



Summer 1997

*Newsletter of the
Commodity Floor Brokers and Traders Association*

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CFBTA: "We Won't Be Legislated Out of Business"

One of CFBTA's missions is clear: keep floor brokers and traders from becoming an "endangered species." In 1997, that has meant keeping Washington in its sights -- fighting legislation which would drain business off the exchanges, and a CFTC interpretation that would make floor brokers "police" order allocations of CTAs.

"We used to be concerned about health insurance availability for our members," said Chairman A. George Gero. " Now, we're concerned about whether or not we will be legislated out of business. It makes our lobbying efforts that much more crucial."

In early April, Gero traveled to Washington to attend hearings on H.R.467, one aspect of which is the pro-markets legislation. In effect, this bill would allow exchanges to create largely unregulated markets, exempting transactions between professional parties from CFTC regulation. CFBTA is concerned about the impact such deregulation will have on the industry, particularly that exchanges will no longer be required to report trading data, such as volume and open interest. "If this goes through it will be very damaging to us," CFBTA President John Hanemann told directors at the spring meeting."

He explained that the Chicago exchanges backed the pro-markets provision, thinking it would help them compete with off-exchange products and bring in clearing business from the new "professional" trades. Whether or not the trades will actually clear through the exchanges, or other financial institutions, is unclear.

In addition to attending hearings on the bill, CFBTA also urged Congress to conduct an impact study of the legislation's effects. CFBTA wrote: "The changes that this provision has on the customs and culture of our industry could be substantial. Gauging the impact of these proposals on our markets and the exchanges is difficult, if not impossible without more information about and a closer examination of operation and effect of these provisions. Accordingly we believe a study is imperative."

A vote has not been scheduled on the bill. Washington insiders believe a compromise is being worked out between the Chicago exchanges and Congress.

Bunched Orders

CFBTA's other Washington focus this year has been the CFTC's interpretation of a portion of Reg. 1.35 dealing with floor brokers handling of bunched orders placed by CTAs. CFBTA met with CFTC and NFA officials earlier this year on the idea, and recently sent a comment letter on the issue which was published in the Federal Register on May 9. Both the CFTC and NFA are issuing guidelines on the handling of these orders and one aspect of both interpretations requires floor brokers to police the CTAs.

The interpretations have disparate impacts on the Chicago and New York trading floors. Essentially, CFBTA explained that the difference in how orders reach the floor in Chicago and New York creates the problem. In Chicago, orders go from the CTA to the FCM, but in New York, they can go from the CTA directly to the floor broker. CFBTA and the New York exchanges have been arguing that the floor broker simply cannot police the CTA, ensuring that bunched orders are allocated properly, thereby protecting the customer.

CFBTA wrote: "While orders are handled on the Chicago exchanges by FCMs with substantial staffs, orders are accepted in New York on the floor for the most part by small independent floor brokers. As small businesses, the independent floor brokers are efficiently staffed, with little excess or no capacity to take on extra work...To expect them to review CTA allocations for conformance with pre-filed procedures, which can be complicated, and which can vary from day to day for a given CTA, is unreasonable and unrealistic."

CFBTA feared that this ruling will have a discriminatory impact on New York floor brokers and urged the commission to adopt an aiding and abetting standard.

While the comment period on the bunched order allocation issue ended June 9, comments are still being received and reviewed, a CFTC spokeswoman said. What action, if any, will be taken is unclear. Bunched orders

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In Bref.....

NYMEX Move

The NYMEX/Comex trading floor is officially being moved to the new building over the July 4 weekend. The move was originally planned for Memorial weekend, but glitches in telephone service prompted a postponement. Most exchange staff members have already re-located.

Cotton Compensation

The Cotton Exchange is considering a proposal made at its June Board meeting to compensate its chairman, vice chairman and treasurer, according to a letter sent to the membership by Luis Amechazurra Christie, former vice chairman. Currently, NYMEX pays its chairman and board members whereas CSCE and NYCE do not.

Trade Show

The fourth annual CFBTA/NYMEX trade show was successfully attended on May 12 & 13 in the CEC board rooms. Vendors who attended were: Data Transmission Network; DocuPro; CQG; Elliott Wave; Securities Dealing Systems; Track Data; Dow Jones; Bloomberg; Zai-Net; Reuters; Data Code Incorporated, and Peco.

Treasurer's Report

Dues payment is ahead of last year at this time, with \$8,629 in the treasury. Dues, now at \$50, are payable to : CFBTA, CEC box 631, 4 World Trade Center, New York, NY 10048.

Futures for Kids

The annual dinner dance for Future and Options for Kids is set for Tuesday, Oct. 7, at Windows on the World, atop the World Trade Center. Pat Arbor, chairman of the Chicago Board of Trade, will receive the 1997 Arthur Kaplan Award. Also, the 1997 CEC

Community Service Award will be presented to Madeline Boyd, chairman of the NYMEX Charitable Foundation. For tickets, call Theresa Silk, 212/748-1055.

Lapayover Resigns

One of CFBTA's founding officers, Gary Lapayover, resigned from CFBTA this year. We would like to thank Gary for his hard work on the organization's behalf, and wish him well. His new role as NYMEX vice chairman has extensive travel and time demands which preempt him from serving CFBTA.

New Directors

New CFBTA directors for 1997 are: John Moore, Comex; Pat Loftus, NYFE; Fred Mascia, CSCE; and associate director, Tom LoBue. Pat O'Shea, CSCE, is the new corporate secretary.

Address Changes

CFBTA members who are moving to the new NYMEX/Comex building should send a change of address notice to CFBTA, CEC Box 631, 4 World Trade Center, NY. NY 10048, or contact Joe Salvatore.

Cotton-CSCE Merger?

The boards of their respective exchanges have given Art Rheinhart, chairman of CSCE, and Al Weis, chairman of Cotton, the go-ahead to explore a merger of the exchanges for cost-cutting and efficiency purposes.

Web Site A Hit

CFBTA's new web site-- <http://www.cfbta.org> -- has been well received by "browsers" in the industry. While the site provides updates on relevant issues for the industry, it also provides links to sites such as the exchanges, the FIA, the brokers association in Chicago, and Futures and Options for Kids. In the near future, the offerings will be expanded to include a directory of industry-related services and products, and a weekly "market watch" column from industry analysts.

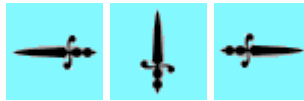
"We view our website as a link not only to the industry today, but to the industry of the future," said Chairman A. George Gero. "Our committee is working to perfect the site as we go along, and we welcome input from interested parties." Technical questions and analysts interested in participating in the "market watch" program should call or email [Nick Mangano](mailto:Nick.Mangano@netlist.com), site manager, at NetList, 718/843-7189. CFBTA committee members are: Z. Lou Guttman, chairman; John Hanemann, David Klein and Bruce Zins, members.

Many companies are exploring advertising possibilities on the site. For rates/availability, please call Mangano or Mary Ann Matlock, 908/709-1280.

Annual Dues Now Due for 1997

CFBTA annual dues of \$50 are now due for 1997. Notify your clearing member to deduct dues from your account and forward to **CFBTA**, or make check payable to Commodity Floor Brokers & Traders Assn. and give to a director/officer or mail to: **Commodity Floor Brokers & Traders Assn., CEC Box 630, 4 World Trade Center, New York, N.Y. 10048**

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