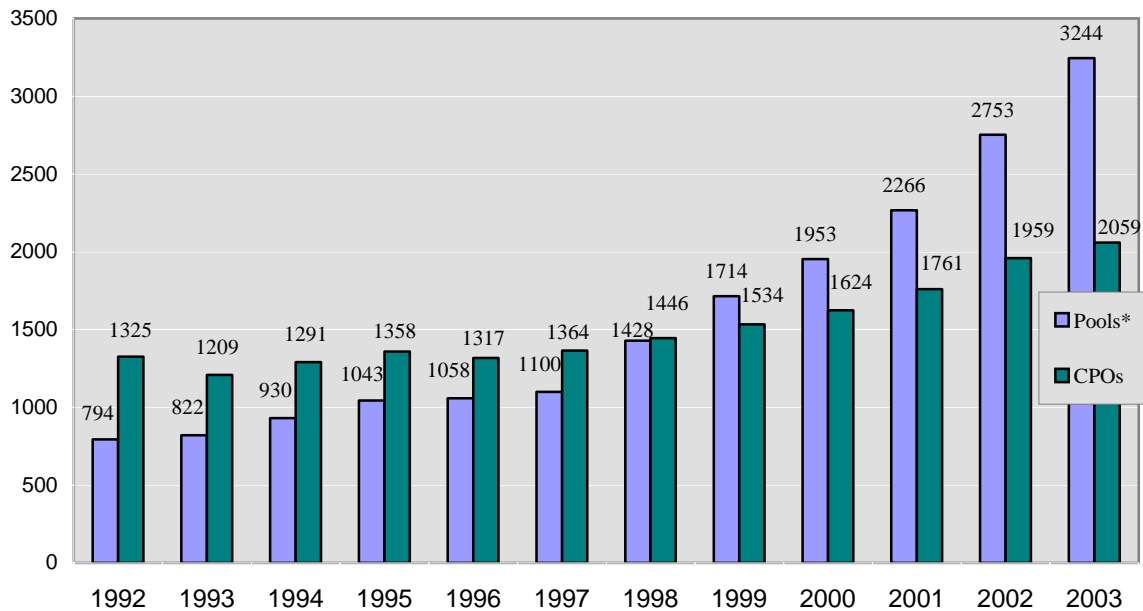


**CFTC Backgrounder 1-04**  
**Date: June 8, 2004**

The CPO and Commodity Pool Industry

There are a large and growing number of CFTC-registered commodity pool operators (CPOs) which sponsor, operate or advise commodity pools – that is, pooled investment vehicles which invest or trade futures and options on commodities as well as stocks, bonds, cash commodities and other financial instruments. The growth of CPOs and commodity pools has continued steadily since 1974 when the term “Commodity Pool Operator” was added to the Commodity Exchange Act and CPOs were required to register with the CFTC.

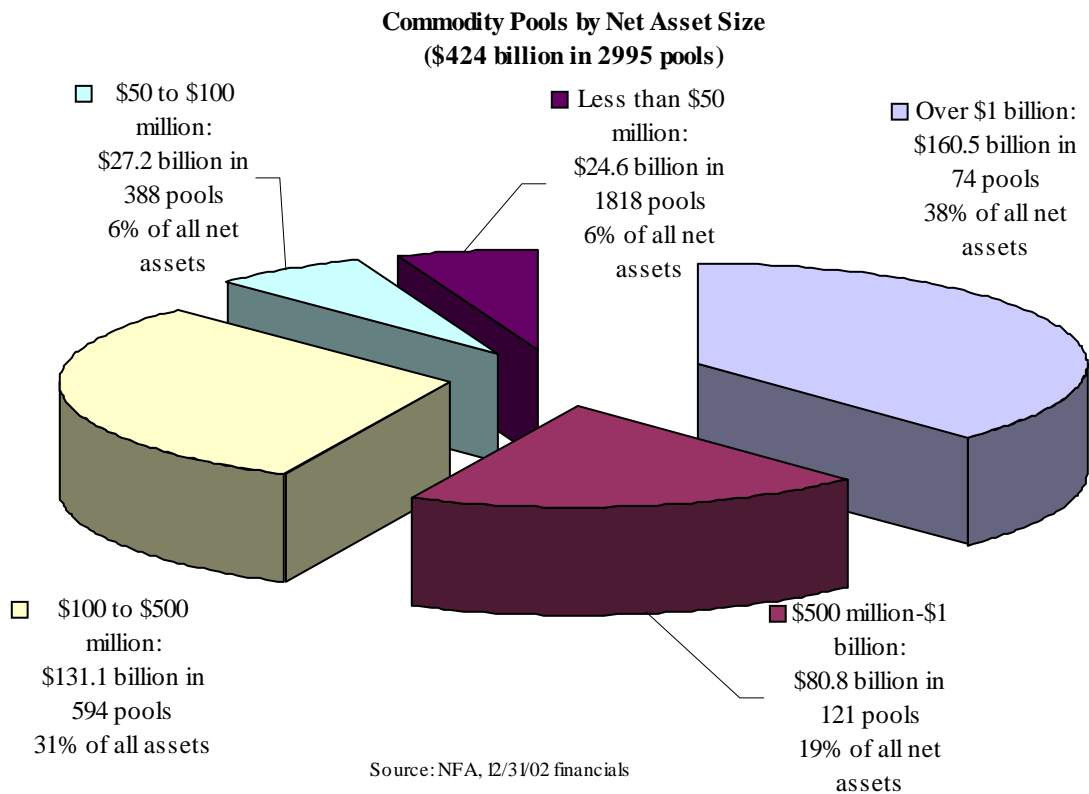
The number of CFTC-registered CPOs at the end of FY 2003 was 2,059. This is an increase of 100 or 5% from the 1,959 CPOs which were registered with the CFTC at the end of FY 2002. In addition, the number of commodity pools which were operated by CFTC-registered CPOs at the end of FY 2003 was approximately 3,244. This is an increase of 491, or 18%, from the 2,753 commodity pools operated by CFTC-registered CPOs at the end of FY 2002.



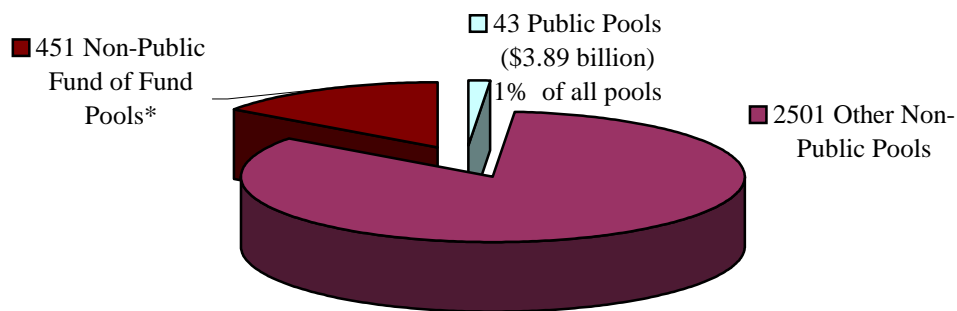
\*The total number of pools includes those with registration exemptions.

Commodity pools vary significantly in terms of size. Based on the financial statements for 2,995 commodity pools which were filed for the calendar year ended 12/31/02, the vast majority of commodity pools are relatively small. Over 1800 (60%) commodity pools have \$50 million or less in net assets as of 12/31/2002. There were 789 (26%) commodity pools with over \$100 million in net assets. These 789 “large” commodity pools had \$372 billion in net assets – or approximately 80% of all the net assets in commodity pools.

Based on 12/31/02 financial statements the 2,995 commodity pools held \$424 billion in net assets<sup>1</sup>. This is an increase of \$72 billion or 20% in net assets from what was reported on commodity pool 12/31/01 financial statements (\$352 billion).



Virtually all commodity pools – 2,952 out of 2,995 or 98.5 % - operated by registered CPOs were sold as private placements<sup>2</sup>. Only 43 of the 2,995 commodity pools as of 12/31/02 were public offerings where the pools’ securities were registered with the SEC and sold to retail investors.



\*For purposes of this chart, "fund of funds" is defined as those pools that have more than 50% of their total assets invested in other funds.

<sup>1</sup> In addition to futures and options, commodity pools are permitted to invest in equities, debt, cash commodities and other financial instruments. Commodity pools have significant non futures and options asset holdings.

<sup>2</sup> A private placement is a private, nonpublic, offering of securities. These securities are exempt from registration with the SEC under the Securities Act of 1933.

### Domestic- and Foreign-Domiciled CPOs

Our latest figures show that the vast majority of registered CPOs, 91% (1,879 of 2,059), are domiciled in the United States. Approximately 50% of all CPOs are domiciled in 4 states: New York, Illinois, Connecticut and California. CFTC 2003 Annual Report, Page 143, "Futures Industry Registrants by Location." Domestic CPOs hold \$387.5 billion in net assets, 91 percent of all net assets held by CFTC-registered CPOs. Only 9 percent (180) of CFTC-registered CPOs are domiciled outside the US.