



Summer 1998

*Newsletter of the
Commodity Floor Brokers and Traders Association*

Previous issues...

[Spring 1998](#) | [Winter 1997](#) | [Summer 1997](#) | [Winter 1996/1997](#) | [Summer 1996](#) |

No Time For Vacation

Dear Members:

CFBTA has no time to go on vacation this summer. In this, our 10th year, floor issues are more critical than ever. We must stay united to challenge the CFTC's appeals process that threatens our right to due process; and learn to work alongside the electronic markets that are replacing our peers on European trading floors. With your support, we can make a difference. When our representatives come calling for dues payments, or raffle ticket purchases, remember that money raised is to preserve your future...your livelihood. Again, thanks for your 10 years of loyal support.

A. George Gero
John Hanemann

CFBTA to discuss arbitration process with CFTC on June 24

CFBTA leaders are headed to Washington on June 24 to brief new CFTC commissioners on floor issues/concerns. High on the agenda will be the CFTC's handling of sanctions on appeal, which some view as 'impossible' since Brooksley Borne became head of the

CFTC. Other issues to be discussed are: EFPs and their timely posting; the encroachment of foreign exchanges and OTC trading; responsibility for individual fine reporting; and, broker liability for allocation of bunched trading orders. Members are urged to let CFBTA officers know of any other issues they would like brought before the Commission. Individual cases, however, cannot be discussed in this forum.

"We spoke briefly with CFTC Commissioner Barbara Holum at the FIA convention in Boca Raton in March, and she responded by inviting us down for a late June/early July meeting," CFBTA Chairman A. George Gero told directors at their May 26 meeting. "We have a full agenda to discuss. Right now, we are working out the exact date/format for the meeting." Representatives for CFBTA will be George Gero, John Hanemann, Sam Abernethy, Pat O'Shea and Jim Gargan with alternates Charles Rasher and Madeline Boyd.

High on the agenda will be the CFTC's appeals process which has come under fire recently because in many instances where cases are appealed, the fines/sanctions have increased dramatically. In one case, a sugar broker who was banned from trading for five years appealed the case, and was then banned for life. In another, a case of prearranged trading allegations against four grain traders from the CBOT was dismissed by an administrative law judge, yet two years later they were fined \$200,000 by the CFTC. Other examples exist, such as a group of heating oil traders who were given five-year bans by the CFTC even through their own division of enforcement did not ask for these sanctions.

A Wall Street Journal article on the issue states that since Brooksley Born became chairperson in mid-96, the CFTC has increased penalties in 60% of enforcement appeal cases, compared with only 15% in the six year prior to her appointment. Also, in 1977 the CFTC revoked 52 registrations and banned 30 entities from futures trading, more than double the total for the fiscal 1996, the Journal reports.

"Appealing a case is part of the American way of life," said Gero. "Yet, recent actions by the CFTC are sending the opposite message. At our February meeting, traders and brokers complained that the cost of filing an appeal and the increased sanctions resulting from them will force people out of business. We cannot have that."

He is optimistic that CFBTA can make a difference. Over the years, CFBTA has been instrumental in fighting against increased transaction taxes, against pro-markets legislation, against a CFTC directive requiring silent investors in floor brokerage operations to become CFTC registrants; against making floor brokers liable for allocating bunched orders; and for futures style margining for options and equal regulation of US and foreign exchanges.

"In the past ten years, we have made a difference," Gero commented. "Yet, the fight must continue. Recently, we have read reports that electronic trading is forcing floor brokers out of business in Europe. We must be vigilant here to protect our livelihood."

Should CFBTA Membership Expand to Include APs?

Should CFBTA allow APs (associated persons) to join their organization as a separate division? The proposal was made by Allan Jay, executive vice president at Reifler Trading Corp., at the May 26 directors meeting. He proposed the idea, along with former NYMEX

local Phil Karasyck, because there is no professional association for APs, and he views floor brokers/traders and APs as having similar issues to confront. The benefits of an AP division to CFBTA, in Jay's view, would be to:

- generate revenue for CFBTA since the division would pay money to the parent
- increase educational awareness of the markets
- improve lobbying efforts
- host social functions for APs and floor brokers/traders

Jay estimated that he could get 10-12% of the 47,000 registered associated persons to join the group. "We would start to get a 'war chest' to lobby and promote our needs," he said. Jay approached CFBTA with the idea because it is a well-known entity with 10 years of experience and a good reputation. He views the two groups having common issues to fight for such as loss of jobs to foreign exchanges, disciplinary actions and educating the public.

CFBTA directors set up a committee to study the pros and cons of the issue. Members of that committee include: Sam Abernethy, Eric Plateis and Madeline Boyd. A decision will be made at the next directors' meeting. Some issues CFBTA will look at before making the decision include: whether APs and floor brokers/traders indeed have similar issues to address; possible conflicts between views of APs and the floor community; start-up costs for a division and who would pay those.

CFBTA directors urged caution on expanding their organization. "We don't want to become the tail wagging the dog," said Pat O'Shea explaining that CFBTA has 750+ members and, if Jay's projects are correct, the division could be nearly 5,000 members. John Moore added that the brokerage houses have their own lobbyists and APs needs may be better served there. Others added that they want to be cautious about sharing a name/reputation they have worked 10 years to build. Especially troubling, they added, was the possibility that the floor's opinion on a variety of issues could differ from that of the AP, causing conflict and a weakened organization.

In Brief.....

Treasurer's Report

At the May 26 meeting, Treasurer Joe Salvatore reported a balance of \$12,064.

Web Site Re-Design

Also at the May 26 meeting, web designer Nick Mangano reported a re-design of the web pages is underway, to streamline pages in keeping with industry trends. He is looking into adding links to additional sites, such as the FIA monthly statistics. Warren Rosen, he added, has again signed on as the site sponsor. See the new look at: <http://www.cfbta.org>.

Raffle

CFBTA is planning to sell raffle tickets on the trading floor this summer, in an effort to bolster the treasury and fund increased Washington trips/lobbying. At the May meeting, Joe

Salvatore and John Hanemann were named coordinators for the project, and volunteers are seeking approval from each exchange for the project. If it is successful, it may eventually replace dues as a funding source.

NYSE Small Composite Index

Beginning June 26, the NYSE Small Composite Index futures contract (\$250 x the Index) will trade side-by-side the NYSE Regular (\$500 x the Index) and Large Composite Index (\$1,000 x the Index) contracts. All NYSE Composite Index contracts will have identical final trading and settlement days, daily and final settlement prices, contract months and trading hours. All volume and open interest figures will be converted into the NYSE Small Composite Index.

Trading hours for these contracts will be expanded with access now available 19 hours a day. Exchange fees will be waived for three months for evening and afternoon sessions.

News Reports

Open Outcry Defended

CFBTA officials have been taking to the media to promote and explain the role of the floor trader/broker. In a June 8 Wall Street Journal article, "Open-Outcry Traders Ponder Electronic Threat," Chairman George Gero defends open outcry. While others view electronic trading as the way to fill orders, George emphasizes: "Nothing takes the place of the expertise of a human market-maker or order-filler."

CFTC Trip Planned

Along similar lines, public director Jim Gargan is quoted in Wall Street Letter on June 1 explaining the group's planned trip to the CFTC this summer to discuss floor issues. He explained that EFPs and the appeals process are high on the list of discussion with the CFTC. Regarding appeals, he said, "If you get a traffic ticket and it goes from \$50 to \$100 on appeal every time, you're not going to look at each ticket, but the process itself."

CFBTA will be doing exactly that in meetings being set up with Chairperson Brooksley Born and commissioners John Tull, Barbara Holum and David Spears.

New Exchange Site

The New York Daily News on June 9 quotes public director Jim Gargan regarding the new trading center for the Board of Trade of the City of New York, formed by the merger of Cotton and Coffee, Sugar and Cocoa exchanges. Gargan reports that some members are concerned about the huge debt that a new building will entail, as opposed to modernizing the existing 4 World Trade Center locations. He is quoted, "A lot of members don't want to have a mortgage at work when they already have one at home." Chief executive of the new exchange Jim Bove, however, is quoted as predicting the Board of Trade will stick with the plans to build a new state of the art facility. He states that it would cost no more than remodeling 4 WTC.

Web Page

CFBTA's web page -- <http://www.cfbta.org> -- will once again be sponsored by Warren Rosen & Co. during 1998.

We also have a new advertiser, Sterling Commodities. Other sponsors and advertisers are being lined up.

A new web committee -- comprised of Nick Mangano with NetList, and CFBTA member David Wender, are exploring offering analysts views on the web page, as well as links to new sites. Currently, the site links to the FIA, CFTC, the exchanges and offers newsletters from CFBTA as well as the National Alliance in Chicago.

For further information, contact: [Nick Mangano](#), NetList USA, 718/843-7189 or Mary Ann Matlock, 908/709-1280.

Opening Call is published by the **Commodity Floor Brokers & Traders Assn.**, CEC Box 630, 4 World Trade Center, New York, N.Y. 10048; 212/249-7276. **Opening Call** is produced under the supervision of Mary Ann Matlock, publications/public relations consultant, 908/709-1280.



| [Prev](#) | [Home](#) | [Next](#) |