

Texas Risk Management Education Program

MCC - 8

Suggested Trading Rules and Registering a Marketing Club

The following is a list of suggestions on how to register a Marketing Club with a broker. It seems like every brokerage firm has a different procedure but these suggestions incorporate the latest CFTC thinking about the clubs and handles the problem of reporting club transactions for tax purposes. Please remember that each brokerage firm may have it's own preferred method of handling a club account and that your local broker is the one you must work with when setting up your club.

It is strongly encouraged if a marketing club decides to trade in the futures or options markets, the club elects officers (president and treasurer, minimally) and develops a set of bylaws to govern its actions. Trading options minimizes the financial exposure of the club to the amount of the option premium.

Texas AgriLife Extension Service Educational Marketing Clubs

- Exclusive for the Texas AgriLife Extension Service educational program.
- Account is set up as a pool account with the pool operator(s) being the general partners of an informal partnership account. General partner(s) is/are liable for the money requirements and operation of the account with all regulations.
- General partner(s) will complete and sign account forms for and in the name of the club.
- A federal partnership ID number should be applied for in the name of the club (Form SS-4, Application for Employer Identification Number). Otherwise, a general partner will need to use his/her social security number and be responsible for tax reporting.

Six provisions as outlined by CFTC:

1. Each participant must receive a statement saying the pool operator is not registered.
2. No partner contributes more than \$300 to the account.
3. No more than 50 participants in a pool.
4. A specific expiration date is designated and documented in the club agreement.
5. The name of the account must be the name of the educational marketing club. Please select as short a name as possible.
6. Any money withdrawals must be done by a written request signed by two participants.

Participant Address

Pool Operator Address

(date)

Commodity Pool Operator Exemption Notice

Dear _____,

Your participation in the trading account _____ (name of account) makes it necessary that I, _____ (name of pool operator), make you knowledgeable to the following:

The commodity pool operator of this pool is not required to register, and has not registered, with the Commodity Futures Trading Commission. Therefore, unlike a registered commodity pool operator, this commodity pool operator is not required by the Commission to furnish a Disclosure Document, periodic Account Statements, or an Annual Report to participants in the pool.

I am exempt from being registered as a commodity pool operator because I will not receive any compensation or payment for operating the pool, I will only operate this one commodity pool, I am not required to be registered with the Commission, and I will not advertise this pool.

Thank you,

(signature of pool operator)
(print name)

(business address)

(business phone)

- Each participant will receive this letter.

Participant Address
George Participant
Rt. 2, Box 1
Anywhere, TX

Pool Operator Address
Sample Co. Club
John Smith
Rt. 1
Anywhere, TX

7/30/08

Commodity Pool Operator Exemption Notice

Dear Mr. Participant,

Your participation in the trading account **Sample Co. Club** makes it necessary that I, **John Smith**, make you knowledgeable to the following:

The commodity pool operator of this pool is not required to register, and has not registered, with the Commodity Futures Trading Commission. Therefore, unlike a registered commodity pool operator, this commodity pool operator is not required by the Commission to furnish a Disclosure Document, periodic Account Statements, or an Annual Report to participants in the pool.

I am exempt from being registered as a commodity pool operator because I will not receive any compensation or payment for operating the pool, I will only operate this one commodity pool, I am not required to be registered with the Commission, and I will not advertise this pool.

Thank you,

_____ (signature of pool operator)

John Smith

**Rt. 1
Anywhere, TX**

(123) 456-7890

- Each participant will receive this letter.

(pool operator address)

National Futures Association
300 S. Riverside Plaza, Suite 1800
Chicago, IL 60606-6615

Attn: Director of Compliance of NFA

Dear Director of Compliance of NFA:

As instructed by regulation 4.13 in the Commodity Futures Law Report, we are sending a copy of the statement required with the exemption from registration as a commodity pool operator. Attached is a sample copy of this statement signed by the pool operator, which was sent to each participant of the pool. Since this is an educational marketing club, setup as an educational program through the Texas AgriLife Extension Service, this pool account will operate under the provisions as outlined by CFTC in a letter (see attached copy of this copy).

Sincerely,

(pool operator)

Enclosure

(pool operator address)

Special Counsel, Front Office Audit Unit
Division of Trading and Markets, CFTC
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Dear Special Council of CFTC:

As instructed by regulation 4.13 in the Commodity Futures Law Report, we are sending a copy of the statement required with the exemption from registration as a commodity pool operator. Attached is a sample copy of this statement signed by the pool operator, which was sent to each participant of the pool. Since this is an educational marketing club, setup as an educational program through the Texas AgriLife Extension Service, this pool account will operate under the provisions as outlined by CFTC in a letter (see attached copy of this copy).

Sincerely,

(pool operator)

Enclosure