

# THE OPENING CALL

*Newsletter of the Commodity Floor Brokers and Traders Association*

## Traders: Note Estate Tax Changes

**A**stute traders should sit up and take notice of dramatic changes, especially in the estate tax and retirement account provisions, in the tax code enacted this June under the Bush Administration. It's complex, complicated and, at times, contradictory.

As *Business Week's* columnist Michael Mandel wrote in the June 18 issue: "It's an inconsistent, capricious hodgepodge. Changes in the tax code wink on and off like out-of-control Christmas lights. To take only the

worst of many egregious examples, the tax law repeals the estate tax in 2010 and then restores it in 2011."

Traders, therefore, must pay careful attention and obtain professional guidance. "I believe anyone with any kind of reasonable estate should review his will to provide for the gradual step-up in the exemption amount for estate taxes," said Alan Berk, CFBTA public director and CPA with Leonard Rosen & Co. "The whole tax law has a bunch of phase-in and outs throughout the next 10 years. So, in effect, every year

you have a new law."

Specifically for the estate tax, the top rates between 2002 and 2010 are as follows:

Year	Exempt Amt.	Max. Tax
2002	\$1 mil.	50%
2003	\$1 mil.	49%
2004	\$1.5 mil.	48%
2005	\$1.5 mil.	47%
2006	\$2 mil.	46%
2007	\$2 mil.	45%
2008	\$2 mil.	45%
2009	\$3.5 mil.	45%
2010	Repeal	Repeal

### Tax Cut Fever Helps Traders

**T**ax cut fever and unified lobbying efforts in Washington have worked to the commodity traders' advantage. While at year-end, a transaction tax and repeal of the 60/40 tax treatment for all commodities appeared imminent, all is well again in the pits.

A unified effort by the exchanges and CFBTA helped kill the transaction tax and the 60/40 repeal. "We stressed that the Bush goal to reduce taxes would run counter to the transaction tax and 60/40 repeal," Mark Seetin, vice president of government affairs at NYMEX told *Opening Call*. "We were dead set against a repeal of 60/40," CFBTA Chairman A. George Gero said, "and we worked hard to get that viewpoint across."

What exactly will happen to the 60/40 issue with stock futures is yet uncertain. In the current system, 60% of commodity profits are reported as long-term capital gains (a 20% tax rate) and 40% as short-term gains (a maximum 39.6% rate). Traders must also pay their own self-employ-

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The kicker of course, comes in 2011 when the estate tax is reinstated unless Congress takes other action. "I've heard it called the Kevorkian bill," said Berk, because of the obvious advantages to estates filed in 2010. What exactly will transpire beyond that date depends on Congress, and the uncertainty creates major planning problems at this point for accountants and attorneys.

### Retirement Changes

Changes in retirement savings opportunities under the Act are also complicated. Bob Trinz wrote an excellent summary of the changes, "Most the

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## Stock Futures Debut Likely Sometime in 2002

**F**utures on individual stocks aren't likely to wind up in anyone's Christmas stocking this year, with regulatory issues bogging down the start-up dates of Aug. 21 for commercial trades and Dec. 21 for customers. But, by mid-2002 many expect these products to begin trading as a result of landmark legislation passed by Congress at year-end 2000.

Already, the exchanges are joining forces and developing contracts: NYMEX has products under development; the three Chicago exchanges are working together on offering futures on individual stocks, and Liffe and Nasdaq have joined forces.

"The Futures Modernization Act of 2000 opened the door to a whole new era in commodities trading," said A. George Gero, CFBTA Chairman. "While regulatory issues are being ironed out, exchanges have the go-ahead to develop products and seek out new markets...It's very exciting."

Since the new products – either futures on individual stocks or narrow-based stock indexes — would be subject to joint regulation by the SEC and CFTC, regulatory issues are complex and time consuming. The comment period ended this month for issues such as: registration requirements for FCMs and IBs for securities brokers; the definition of narrow-based securities indexes; designated contract market in securities futures products.

*Futures Magazine* this month in the article, "The future is now," adds that rules posted in the Federal Register on May 10 on issues such as: determining listing standards, establishing rules for margin requirements and others have yet to be approved. The article adds that there is still confusion over what constitutes principal-to-principal (commercial) trades despite the fact that the start-up for that is listed as Aug. 21. Other issues that also need to be defined are: how/where trades will clear; how to handle delivery of the stock and what to do with stock splits.

"It looks like August 21 will not happen," said Peter Meyer with Spear, Kellogg & Leeds. "Nothing is in cement...it's still theoretical at this point...the CFTC and SEC have still not come out with aggregate rules." However, he said, there is an interest in these new products and his company has the trading platform to deliver it to the customer. When, however, remains to be seen.

While the Chicago exchanges and Liffe will offer their products through electronic platforms, NYMEX is examining both open outcry and electronic trading for its stock futures contracts under development. The NYMEX efforts are being led by members of the Stock and Index Futures Committee: Co-chairman Gary Rizzi and Martin Greenberg, Chairman A. George Gero.

At this point, NYBOT is sitting on the sidelines and has announced no plans for stock futures contracts.

## Tax Cut Fever...

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ment tax. This system will remain as is for all futures trades, except those on individual stocks. Regulations and contracts for those are now being developed. (see related article page 2)

Energy issues are also dominating action in Washington, as blackouts in California make headline news. Seetin said NYMEX officials are testifying and offering advice to protect their contracts and future growth. These issues are expected to dominate Congressional debate through the August recess, Seetin added.

In terms of staff, the Bush administration has yet to name a chairman for the CFTC, with James E. Newsome still acting chairman. CFBTA backed Newsome in a late March letter to Clay Johnson, White House Chief of Staff.

CFBTA wrote: "The Association's representatives have had occasion to meet with Commissioner Newsome several times and have found him to be knowledgeable about the industry and

its many facets, including the operations on the floors of the contract markets. Clearly, his experience in the cattle industry provides him with an excellent background to understand the markets and to function as their chief regulator. In addition, the Association believes that at a time of radical restructuring of the regulatory scheme, it will be invaluable to the Commission to have at its head one who has been at the Commission during the last eighteen months, during which the Commission and Congress have re-examined the regulatory role of the Commission. Having been at the Commission during this period, Commissioner Newsome will well appreciate the roles of competing interests, and the historical development of the new supervisory, regulatory philosophy (as opposed to that of a "front line" regulatory). Naming him permanent chair will also have the benefit of avoiding the likely delay in regulatory transition while a new chair without the experience climbs the learning curve..."

### CFBTA Meeting Sept. 19

There will be a meeting of CFBTA directors on Wed., Sept. 19, 3:30 p.m. in the executive dining room, 10<sup>th</sup> floor, at the NYMEX Building. Issues to be discussed include the election of new director Al Peras, NYFE Chairman; NYMEX/NYBOT consolidation; updates on legal issues and health insurance plans. Plan to attend!!

## New Health Insurance Plans for CFBTA Members

There's a new health insurance plan available exclusively for CFBTA members through Warren Rosen & Co. The plan offers traders (especially the self-insured trader with no employees) the ability to take advantage of a high quality, no-referral major medical program at affordable rates. "This is a first of its kind," said Warren Rosen. "It's exclusively for CFBTA members and it is not individually rated. Therefore, our rates only increase when the whole New York community's rates increase. This is a big plus for the CFBTA."

### Several plans are available with different features:

**Plan 1:** \$20 Copay Multiplan PPO. Rates: \$309.87\* single; \$876.26\* family.

**Features:** \$10/\$25/\$50 Rx card; \$1,000/\$2000 out of net.deductible; 70/30% out of net coinsurance; \$3,000/\$6000 out of pocket max.

**Plan 2:** \$30 Copay Multiplan PPO.

Rates: \$306.54 single; \$866.84 family.

**Features:** \$10/\$25/\$50 Rx card; \$250/\$500 out of net.deductible; 80/20% out of net coinsurance; \$1,000/\$2000 out of pocket max.

**Plan 3:** \$30 Copay Vista PPO. Rates: \$265.68 single; \$751.23 family.

**Features:** \$10/\$25/\$50 Rx card; \$250/\$500 out of net. Deductible; 80/20% out of net. coinsurance; \$1,000/\$2000 out of pocket max.

**Plan 4:** \$30 Copay Vista PPO. Rates: \$248.82 single; \$703.55 family.

**Features:** \$10/\$25/\$50 Rx card; \$1000/\$2500 out of net. deductible; 70/30% out of net coinsurance; \$3000/\$6000 out of pocket max.

**Plan 5:** \$30 Copay Vista EPO. Rates: \$214.66 single; \$604.24 family.

**Features:** \$10/\$25/\$50 Rx card; \$500 hospital copay; no out of

network coverage.

Multiplan offers a more comprehensive network of physicians in NY and CT while Vista offers a comparable plan for traders who reside in NJ.

Over 200 CFBTA members have enrolled in these medical plans - which cover traders in New York, New Jersey and Connecticut - since its first offering on March 1.

Members must be in good standing with CFBTA (or submit a dues check for \$50 upon enrolling) and make out their first check to Horizon. For further details call Warren Rosen & Co., 212/949-9200.

*The Association provides opportunities to third party providers to offer goods and services as a service to its members. It has not conducted any due diligence and does not endorse these service providers. The Association shall not be liable for any claims arising out of members' use of such goods or services.*

*\* Rates increase for new applicants quarterly, effective 7/01-01-9/01-01, and are subsequently guaranteed for one full year. Four-tier rates are also available for those who either have no children, or are single parents.*

## Estate Tax Changes...

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Most of the New Tax Laws on Retirement Savings," on *TheStreet.com*. Some changes highlighted:

### Traditional and Roth IRAs:

The maximum annual contribution to a traditional or Roth IRA will rise from \$2,000 to \$3,000 for 2002-2004; \$4,000 for 2005-2006; \$5,000 for 2008 and after. If you're age 50 or older you can make an extra \$500 contribution for 2002-2005 and an extra \$1,000 for 2006 and later.

### Liberalized 401 (k) limits:

The current \$10,500 maximum annual elective deferral to a 401 (k) plan will rise to \$11,000 in 2001, and increase by an additional \$1,000 for each subsequent year until the limit hits \$15,000 in 2006. Those age 50 and

older will be able to make catch-up contributions of \$1,000 for 2002, increasing by \$1,000 for each subsequent year until the catch-up limit of \$5,000 for 2006 and later years.

**If you've got your own business.** Beginning next year, business owners will be able to set aside more money for the retirement than before. For those who use a SIMPLE plan, (fewer than 100 employees) the maximum annual contribution will rise. The current \$6,500 limit goes up to \$7,000 for 2002; \$8,000 for 2003; \$9,000 for 2004; \$10,000 for 2005. And if you're 50 or older, you can make extra catch-up contributions as well (\$500 more in 2002; \$1,000 in 2003; \$1,500 in 2004; \$2,000 in 2005; and, \$2,500 in 2006.)

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## In Brief....

### Futures & Options for Kids

Futures & Options for Kids will hold their annual dinner dance on Thursday, Oct. 4, 2001 at Windows on the World. This year's recipient of the Arthur Kaplan Award for work to children's charities will be past NYMEX Chairman Daniel Rappaport. Tickets are available from Theresa Silk, 212/748-1055.

### NYBOT/NYMEX Committee

A committee of NYBOT and NYMEX members is looking at combining services at the NYMEX building. Committee members include: Vincent Viola, Mitchell Steinhaus, Madeline Boyd, Richard Saitta, Ken Garland, David Greenberg from NYMEX; Fred Schoenhut, Rich Esposito, Marc Brenner and Roger Corrado from NYBOT. The committee is to evaluate a possible move by NYBOT to the NYMEX building.

### "Open Outcry Still Popular"

*The Wall Street Journal* on June 15 touted the benefits of open outcry in an article entitled, "Open Outcry Maintains Its Popularity as Many Traders Still Rely on Old Style," by Daniel Rosenberg. The article chronicles methods commodities traders make when placing trades – either to trade electronically or in the trading pits. Many choose open outcry.

An excerpt from the article: "Howard Olonoff, a New York trader, has a choice each time he places an order. He could send it via the Chicago Board of Trade's ballyhooed new a/c/e/ electronic trading system, or through the exchange's venerable "open outcry" trading pits. More often than not, he chooses the second option. And, he's not alone."

"Execution of trade may be better electronically, but there's a level of emotion in this business, a psychology...." The article continues, "In addition, he said, his orders get filled slightly faster on the exchange floor."

The article gives several other testimonials for open outcry, including one

from a trader who trades electronically, but from a desk overlooking the trading floor. "In the pit, you feel connected with what's going on...But I had to get off the floor. My knees and back were killing me. Here, I can perch and see if I can pick up a trend."

Another financial trader is quoted: "We thought electronics would kill the pits, but it actually enhances the volume." As chairman emeritus of the CME Leo Melamed is quoted, "I'm not at all surprised that the market continues to be viable. As long as a floor maintains a level of volume commensurate with a viable market, we'll maintain it and provide it with all the tools to keep it viable."

### Congratulations!

We'd like to extend congratulations to all CFBTA members who recently won election to the boards of NYMEX and NYBOT. Our organization is well represented! Elected were: (CFBTA members noted with an \*)

NYMEX, elected March 29: Chairman Vincent Viola\*; Floor broker, Gordon Rutledge\*; Local, Madeline Boyd\*; FCM, Gary Rizzi\*; Trade, J. Robert Collins; At Large, Kenneth Garland\*; Public Directors, Robert Steele and Harley Lippman. In the special election on May 24, three CFBTA members became equity holder representatives – Michel Marks\*, Joel Faber\* and Joseph Cicchetti\*. In addition, CFBTA's public director Melvyn Falis\* became a public director at NYMEX.

NYBOT, elected June 20: Class A, Floor, Paul Dapolito III and Paul Liubicich; FCM, Sebastian Angelico\*; Trade, Charles Falk; At Large, Jan-Willem van den Dorpel\*. Class B, Floor, Richard Dewling; FCM, David C. Brandon Jr.; Trade, W.B. Dunavant and Woods E. Eastland; At Large, Thomas A. Butler Jr.

### FIA Representatives

CFBTA Director Al Pennisi will represent CFBTA at the FIA Operations committee meetings while Directors Pat O'Shea and Thomas LoBue will represent CFBTA at the FIA Floor Committee meetings.

## 2001 Officers and Directors

### Officers

Chairman: George Gero  
Vice Chairman: Robert DeMartino  
President: John Hanemann  
Vice President: David Wender  
Secretary: Pat O'Shea  
Treasurer: Joe Salvatore  
First Vice President: Larry Bilello

### Directors:

**COMEX:** Charles Rasher, Michael Devaney, John Moore, Bob Pellegrino, Mike Wagner, Bruce Zins, David Greenberg, Steve Karvellas

**COMEX OPTIONS:** Jeremy Lubcher, Michael Hammer, Rob Panzera

**COTTON:** Ken Farco, Marc Brenner, Stan Meierfeld

**CSCE:** Mike Belmont, Ed Bollard, Fred Mascia, Tom McCloskey, Sebastian Angelico, Fred Schoenhut, Jan-Willem van den Dorpel

**NYFE:** Anthony Dowd, Walter Fair

**NYMEX:** Rich Buccellato, Jeff Grossman, Z. Lou Guttman, Madeline Boyd, Scott Hess, David Wender, Al Pennisi, Richard Schaeffer

**CPA Member:** Alan Berk, CPA

**Counsel:** Sam Abernethy, Esq.

**Legal Committee:** Mel Falis, Esq., James Gargan, Esq., Mike Wagner, Esq.

**Assoc. Member Reps:** Don Tierney, John Sakulick, Thomas LoBue

**Open Outcry:** Mary Ann Matlock

**WebSite Advisor:** Nick Mangano