

THE OPENING CALL

Newsletter of the Commodity Floor Brokers and Traders Association

Traders Beware: Tax Hike Proposed

Uncle Sam is looking to take a bigger bite out of commodity traders' coffers next tax season, if a Clinton proposal gains backing in Washington. The proposal, included in the Presidential Budget, calls for treating all commodity profits as ordinary income as opposed to current system of reporting 60% as long-term capital gains, and 40% as short-term gains. The difference could mean *thousands* of dollars in extra taxes annually.

"The Chicago floor brokers' members called us and asked for our help on this issue," reported CFBTA Chairman A. George Gero at the group's annual meeting on March 2. "It's going to be up to us... It's already on our agenda for meetings with industry officials during the FIA convention in Boca Raton this month. Meetings are also being arranged with Congressional leaders in charge of banking, finance and agriculture committees."

"Our Washington sources tell us this is not an issue to ignore. It could be too damaging to traders financially to just sit back and hope the proposal will die. We need to rally round this like we did the 10-cent transaction tax which we helped defeat just a few years ago."

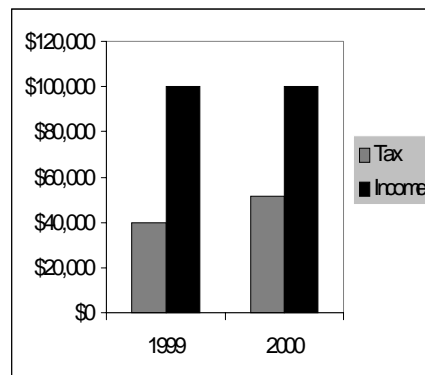


Chart assumes a trading profit of \$100,000, with long-term gains taxed at 20%, short-term gains at 39.6% and self-employment tax of 15.3% on the first \$72,600 and 2.9% on the remainder. Taxes would be \$39,743 for 1999 and \$51,503 for 2000 if the proposal passes.

"We are dealing with an enormous amount of tax if this goes through," Alan Berk, a CPA with Leonard Rosen & Co. told CFBTA members. He explained that currently, 60% of a traders income is taxed at 20% (the amount for long-term capital gains) and the remaining 40% is taxed at the short term rates which is a maximum of 39.6%. Then, the traders are also responsible for paying their self-employment tax. Should the Clinton proposal gain approval, all income would be taxed at the highest rate, and self-employment tax would also be paid. Traders in stocks, while paying the highest individual rate, do not have to pay the self-employment tax.

For a commodity trader making \$100,000 profit annually, the change means an extra \$12,000 in taxes annually when the tax increase and self-employment tax are taken into account, according to Berk. (see chart).

CFTC Looks to Relax Broker Registration Reviews

It appears the CFTC will consider making its guidelines less severe in registration reviews for broker licenses, thanks in part to efforts of CFBTA. Over the past 6 months, CFBTA's legal committee has been coordinating meetings and discussions with industry and exchange officials to get the guidelines relaxed. Both

NYMEX and NYBOT expressed their concerns by letters sent to the CFTC.

The problem began in 1997, when the CFTC transferred authority for these reviews to the NFA, and the scope of investigations simultaneously expanded to include a five-year look back including a review of exchange

disciplinary actions (settlements too) as a basis for statutory disqualification or conditioned registrations. Traders, therefore, expressed concern, charging the NFA with "excessive scrutiny."

"Traders have been up in arms over this issue. Cases they felt were settled

continued on page 4

Board Candidates Address Key Issues

COMEX and NYMEX elections are set for this month. COMEX members will elect their leaders on Tues. March 14, and NYMEX elections are Tues. March 21. Candidates for office are listed, with CFBTA members noted with an * next to their name. Statements submitted to *Opening Call* by the candidates follow.

COMEX

Commission House

* Kevin Grady (KG)

At Large

* Aron Schnell (AS)
 * Michael Devaney (MD)
 * Noel Goodrich (NOEL)
 * Jeremy Lubcher (JL)
 * Peter J. Meyer (WIM)
 Jeffrey Tanz (JT)

NYMEX

Vice Chairman

* Albert Helmig (ALBT)
 * Mitchell Steinhouse (STEN)

Local

* David Greenberg (DGRE)
 * Brian Hand (HAND)
 * David Wender (WHEN)

FCM

Neil Citrone (CITR)

Trade

* Gary Cohn (GDC)
 * Jesse Hart (JESE)

Floor Broker

* Mark Dimon (OIL)
 * Kenneth Piasio (KJP)
 * Richard Saitta (SAIT)

At Large

* Thomas Cunningham (TAC)
 * Scott Hess (HESS)

CAMPAIGN STATEMENTS

At Large

* **Noel Goodrich (NOEL)**

I have 14 years of experience on the trading floor, have been an active member of COMEX since 1986 and purchased a seat in 1991. I am an independent local and currently trade gold futures.

I have been a member of the floor committee since 1995. I believe that my straight forward approach, experience in the trading ring and my exposure to a diverse group of metals, customers and knowledge of domestic and international financial market issues qualifies me to serve on the COMEX board. I believe the membership deserves a fresh perspective and an unwavering commitment that will respect and protect the best interest of the membership.

I believe open outcry is the tie that binds all of us together and we must do everything within our power to preserve our history and our future.

At Large

* **Jeremy Lubcher (JL)**

In 1978, I started as a break clerk for Merrill Lynch. Moving to the floor a year later, I was first a phone clerk, and then in 1982, one of Merrill's original COMEX floor brokers. Currently, I own J&B Commodities Inc., a floor brokerage operation in copper. I have served on numerous committees over the last 15 years. At present, I am ring chairman of the floor committee in copper, and also on the floor facilities committee.

I am an honest and diligent guy and very concerned about the survival of the open outcry system. If elected, I promise to work hard at preserving our livelihood and keeping the COMEX community well informed.

At Large

* **Peter J. Meyer (WIM)**

Regardless of what trading rights or equity rights the COMEX membership may have as a result of de-mutualization, the one thing that we can control is how the financial world and its customers that use our products perceive the COMEX marketplace. After the problems that faced us in late September and early October of 1999, I am convinced that we must make CUSTOMER CONFIDENCE in the COMEX marketplace one of our top priorities. We need to work hard to restore the public's confidence in us so that they will continue to provide order flow to the rings that results in opportunities for our membership in a shrinking environment. Whether this entails facilitating electronic order flow to our open outcry market or any other changes needed to restore this confidence. If elected to your board, I will work hard to implement any changes that will protect and enhance our reputation. We all know that without order flow from speculators, hedgers and the like, our floor traders will be stuck in a "zero-sum" game.

The second concern of mine is COMMUNICATION. I believe that every COMEX member has the right to know what decisions are being made by your board as well as any and all recommendations being sent to the NYMEX board. I will make sure that the lines of communication remain open to provide you access to the facts and how the board's decisions affect the membership.

If you would like to discuss your concerns about any topic relating to the COMEX board vote, please feel free to contact me at (212) 298-7747 or by e-mail at pmeyer@slk.com.

Vice Chairman

* **Albert Helmig (ALBT)**

I am seeking re-election as vice chairman. I am running on my voting record, active involvement and support of significant strategic initiatives. I have been a member of the exchange since 1985 and was elected to the board in 1991. In 1993, I was elected to the executive committee and in 1998 became vice chairman. The strategic initiatives I have supported are: negotiating and promoting the COMEX merger; the new building; the member rebate program; the member benefits program including a vested pension plan, as well as other cost reduction programs and marketing dollar credits. I have consistently worked on, and voted for, all of these initiatives.

I am chairman of nine committees, vice chairman of two, and serve on four others. I have been chairman or vice chairman of almost every commodity advisory committee since becoming a board member in 1991. This diversity of committee service, combined with the experience of the last seven years on the executive committee, has provided me the opportunity to develop an in-depth, hands-on understanding of what NYMEX is about and the exciting opportunities facing it in the future. This knowledge and experience are tools to make a continued contribution to this institution.

Other strategic initiatives I am focusing on: pilot programs of electronic order routing; wireless telecommunications and internet capability to create a virtual electronic market during regular trading hours that will permit core products to trade on-line in open outcry. Our ability to optimize order flow and facilitate trade execution will ensure NYMEX remains the premier energy marketplace. This will be defined by how we apply new technologies and globalize our business. I am a strong advocate for demutualization because it puts NYMEX in a position to maximize its long-term potential.

Vice Chairman

* **Mitchell Steinhouse (STEN)**

I have been a NYMEX member since 1975, working as a floor broker for 15 years and for the last 10 as a local. I was first elected to the board in 1992, and have been a member of the executive committee for the last six. I have a bachelor's degree from the University of Pittsburgh, and an MBA from St. John's University.

I have been involved in two of the most recent and significant exchange projects: the new building and the NYMEX/COMEX merger. As chairman of the facilities committee, I was intimately involved in the design, development and completion of the exchange's state-of-the-art headquarters – ahead of time and below

Candidates....

Continued from page 2

budget. As a member of the merger negotiations committee, I spent hundreds of hours working with COMEX representatives to arrive at a successful proposal which met the needs of all involved – floor brokers, locals, FCMs, and commercial customers in both markets. I continue to monitor both projects on a daily basis and continue to serve as a NYMEX representative to the COMEX governors.

My other accomplishments: as chairman of the benefits sub-committee, I introduced a member health plan and was responsible for increased member life insurance; as vice chairman of finance, I strive to ensure fiscal prudence while exploring avenues of expansion. I also serve as chairman of the business conduct, vice chairman of the equity owners' advisory, and as a member of the compliance review, and local advisory committees.

"We are now in a period of great uncertainty. We are threatened everyday with new electronic trading systems. We face changes in our corporate structure and trading mechanisms (i.e. trading at settlement, large order execution). Major decisions must be made in the next few months. I believe my pragmatic, businesslike approach to examining issues will enable me to face these challenges with sound reasoning that will result in sensible, well-grounded solutions."

Local

* David Greenberg (DGRE)

I am a conferring member on NYMEX since 1990, and COMEX since 1988. I have 14 years of industry experience including 12 as a local trader on the floor.

As someone whose primary occupation is trading for his own account day in and day out, I feel I'm in an excellent position to represent the views of the floor at the board level, and to communicate the considerations involved in board deliberations. Demutualization is an example. I'm in favor of demutualization, as I believe most members are. But, the structure has to protect the exchange and its members for future growth. It should be the responsibility of the board to ensure that profits from other ventures are directed to enhancing the floor's ability to compete.

I am also president of Sterling; a firm dedicated to clearing local traders. I feel I truly understand the difficulties locals face – from the smallest to the largest. This combined experience will help me at the board level to analyze business issues and make sound strategic decisions.

I have 12 years of continuous service on many committees: arbitration; membership; finance; marketing; facilities; FCM, crude

oil and local advisory; and the member benefit subcommittee. I believe I am well prepared to move on to the next level and make my contributions on a larger scale. If I am honored with election to the board, the quality of my efforts will be a direct reflection of the lessons I learned through a wide scope of committees served.

My success as a local and president of Sterling is based on the success of the trading floor. The members have my solemn commitment that, if elected, I will never lose sight of how many of my constituents depend on the preservation of the trading floor to feed their families. No matter how many new business opportunities we pursue, maintaining open outcry will be my number one priority.

Local

*Brian G. Hand (HAND)

My qualifications are years of experience as a local, a financial stake in NYMEX and an understanding of exchange workings through committee involvement. I have been a member of NYMEX for 17 years. With the purchase of my seat 12 years ago, I simultaneously went local. My sole source of income for the past 12 years has been derived from floor trading. My priority is preservation of the floor-trading arena, which can not only be preserved in this evolving technological environment, but also enhanced. One method of increasing efficiency is through electronic order routing – not electronic trading. Guidance in this area will be crucial over the next few years.

The purchase of my seat was then, and is now, the largest financial exposure to my family. With this financial stake in mind, coupled with floor trading being my sole source of income, I can assure you that I will be diligent and caring in the guidance of our exchange.

The committees I have served on: technology, hand-held technology, facilities, NYMEX Charitable Foundation and birs/ booth utilization sub-committee. I have a BS from Penn State in agricultural business management.

Trade

* Gary Cohn (GDC)

I am running for re-election to the NYMEX board. I am employed at Goldman Sachs/ J.Aron as a managing director, responsible for Goldman's global commodity business. I have been involved in the futures trading business for my entire working career. I started as a runner on the COMEX floor. Afterward, I became a COMEX member and spent eight years on the floor as a local. While a COMEX member, I served on the COMEX board as a local representative. During the period of my career that I lived and worked in London, I

also served on the IME board.

My main reason for wanting to be on the NYMEX board is my company's dedication to the market and our interest in the exchange. We are one of the largest players, both in volume and open interest, on the NYMEX and are active in every trading ring. We have extensive interests that are related to the exchange and have many of our own people on the floor, and are also very active through independent floor brokers.

I am more than happy to give my untarnished views on any of the major issues facing the exchange. I strongly support demutualization as it is necessary to maintain our premier leadership position. I am in favor of introducing trading practices that bring more volume and trading opportunities to the open outcry trading floor.

Trade

* Jesse Hart (JESE)

I have been a member of NYMEX for 17 years. I am a former owner of Bay Area Petroleum – a large, independent floor brokerage operation and an SVP of Saiwa Securities, an FCM. Currently, I work for Duke Energy. During my career, I have dealt with major oil companies, institutional investors, and financial service companies.

I have served on the business conduct, membership, finance, marketing and delivery committees. For a number of years, I have been an active member of the Belle Foundation, a charitable non-profit organization that aids children with congenital deformities.

I believe that the most important function for board members is to be accessible and committed to the exchange. In this fast-changing environment, I feel that it is very important for the membership to be fully informed about all issues confronting the exchange. I am a graduate of the University of Maine with a BS in resource economics.

Floor Broker

*Kenneth Piasio

I am president of Kenco Trading and a partner in ARB OIL CRUDE, Inc., an independent floor operation. I have over 20 years of experience in futures and options trading and hedging. I have served clientele as an FCM with Merrill Lynch, E.F. Hutton and Shearson Lehman.

As a past director of NYMEX, I have chaired several committees, including: floor, settlement, government relations as well as the successful funding of the NYMEX Political Action committee. I have also served on committees including adjudication, business conduct, control,

In Brief.....

Officers Re-elected

At a standing-room only annual meeting on March 2, CFBTA members unanimously re-elected officers and appointed some new directors. Re-elected were: Chairman A. George Gero; Vice Chairman Robert DeMartino; President John Hanemann; Vice President Henry Terranova; Secretary Pat O'Shea; Treasurer Joe Salvatore and Vice President Larry Bilello. New directors named for 2000 are Al Pennisi, Rich Esposito, Jerry Lubcher and Peter Meyer. Public Directors appointed: Sam Abernethy, Esq., Alan Berk, CPA, Melvin Falis, Esq., and James Gargan, Esq.

Candidates Speak

Many candidates for Exchange board elections addressed the CFBTA membership at the annual meeting: Aron Schnell, Scott Hess, Tom Cunningham, Richie Saitta, Mitch Steinhause, Albert Helmig, Peter Meyer, Jeremy Lubcher, Gary Cohen, Noel Goodrich and David Greenberg.

Treasurers' Report

Treasurer Joe Salvatore reported a year-end balance of \$7,738. Dues were set for 2000 at a minimum of \$50. All dues payments are tax-deductible.

WebSite

CFBTA's website – www.cfbta.org – has had over 12,000 hits, manager Nick Mangano reported. A new link will be added in 2000 – to the IPMI.

CFTC To Relax

continued from page 1

with the exchanges were coming back five years later, as part of the review process," said CFBTA Chairman A. George Gero at their annual meeting on March 2. "It was simply unfair and we fought for change. We look forward to new CFTC consideration within the next few months."

The committee hopes that the CFTC, in addition to changing the look-back window, will also call for license reviews of brokers who show a serious pattern of violations involving customers. Recent reviews appear to be prompted by even minor infractions such as record-keeping violations.

Candidates...

Continued from page 3 (Piasio)

globalization, finance, membership and compliance review. I am a graduate of Villanova University, with a BS in business administration.

Floor Broker

* Richard Saitta (SAIT)

I became a member of NYMEX in 1976 while working for a large FCM. I purchased a membership in 1982 and in 1983, I co-founded Star Futures Corp., an independent floor brokerage firm that I continue to operate today.

Since that time, I have served on the board in the floor broker category. I currently serve as chairman of the arbitration, by-laws, compliance review and floor broker advisory committees. I also serve as a member of facilities, floor and control.

Through the compliance review committee, I have worked to support dual trading and open outcry. Through the floor broker advisory committee, I have and will continue to support our fee rebates, the cost reduction program and marketing dollar credits (approved this year by the board).

Along with demutualization, NYMEX and its members will be faced with new and difficult challenges in the near future. I feel that I am the most qualified to represent not only the floor brokers, but also the entire floor community at NYMEX.

At Large

* Thomas Cunningham (TAC)

I have been a NYMEX member since 1984, and a seat owner since 1988. I am the president and sole owner of TAC Commodities Inc., a NYMEX registered floor brokerage firm that specializes in crude oil floor brokerage. I pride myself on being one of the few remaining independently owned and operated NYMEX floor brokerage firms.

I began my career in the commodity futures business in 1974 with Loeb Rhoades and Co; joined Blyth Eastman Dillon and Co. in 1978 as commodity operations manager; joined Drexel Burnham Lambert in 1981 as VP in charge of NY floor brokerage operations. I purchased my NYMEX seat and started TAC Commodities Inc. in 1988.

During my 26-year career, I have served on numerous committees, including membership, business conduct, by-laws, adjudication, finance, floor broker advisory, and the floor committee. Currently I serve on the finance, by-laws, adjudication, floor broker advisory and floor committees.

As we enter the 21st Century, there continue to be many threats to NYMEX and our livelihood – open outcry trading. It is imperative that we have strong and

independent representatives on our board to deal with the many issues that we face now, or will face in the very near future.

I am in the crude oil pit every day and welcome you to stop by, or call me at 212/590-1032 or e-mail me at tacjbc@aol.com. I would really like to hear from you.

At Large

* Scott Hess (HESS)

I am a partner in G&H Commodities, and have been a member of NYMEX since 1982 and a member of the board since 1997. I hold a business degree from Montclair State University and an MBA from Pace University.

I am chairman of the platinum advisory and appeals committees; co-chairman of the training & education, eastern & western electricity advisory, government relations, and coal advisory; vice chairman of marketing and a member of the benefit subcommittee; a member of facilities, compliance review, floor and Charitable Foundation committees.

In the 18 years that I have been a member of NYMEX, one of the most rewarding experiences has been committee work, which laid a strong foundation for serving on the board. The amount of time and effort that so many members devote to committee service is an inspiration that compels me to never lose sight of member interests at the board level – even when that means voting against the mainstream. I attend executive committee meetings on a weekly basis to ensure this voice continues to be heard at that level. I have also chosen to head up and serve on those committees that involve the day-to-day business of the exchange – even though those committees generally require the most work.

I trade in the ring every day – in both metals and energy, handling brokerage business and trading for my own account. I appreciate the needs and problems of each segment of the membership. I am running in the at-large category because I feel I have been successful at balancing the spectrum of interests of the entire floor.

I feel the exchange is at a critical turning point. Over the last few years, board members who rely on trading on the floor everyday have become more of a rarity, yet it is the business that remains the lifeblood of the exchange. As we move forward with exciting new ventures that will expand horizons for all exchange members, it is essential that we not lose sight of our core business.

Members' campaign statements are printed here as a courtesy and do not represent an endorsement.

CFBTA leaders for 1998 are:

A. George Gero, Chairman
Robert DeMartino, Vice Chairman
John Hanemann, President
Henry Terranova, Vice President
Pat O'Shea, Secretary
Joe Salvatore, Treasurer
Larry Bilello, Vice President

Directors

COMEX: Michael Devaney, John Moore, Eric Plateis, Charles Rasher, Michael Tobey, Mike Wagner, Bruce Zins

COMEX Options: Mike Hammer

Cotton: Alan Baird, Marc Brenner, Ken Farco, Harvey Wachman

CSCE: Sebastian Angelico, Mike Belmont, Ed Bollard, Conlin Bradley, David Klein, Fred Mascia, Tom McCloskey, Gene McFadden

NYFE/Dollar Index: Anthony Dowd, Walter Fair, Norman Eisler, Pat Loftus

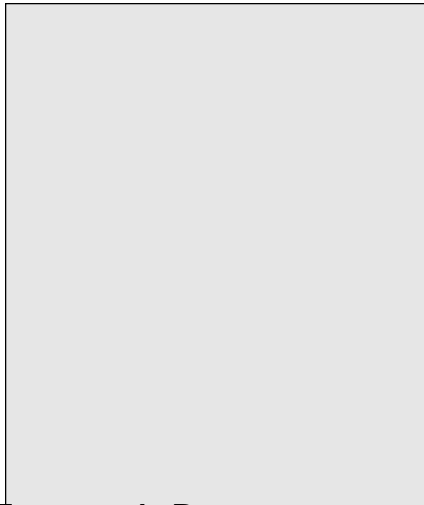
NYMEX: Madeline Boyd, Rich Buccellato, Jeff Grossman, Z. Lou Guttman, William Mainwald

Public Directors: Sam Abernethy, Esq., Alan Berk, CPA, Melvin Falis, Esq., James Gargan, Esq.

Assoc. Member Reps: Thomas LoBue, John Sakulich, Don Tierney

Website Advisors: Nick Mangano, Mary Ann Matlock

Nominees for '99: David Wender and David Greenberg, NYMEX; Stanley Meierfeld, Cotton. They would succeed directors who are moving and, therefore, are unable to serve on the board: Harvey Wachman, Atlanta; and, Kevin Casey, Chattanooga, TN.



Treasurer's Report

CFBTA Treasurer Joe Salvatore reported a year-end balance of \$6,360. Dues are to remain at \$50, and are currently being collected for 1999.

Raffle

Last year, CFBTA's raffle brought in \$3,250 to help offset the costs of a trip to Washington to meet with CFTC officials. This year, Madeline Boyd, Joe Salvatore and David Wender are working to arrange a new raffle. At the annual meeting, Boyd suggested that the ticket price could be \$25 instead of last year's \$5.

Website Sponsor

Warren Rosen & Co. has again signed-on to sponsor the CFBTA website — www.cfbta.org. Rosen was also recently endorsed by the NY Board of Trade to provide members' benefits — medical, life and dental. For specific details, call Rosen at 212/949-9200.

Others interested in advertising on the CFBTA website should contact Nick Mangano at NetList, 718/843-7189 or Mary Ann Matlock, 908/709-1280.

