in the Form PF approach).[6]

A CPO should include all Parallel Managed Accounts when calculating whether it meets a reporting threshold. Form CPO-PQR does not limit Parallel Managed Accounts to "dependent" Parallel Managed Accounts as implemented in Form PF. As such, all references to Parallel Managed Accounts should be read without such limitation.

7. Instruction #3 to Form CPO-PQR. Should investments in Parallel Managed Accounts be aggregated with the Pools they relate to for purposes of completing questions on Form CPO-PQR?

Yes. For reporting purposes, Parallel Managed Accounts should be aggregated with the Pool with the largest AUM to which the Parallel Managed Accounts relate.

A CPO that is reporting on a Pool which is part of a Master-Feeder Arrangement should report on such Pool in accordance with the fund-of-funds requirements contained Instruction #4 to Form CPO-PQR.

8. Instruction # 3 to Form CPO-PQR. Does a CPO have the option of aggregating Parallel Pool Structures for reporting purposes or do the Pools need to be reported separately?

The Pools in a Parallel Pool Structure must be reported separately. Form CPO-PQR Instruction #3 states that a CPO should aggregate Parallel Pool Structures only for purposes of determining its reporting threshold.

9. If a CPO operates U.S.-domiciled and foreign-domiciled Pools, what accounting standard is it required to use in completing Form CPO-PQR?

All CPOs are required to use U.S. generally accepted accounting principles in completing Form CPO-PQR.

10. Instructions #3 and #5 to Form CPO-PQR. Will CFTC staff provide definitions for the terms "Parallel Pool" and "dependent parallel managed account?"

A "Parallel Pool" must be read consistent with the definition of "Parallel Pool Structure," which has been defined in the instructions to the Form CPO-PQR as "any structure in which one or more Pools pursue substantially the same objective and strategy and invest side by side in substantially the same assets as another Pool."

The term "dependent parallel managed accounts" is not a term that has been defined in the Form CPO-PQR. As such, any reference to a "dependent parallel managed account" in the instructions should be read to mean "parallel managed account."

[5] Form CPO-PQR defines the term "Affiliated Entity" as any entity that directly or indirectly controls, is controlled by, or is under common control with another entity.

[6] Form PF defines the term "Dependent Parallel Managed Account" as, with respect to any private fund, any related parallel managed account other than a parallel managed account that individually (or together with other parallel managed accounts that pursue substantially the same investment objective and strategy and invest side by side in substantially the same positions) has a gross asset value greater than the gross asset value of such private fund (or, if such private fund is a parallel fund, the gross asset value of the parallel fund structure of which it is a part).

11. If a CPO operates Pools for which it is exempt from registration under CFTC Regulation 4.13(a)(3), are such Pools required to be included in the Form CPO-PQR or NFA Form PQR?

A CPO must exclude any Regulation 4.13(a)(3) exempt Pools that it operates from the reporting on Schedules A, B, and C of Form CPO-PQR.

NFA, however, requires a CPO to report on all of the Pools it operates on the NFA Form PQR, including excluded and exempt Pools operated pursuant to CFTC Regulations 4.5 and 4.13(a)(3). See Step 8, Box 030 of NFA Form PQR.

12. Is a registered CPO that operates offshore Pools that are exempt pursuant to CFTC Advisory 18-96 required to file a Form CPO-PQR for those Pools?

Yes. A registered CPO is required to file a Form CPO-PQR for Pools that are exempt from certain Part 4 requirements pursuant to CFTC Advisory 18-96. A registered CPO also is required to file quarterly NFA Form PQRs for offshore Pools exempt under Advisory 18-96.

III. CPO Cover Page

13. Are Pools for which the CPO was not required to be registered (i.e., Regulation 4.13(a)(3) and Regulation 4.5 exempt/excluded Pools) during the entire Reporting Period counted towards the "Highest Total Aggregated Pool Assets Under Management" reported on Box 0155 of Schedule A of Form CPO-PQR?

No. Pools operated pursuant to CFTC Regulations 4.5 and 4.13(a)(3) should not be included in determining the amount reported on Box 0155.

14. Instruction #3 to Form CPO-PQR states that a CPO should aggregate Master-Feeder Arrangements for purposes of determining the CPO's reporting threshold. Does this instruction contradict the instruction that requires Master and Feeder Pools to be reported on separately for Schedules B and C of Form CPO-PQR?

No. Aggregation for purposes of threshold calculation and reporting should be handled differently. In Item #3 of the instructions to the Form CPO-PQR, the CPO must aggregate all Parallel Pool Structures, Parallel Managed Accounts, and Master-Feeder Arrangements, and treat any Pool or Parallel Managed Account operated by any of its Affiliated Entities, as though operated by the CPO for purposes of determining whether a CPO meets the reporting thresholds for Schedules B and C. However, for purposes of reporting on the individual Pool in Schedules B and C, the CPO must report the Master and Feeders separately in a manner consistent with Instruction #4 of the Form.

15. For purposes of determining whether a CPO must file Part 2 of Schedule C for a Large Pool, should the CPO aggregate Master-Feeder Arrangements or Parallel Pool Structures?

In most cases, yes. For purposes of determining whether a Pool qualifies as a Large Pool under Part 2 of Schedule C, the CPO must: aggregate all Pools that are part of the same Parallel Pool Structure or Master-Feeder Arrangement; aggregate any Parallel Managed Accounts with the largest Pool to which that Parallel Managed Account relates; and treat any Pools or Parallel Managed Accounts operated by any of the CPO's Affiliated Entities as though such Pools or Parallel Managed Accounts were operated by the CPO.

However, for purposes of reporting on the Large Pool in Part 2 of Schedule C, the CPO may only include assets held in Parallel Managed Accounts as assets of the Pool. The CPO may not include any Parallel Pool Structures or Master-Feeder Arrangements.

16. If Parallel Managed Accounts are aggregated with the larger of two Pools for purposes of completing the schedule of changes in AUM, and during the current quarter, the largest related Pool has changed, how should this be presented on the schedule of changes in AUM?

For the purpose of reporting in question 10, report this change by aggregating the Parallel Managed Accounts with the new larger Pool, and subtracting the Parallel Managed Accounts from the previously largest Pool such that the smaller Pool no longer reflects the aggregation of the Parallel Managed Accounts in the Beginning AUM (Box 360) and Beginning NAV (Box 370).

17. If a Pool operated pursuant to a CFTC Regulation 4.13(a)(3) exemption is parallel to a non-exempt Pool, is that Regulation 4.13(a)(3) exempt Pool treated as a Parallel Managed Account for threshold and reporting purposes?

No. A Pool operated pursuant to a Regulation 4.13(a)(3) exemption is not included in determining the reporting threshold or for purposes of reporting on the non-exempt Pool in Schedules B or C.

18. How should "Total Aggregate Pool Assets Under Management" (Box 0155) be calculated for purposes of determining the asset threshold for classification as a Mid-Sized or Large CPO?

To calculate the Total Aggregate Pool AUM, the CPO must aggregate:

1. Parallel Pool Structures,
2. Parallel Managed Accounts, and
3. Master-Feeder Arrangements.

However, to the extent that such Parallel Pool Structures, Parallel Managed Accounts or Master-Feeder Arrangements are operated pursuant to an exemption from registration (i.e. Commission Regulation 4.13(a)(3)), or an exclusion (i.e. Commission Regulation 4.5), such Structures, Accounts or Arrangements are not required to be aggregated.

IV. Schedule A

19. If a CPO operates Pools pursuant to CFTC Regulation 4.7 and operates Pools pursuant to CFTC Regulation 4.13(a)(3), should the CPO count the Regulation 4.13(a)(3) exempt Pools in determining the CPO's "Total Assets Under Management" (Box 0250 of Part 1 of Schedule A)? Or should the CPO exclude such Pools from the threshold calculation and only consider the Total AUM of the CPO with respect to all other non-exempt/excluded Pools?

For purposes of determining the reporting threshold and CPO and Pool reporting, including the CPO's "Total Assets Under Management" in Box 0250 of Part 1 of Schedule A, the CPO must exclude those Pools for which it is not required to be registered (i.e., Pools operated pursuant to an exclusion under CFTC Regulation 4.5 or an exemption under CFTC Regulation 4.13(a)(3)). Under this scenario, the CPO would only be required to count Pools operated pursuant to CFTC Regulation 4.7. The same is true for Box 0255 of Part 1 of Schedule A, which requires the CPO to report its "Total Net Assets Under Management" on Form CPO-PQR.

20. Where each series of a multi-series Pool has its own set of financial statements, is it acceptable for the CPO to report each series as a separate Pool on the Form CPO-PQR?

In cases where the series of the limited liability partnership (or equivalent structure) have no cross liability between the series, it is permissible for the CPO to report each series as a separate Pool on the Form CPO-PQR even though the CPO maintains only one disclosure document for all of the series.

21. If a CPO uses the services of a third-party commodity trading advisor ("CTA") to manage any portion of the assets of one of its operated Pools, and the CPO of the Pool reports on the entirety of the assets of the advised Pool, does the CPO also have to include the assets of that Pool that are managed by the CTA as a Parallel Managed Account or a Parallel Pool Structure on Form CPO-PQR?

No. The CTA, however, has reporting obligations with respect to those assets on its Form CTA-PR. The CTA would include in Box 0015 of Form CTA-PR ("Total Assets Directed by the CTA") the portion of the Pool assets it directs as a managed account.

22. How is Weighted Average Tenor defined?

The term "weighted average tenor," as used in Schedule C, Question 9, has the same meaning as the term "weighted average maturity."

23. For a Pool that has multiple participant classes with differing investment strategies, is it acceptable to choose one investment strategy to reflect performance and risk if the CPO believes that a particular investment strategy is more representative of the investor concentration and AUM concentration?

If multiple classes of a Pool are each engaged in differing trading strategies and a participant in the Pool cannot participate in each of the classes, then the performance and risk should be reported for each of the participant classes. Otherwise, if all of the participants invest in the various strategies, then the performance of the Pool as a whole is acceptable.

24. Is there a method for a CPO to document and submit assumptions regarding its responses to questions on Form CPO-PQR if the CPO only files Schedule A?

No. Schedule A does not currently allow for assumptions to be documented in the Form. CPOs are advised to maintain in their files documentation regarding any assumptions made in completing the Form.

25. Schedule A, questions 2 (a) and (b) – "CPO Assets Under Management." May fund-of-fund assets be excluded from the calculations for "Total Assets Under Management" in question 2(a), and for "Net Assets Under Management" in question 2(b)?

Yes. Instruction #4 of Form CPO-PQR states that the CPO may disregard any Pool's equity investments in other Pools. However, if the CPO disregards these investments, the CPO must do so consistently through the filing, with the exception of question 10 on Schedule A, in which these equity investments must be included.

26. Schedule A, question 7 – "Pool Custodians." With respect to Pool custodians, should the CPO list clearing FCMs and prime brokers, or should the CPO list only custodians that provide pure custody services? FCMs and prime brokers are already required to be listed by the CPO in question 5 of Schedule A.

If a clearing FCM or prime broker performs both clearing and custodial services, then it is permissible to list the FCM or prime broker under question 5 of Schedule A as a broker of the Pool and not to include the broker under question 7 as a Pool custodian. The CPO, however, must indicate under question 5 of Schedule A that the broker also performs custodial services for the Pool. Furthermore, a CPO must provide all requested information regarding a Pool's brokers and custodians including the NFA ID of the broker/custodian, the start date of the relationship, and the address and phone number of the broker/custodian. Once the information has been reported in Schedule A, it will continue to be included in Schedule A until such time as the CPO ends or changes the relationships on the Form.

27. Schedule A, question 9 – "Pool Marketers." How is "marketer" defined? For example, does the term "Pool Marketers" include third-party solicitors and/or registered broker-dealers that act as placement or selling agents for the Pool? If the Pool is self-marketed, does that need to be reported?

The term "Pool Marketers" includes any entities that are soliciting on behalf of the Pool. The term "Pool Marketer," however, does not include the CPO if the Pool is self-marketed.

28. Schedule A, question 9 – "Pool Marketers." Is the CPO required to list every underwriter that took part in the Pool's underwriting?

Yes. The CPO's response to this question must include all of the underwriters involved in marketing the Pool. Once the relationships have been reported by the CPO, the relationships will continue to be included until the relationships are ended by entering end dates.

29. Schedule A, question 11 – "Pool's Monthly Rates of Return." Should a CPO enter the Pool's rate of return information for the current quarter only, or for the full seven-year period covered by the table?

When completing the Form CPO-PQR for the first time, the CPO will be required to enter the Pool's monthly rates of return for the last 7 years or the life of the Pool if less than 7 years. The information will be maintained in Schedule A from filing to filing and the CPO will not need to re-enter the information each time it updates the rates of return. On a quarterly basis, the CPO will only be required to enter the rates of return for the three months covering the Reporting Period. If the CPO has previously filed a disclosure document and entered rates of return for the Pool, those rates of return will be carried over to the filing.

30. Schedule A, question 11 – "Pool's Monthly Rates of Return." If a CPO operates a private equity fund for which it calculates rates of return only on a quarterly basis, what should it report under months 1 and 2 for the quarter?

Form CPO-PQR requires the calculation and entry of monthly rates of return irrespective of when the Pool customarily calculates its rates of return for other purposes. Accordingly, the CPO must calculate and enter rates of return on a monthly basis.

31. Schedule A, question 11 – "Pool's Monthly Rates of Return." This question requires that a CPO provide the Pool's monthly rate of return for each month that the Pool has operated. With respect to reporting the rates of return of a Pool with more than one share class without a limitation of liability among the classes, can the CPO report monthly rates of return of the Pool on an aggregate basis across all share classes based on the net asset value of the Pool?

Yes. If the classes of the Pool have cross liability, then it is permissible to aggregate across all share classes of the Pool when reporting monthly rates of return for the Pool. This treatment is the same for series funds that have cross liability.

32. Schedule A, question 12 – "Pool Subscriptions and Redemptions." If a CPO has the right to impose restrictions on withdrawals but only when it is unable to pay withdrawals due to market conditions, is that considered the right to suspend withdrawals or the right to gate?

In instances where the CPO cannot or does not honor withdrawal requests due to market conditions, this is more appropriately considered a suspension on the right to withdrawal and should be reported as such by the CPO.

33. Schedule A, question 12(c) – "Pool Subscriptions and Redemptions." What is the definition of "high water mark?" Must all CPO filers respond to this question?

Generally, the term "high water mark" refers to the highest peak in net asset value per share that a Pool has reached. However, if the CPO calculates its "high water mark" differently for its participants based on a reasonable methodology, a CPO may do so. All CPOs must respond to this question.

34. Schedule A, question 12(d)(i) – "Pool Subscriptions and Redemptions." This question asks whether a Pool provides participants with withdrawal or redemption rights in the ordinary course. How should a CPO of a closed-end Pool, including closed-end investment companies, respond to this question?

The CPO must answer "No" with respect to closed-end Pools. If a Pool does not or cannot offer withdrawal or redemption rights at the option of the investor as part of the package of rights a participant receives upon making an investment in such Pool, then the CPO must answer "No" to this question.

35. Schedule A, question 12(e) – "Pool Subscriptions and Redemptions." Does the imposition of redemption halts differentiate between Pools that have always had a lock-up period or that are locked for the full-term of the Pool, and Pools that occasionally impose lock-ups?

No. Question 12(e) relates to whether the limitations on redemptions were imposed during the Reporting Period. Question 12(d)(v) asks about any gates or lock-ups that were imposed at any time during the life of the Pool, including at the time the Pool was offered, and that remain effective as of the Reporting Date.

V. Schedule B

36. Schedule B, question 3(d) – "Pool Counterparty Credit Exposure" requires the CPO to identify the three types of unregulated entities to which the Pool has the greatest net counterparty exposure, measured as a percentage of the Pool's net asset value. What is meant by the term "greatest net counterparty exposure?" For example, in the context of a Master-Feeder Arrangement, if a Feeder Fund invests all of its assets in a Master Fund,

would the appropriate response to question 3(d) for the CPO reporting on the Feeder Fund be: "'hedge fund,' 100%?"

No. The term "greatest net counterparty exposure" as used in question 3(d) of Schedule B is a measurement of the Pool's counterparty exposure relative to the Pool's investments in unregulated third parties. The term "greatest net counterparty exposure" does not include a Feeder Fund's investment in a Master Fund, even if that Master Fund is itself an otherwise unregulated entity.

37. Schedule B, question 3(d) – "Pool Counterparty Credit Exposure." If a Pool does not have counterparty exposure to any unregulated entities, is it appropriate to leave the answers to question 3(d) of Schedule B of Form CPO-PQR blank?

Yes. A CPO must leave Boxes 6127 through 6143 blank if the Pool does not have any counterparty exposure to unregulated entities.

38. Schedule B, question 6 – "Pool Schedule of Investments." Where should a CPO of a Feeder Fund report an investment in a Master Fund where the operator of the Master Fund is exempt from filing a Form CPO-PQR with the CFTC? Should the CPO of the Feeder Fund report the funds placed with the Master Fund as an investment in a "hedge fund" in Box 6564?

The CPO must report the investment in Box 6563 of Schedule B if the Master Fund is a fund listed with NFA ("NFA Listed Fund"). If the fund is not an NFA Listed Fund, then the CPO must report the investment in the most appropriate fund classification in Boxes 6559 through 6570 of Schedule B.

39. Schedule B, question 6 – "Pool Schedule of Investments." Should warrants on securities be treated as equities, options or derivatives?

A warrant on a security should generally be treated as an option and reported in Box 6507 or 6508 of Schedule B.

40. Schedule B, question 6 – "Pool Schedule of Investments." How should a CPO categorize investment instruments that could potentially be classified into more than one category or sub-category?

The CPO must make a reasonable determination regarding the categorization of the Pool's investments. The CPO must be consistent from Reporting Period to Reporting Period on how it categorizes the Pool's investments on the Schedule of Investments in Schedule B.

41. Schedule B, question 6 – "Pool Schedule of Investments." Should derivatives (other than options) be valued at the notional value of the derivatives or should derivatives be valued based on unrealized gains/losses of the derivatives?

The value reported for derivatives (other than options) should be the positive and/or negative open trade equity. Positive open trade equity means the amount of unrealized gains on open derivative positions. Negative open trade equity means the amount of unrealized losses on open derivative positions.

42. Schedule B, question 6 – "Pool Schedule of Investments." Should spot currency positions be reported as "cash at bank/broker" or as "Forex" under the "Alternative Investments" heading?

Spot currency transactions are the purchase or sale of a foreign currency for delivery within two days. Such transactions should be reported as "Forex" under the "Alternative Investments" heading.

43. Schedule B, question 6 – "Pool Schedule of Investments." Should the value reported for options be the market value or the delta adjusted notional value?

The value reported for options should be the marked to market long or short option value.

44. Schedule B, question 7 -- "Miscellaneous." Schedule B of Form CPO-PQR includes a "Miscellaneous" item, similar to item 4, the "Miscellaneous" item on Form PF, in which assumptions used in responding to questions can be documented. With respect to item 4 on Form PF, the SEC Staff recommended that a filer note any assumptions made in the initial filing that were revised in subsequent filings. Is a CPO required to provide similar notes with respect to assumptions made in responding to Schedule A and/or question 6 of Part B, particularly if those are the only sections a CPO is required to complete? If so, where should a CPO provide such notes?

It is recommended that in addition to completing question 7 of Schedule B, as appropriate, that each CPO and CTA keep internal notes and explanations about the assumptions on which such CPO or CTA based its answers with respect to the Form. In particular, if a CPO determines information reported on prior filings of Form CPO-PQR and/or NFA Form PQR is incorrect based on CFTC and/or NFA guidance published after such filing was due, such CPO should keep internal notes and explanations about such assumptions to provide, upon request, during an examination.

VI. Schedule C

45. A Large CPO's CPO-PQR filing date may not align with Form PF's filing date. For example, a Large CPO with a May 31 fiscal year end has Form PF quarterly filings that do not match the calendar quarter filings required by Form CPO-PQR. Has the CFTC provided relief to align these reporting deadlines?

No. Form CPO-PQR requires filing on a calendar quarter basis for Large CPOs, and annually for Small and Mid-Sized CPOs. These filing deadlines apply regardless of the CPO's elected fiscal year.

46. Is the information submitted on Form CPO-PQR exempt from release under the Freedom of Information Act (FOIA)?

The CFTC's Final Rules adopting Form CPO-PQR specify sections of the Form that are designated non-public and will not be released under FOIA:

Schedule A: Question 2, subpart (b); Question 3, subparts (g) and (h); Question 9; Question 10, subparts (b), (c), and (d); Question 11; and Question 12.
Schedule B: All.
Schedule C: All.[7]

[7] See, 77 FR 11252 at 11271 (Feb. 24, 2012); correction 77 FR 17328 (March 26, 2012).

With respect to any NFA Form PQR filings, the information reported is not subject to FOIA requests.

47. Schedule C, Part 2, question 4(d) – "Large Pool Risk Metrics." For each market sector (e.g., equity, rates, currency, and commodity), when simulating the price shocks (e.g., up or down by 5%), should the price movement be applied to all the relevant markets traded in a portfolio? For example, if a Pool trades all the major global stock indices, a corresponding price shock would imply a global stock event, rather than a regional (U.S., or Europe) stress event?

The instructions to question 4(d) of Part 2 of Schedule C of Form CPO-PQR indicate that the filer "may omit a response to any of the specified market factors that the Large CPO does not regularly consider (whether in formal testing or otherwise) in the Large Pool's risk management." If a relevant risk factor is considered by the CPO, it should be reported on the form as considered.

48. Schedule C, Part 2, question 4(d) – "Large Pool Risk Metrics." When stress testing the risk free rates, is a Pool expected to test only the short term interest rates issued by a government? For a Pool that also trades long term rates, should it simulate the corresponding moves in those markets? For instance, a 25 basis point move in the short rates will also impact the long rates. Should a Pool use duration to model that relationship or does the question refer to a 25 basis point move for both long term and short rates?

A CPO may report based on the methodology it uses to stress test the Pool for internal risk management purposes, provided such methodology is reasonable and documented.

49. Schedule C, Part 2, question 4(d) – "Large Pool Risk Metrics." The definition of long and short components in question 4(d) does not necessarily align with traditionally understood long/short exposure reactions to market moves. How should these provisions be interpreted?

The definitions of long and short components should be read as follows: The long component represents the aggregate result of all positions whose valuation changes in the same direction as the market factor under a given stress scenario. The short component represents the aggregate result of all positions whose valuation changes in the opposite direction from the market factor under a given stress scenario.

50. Schedule C, Part 2, question 7(a) – "Large Pool Financing Liquidity." For this Large Pool liquidity question, does "uncommitted lines of credit" include trading execution lines and counterparty credit lines?

Yes. An uncommitted line of credit is any non-utilized but available source of funding extended to the Pool, regardless of limitations or conditions placed on that line of credit.

51. Schedule C, Part 2, question 8 – "Large Pool Participant Information." Are questions 8(a) and (b) of Part 2 of Schedule C relevant for registered investment companies ("RICs")? Is it possible to respond N/A, or leave the answer blank?

Yes, question 8(a) is relevant to RICs. To the extent that an open-ended RIC is not permitted to engage in the activities set forth in the first three items in question 8(a) without approval of the SEC, then the answer to those three items in question 8(a) is "0." To the extent that a closed-end RIC is subject to material restrictions on participant withdrawals as provided in the third item under question 8(a), or does not permit withdrawals or redemptions as provided in question 8(b) because of the nature of the closed-end RIC itself, then such RIC

should answer “100” under the third item in question 8(a) and “0” in all categories under question 8(b), except for the last box, in which the RIC should answer “100.”

52. Schedule C, Part 2, question 8(a) – “Large Pool Participant Information.” Does “daily margin requirement” in the fourth item of question 8(a) refer to the margin requirement with respect to commodity interest trading (as opposed to Regulation T margin requirements with respect to securities trading)?

Yes, “daily margin requirement” refers only to the margin requirement with respect to the Pool’s commodity interest trading.

53. Schedule C, Part 2, question 9 – “Duration of Large Pool’s Fixed Income Assets.” The label for Schedule C, Part 2, question 9 says “Duration of Large Pool’s Fixed Income Assets,” but the instruments listed include a number of other asset classes. Is the question intended to be limited by the label, and only seeks an answer regarding fixed income?

No. The substance of the question is not limited to fixed income, and should be read accordingly.

CFTC Division of Swap Dealer and Intermediary Oversight Responds to Frequently Asked Questions Regarding Commission Form CTA-PR

I. Filing Requirements

1. Are all CTAs required to file Form CTA-PRs?

Yes, unless the registered CTA does not direct client commodity interest accounts.[8] Pursuant to CFTC Regulations 4.27(b)(2) and (c)(1), any CTA that is registered or required to be registered under the Commodity Exchange Act and the CFTC's regulations issued thereunder is required to file a Form CTA-PR annually, within 45 days of the end of the December 31 reporting period.

Additionally, under NFA Compliance Rule 2-46, NFA Member CTAs are required to file **quarterly** reports (NFA Form CTA-PR) within 45 days of the calendar quarter end.

2. What happens if a CTA submits its Form CTA-PR after the due date? Will the CTA be subject to a fine, audit, disciplinary action, etc.?

Failure to timely file a Form CTA-PR violates the filing requirement contained in Commission Regulation 4.27(c). NFA does not currently charge a fee for filing the Form CTA-PR late. However, failure to file timely could subject a CTA to disciplinary action.

3. Does a sub-advisor to an advisor, both of which are registered CTAs, need to report separately on Form CTA-PR?

Yes. All CTAs must file a Form CTA-PR. The sub-advisor would report on the total assets that it has been allocated to direct. In addition, the sub-advisor will be required to disclose any relationship it has with the Pools that it has been allocated funds.

4. Is the information submitted on Form CTA-PR exempt from release under the Freedom of Information Act (FOIA)?

The CFTC's Final Rules adopting Form CTA-PR specify sections of the Form that are designated non-public and will not be released under FOIA:

Question 2, subparts (c) and (d).[9]

With respect to any NFA Form CTA-PR filings, the information reported is not subject to FOIA requests.

II. Question 1 of Form CTA-PR:

5. If a CTA only advises Pools, when answering question 1(d): Total number of Trading Programs offered by the CTA (Box 0013), how should the CTA account for the Pool programs?

The number entered in Box 0013 should include all trading programs that the CTA offers in advising managed accounts, including those programs that are devoted to advising Pools that they operate as a CPO and Pool

[8] These CTAs are exempt from filing Form CTA-PR under CFTC Staff Letter 15-47 (July 21, 2015).
[9] See 77 FR 11252 at 11271 (Feb. 24, 2012); correction 77 FR 17328 (March 26, 2012).

assets the CTA directs as a managed account for a third party CPO. A CTA can exclude trading programs for which the CTA is not required to be registered. For example, if the CTA directs the assets of a Pool that is operated under a CFTC Regulation 4.13(a)(3) exemption, and for which the CTA claims an exemption under CFTC Regulation 4.14(a)(8), the trading program utilized to direct such Pool would not be included in Box 0013.

6. How is "trading program" defined? Is everything a program or just algorithmic or systemic programs?

According to CFTC Regulation 4.10(g), a trading program is defined as a "program pursuant to which a person (1) directs a client's commodity interest account, or (2) guides the client's commodity interest trading by means of a systematic program that recommends specific transactions."

7. If a CTA currently offers four trading programs, two of which are used to advise Pools that are operated by a third party CPO, how should the CTA answer question 1d (Box 0013) and question 1e (Box 0014)?

In question 1d (Box 0013), the CTA should report the total number of all trading programs that it currently offers as a registered CTA that trade or will trade in commodity interests. This number should include any trading program for which the CTA advises managed accounts (both separately managed accounts and Pool assets) and should also include trading programs for which the CTA directs Pool assets for Pools that the CTA also operates as a registered CPO. In question 1e (Box 0014), the CTA should report the number of trading programs it offers to advise Pool assets only. Therefore, in the above example, the CPO should answer "4" for Box 0013 ("Total number of Trading Programs offered by the CTA"), and "2" for Box 0014 ("Total number of Trading Programs offered by the CTA under which the CTA Directs Pool assets"). If, however, the two trading programs that the CTA advises are for exempt or excluded Pools, then the CTA should report "0" in Box 0014.

III. Question 2 of Form CTA-PR:

8. If a CTA is also registered as a CPO, when answering question 2a (Box 0015 – "Total assets Directed by CTA"), should the CTA include all assets that it advises including the assets of the Pools that the CTA operates as a CPO?

No. The assets of **any** Pools operated by a firm as a registered CPO should **not** be included in Box 0015. The CTA should also exclude any Pool assets for exempt or excluded Pools (**i.e.**, Regulations 4.13(a)(3) or 4.5) that it operates as an exempt CPO.

9. If a CTA currently advises Pools that are operated pursuant to exemptions under CFTC Regulations 4.7 and/or 4.13(a)(3), should the CTA include the assets of those Pools under question 2a (Box 0015)?

Pool assets should be included in Box 0015 for Pools that the CTA does not operate as a CPO and for which the CPO must be registered (i.e., Regulation 4.7, Advisory 18-96, and Regulation 4.12 exempt Pools). In this case, the CTA should include the assets of the Pool operated pursuant to CFTC Regulation 4.7, but exclude the assets of the Pool operated pursuant to CFTC Regulation 4.13(a)(3).

10. If a CTA directs assets of Pools that are offshore and operated by an offshore CPO that is not registered, should the CTA report the Pool assets for the purpose of reporting on questions 2a and 2b?

Yes. Offshore Pools that are not exempt or excluded Pools should be treated as managed accounts when reporting on Form CTA-PR. If a CTA is registered, it is not considered to be exempt with respect to these Pools.

11. If a CTA only directs the assets of Pools that it operates as a CPO, should it include these Pools when reporting in questions 2a, 2b and 2c?

No. If the only Pool assets that the CTA directs as a CTA are those of Pools for which the CTA is the CPO, the CTA should not report the Pools' assets in questions 2a or 2b, and the CTA should not list the Pools' names in question 2c.

12. How should a CTA report Master-Feeder Arrangements in question 2a?

The CTA of a Feeder Fund should disregard that Feeder Fund's investment in a Master Fund for purposes of reporting Total assets Directed by the CTA in question 2a.