

# THE OPENING CALL

*Newsletter of the Commodity Floor Brokers and Traders Association*

## Cameras Headed to the NYMEX Pits

A surveillance camera system is being installed on the NYMEX trading floors. The system, expected to be operational by the end of March, was approved by the NYMEX board in November. It will be a completely digital system for the third and NYMEX portion of the seventh floor. It will produce video wave files for review, but no audio component. The exact number of camera domes to be installed is now being finalized with a consultant. However, multiple views of trading areas will be available.

“Generally speaking, the system will be for compliance purposes,” said NYMEX SVP Tom LaSala. “As the board approved, the system will be used for directional purposes only.” That, LaSala explained, means the cameras will be directed to a particular trader/traders, booth/booths based on an analysis of trading, a customer complaint, or floor observation. LaSala will ultimately determine and sign off on when the cameras are turned on, and where they are directed.

General information on the camera system was presented at the CFBTA Board meeting in late 2005. Traders weighed the pro’s and con’s of the system, but most felt it was better for the exchange to take this type of initiative now to police its own markets, rather than react to possible government mandates at a later date. CFBTA Chairman A. George Gero explained that in Chicago and England, cameras have been effectively used for years. CFBTA member Mitch Steinhaus added that large traders are supportive of the cameras. As of this writing, NYBOT has no plans for cameras.

### Floor Brokers' Directory to be Distributed to Industry

CFBTA is printing a directory of floor brokers and traders for distribution at industry conferences such as the Futures Industry Association conference in Boca Raton, FL., March 15-18. To be included will be the broker name, phone numbers, clerk names and commodities traded.

For further information, contact: John Conheeny Jr. at NYMEX phone 212/299-2345, or email JConheeny@nymex.com; or Guy Taylor at NYBOT, 212/748-4103, GTaylor@nybot.com. CFBTA would like to thank the exchanges for their help in pulling this directory together.

“As a group representing the floor brokers, we can understand that there is some apprehension at being monitored by cameras...it does smack of “big brother,” George Gero told *Opening Call*. “But, on the other hand, we have to reassure our customers and the industry that are markets are honest, open and above board. If that means installing cameras that can be used when warranted, then we support that. We need to keep the volume on the trading floors.”

## Investment Tune-Up Suggestions for 2006

The beginning of a new calendar year is the best time to begin financial planning and evaluation for the year ahead. For CFBTA members, two experts have provided insight into retirement planning and health care. Their advice follows.

**By Bob Mitgang  
Partner**

**Peretz, Resnick & Co., LLC CPAs  
(914) 332-5393**

Retirement plans are a meaningful tool to help you reduce your tax liability now and provide financial security for your future. When the opportunity arises to contribute to a retirement plan, a profit sharing, solo401k, or a defined benefit plan may fail to meet your needs. A 412(i) plan may be the best solution.

### Large Tax-Deductions

Business owners are often frustrated by the limitations placed on traditional profit sharing and 401(k) plans. In 2005, the contribution limit for an individual to these types of plans is \$42,000. For the high income and high net worth individual, this represents a relatively small tax deduction.

412(i) plans are IRS approved pension plans that offer significantly higher contribution levels. For instance, a 40-year-old earning \$200,000 could contribute over \$100,000 to a 412(i) plan. This amount is fully tax-deductible. A 45 year old in the same income category could contribute over \$135,000.

These larger contributions serve two purposes. First, it significantly reduces the income tax liability and secondly, it allows the individual to catch-up on his/her retirement plan, accumulating a large tax favored nest egg in a relatively short period of time.

### Safety

With the stock market uncertainty and fluctuations of the past several years, individuals understand that there is a place in the portfolio for safe investments, especially as retirement grows closer. One of the unique features of a 412(i) plan is that it must be invested in guaranteed investments with a minimum rate of return. We know exactly what the participants will have in their account at the end of year 1, year 2, year 3, etc.

### Low Cost and Low Administration

Due to the guaranteed nature of the 412(i) plan, many of the complexities of a traditional pension plans are eliminated. There are no investments to choose, reporting is limited and an actuary is not needed. For a 1-person plan, the total annual administration is \$800 per year.

### Estate Planning

If set up properly, the 412(i) plan can be an extraordinary estate planning tool. It allows for the purchase of life insurance utilizing pre-tax dollars. Life insurance always passes income tax-free to beneficiaries and when used in conjunction with a Trust may also pass estate tax-free. In other words, you can convert dollars that will eventually be taxed twice (at the income tax and at the estate tax levels) into tax-free dollars.

### 2005 Qual. Plan Contribution Limits

401k: \$14,000

Profit Sharing - \$42,000

\*Defined Benefit - \$60,000

\*412(i) - \$135,000

\*45 year old and 65 retirement age

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## CFTC Reauthorization Bill in Limbo

The CFTC Reauthorization Act is in legislative limbo – a House version passed in December calls for closer oversight of natural gas markets while the Senate version passed in the summer does not. Little legislative action to reconcile these differences is expected until after the Congressional recess in February.

“The original House bill,” NYMEX Senior Vice President of Government Affairs Madeline Boyd explained, “contained provisions that had serious ramifications to the trading floor... it would have imposed narrow price trading limits

and stop gaps... it would have significantly changed the way we do business. We would have hit that limit several times a year.” Now, explained NYMEX Vice President of Regulatory Affairs De’Ana Dow, the focus is on settlement prices in the natural gas futures market, more stringent record keeping, and stiffer penalties. The CFTC, under the House bill, will have the right to review and analyze the markets if there are significant and highly unusual changes in the settlement prices for natural gas futures. Exactly how significant and highly unusual will be defined is yet to be seen. “We have made significant

progress,” De’Ana told *Opening Call*, “The CFTC has been very supportive...” The House version was passed both by the Agriculture Committee and the full House.

The Senate bill, passed by the Agriculture committee in July but not the full legislative body, contains no energy provisions. In late February/ early March, that body is expected to draft a compromise bill for introduction to the full Senate. “Because there is no agreement, things in the Senate are on hold,” said De’Ana. “They are still drafting ... we are still confident.”

## Investment Tune-Up

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**By Warren Rosen  
Rosen & Co.  
212-949-9200**

As we welcome the New Year, we traditionally establish some new goals or resolutions which we hope to keep beyond the first or second month of the year. One of my goals this year is to make sure my clients are well informed about all the opportunities that are available to them in the ever changing insurance industry. Below I have outlined some items for your consideration:

### Medicare Part D

Medicare Part D is a prescription drug coverage program for people 65 years of age and older. Your decision to enroll in Medicare Part D depends on the kind of health care coverage you have now. Employees over 65 may think they want to continue with their group coverage, but before you do that you need to determine whether your coverage is credible. Credible coverage is prescription drug coverage that is better than the Medicare Part D plan.

**Medicare Plan D** can also serve as a supplemental plan to an existing health plan. The new Part D plans are better than most current supplemental plans on the market.

\* Monthly premium of approximately \$37

- \* \$250 Deductible
- \* Medicare plans pay 75% of drug costs between \$250 and \$2,250.
- \* Between \$2,250 and \$5,100, beneficiary pays 100% of drug costs.
- \* Once beneficiary has reached \$3600 in out-of pocket costs, Medicare pays 95%.

Open enrollment began on Nov 15, 2005, but anyone who is eligible now may enroll by May 15, 2006.

### Changes in Life Insurance

There have been some dramatic premium reductions in the guaranteed life insurance industry, which are expected to rise in coming months due to changing industry legislation. This impacts not only conversion of term products, but also additional coverage needs you may have. If you have not reviewed your current policies in the past 12-24 months, we strongly recommend you do so as there has been no better time to take advantage of these attractive life insurance plans.

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*The above opinions are provided for educational purposes only and do not represent an endorsement of individual products or services by the Commodity Floor Brokers and Traders Association.*

## Volumes Soar

2005 was a very good year for the New York commodities exchanges. Record volumes were set by both exchanges, paralleling industry records in Chicago. At NYMEX, an annual volume record of 204,611,147 contracts was set, shattering the previous record of 163,122,155 contracts set in 2004. Total NYMEX division volume set a record of 175,039,622 futures and options contracts, up from 133,987,398 in 2004. In the COMEX division, 25,406,301 futures contracts were traded, up from the 2004 volume record of 23,228,536.

Leading the way for NYMEX was the energy complex, where trading reached 112,306,937 contracts, topping the 2004 record of 96,994,298 contracts. In the energy area, crude oil futures led the way with 59,650,486 contracts, surpassing the 2004 record of 52,883,200 contracts. On the COMEX side, gold led the way with 25,406,301 futures contracts traded, up from 23,228,536 contracts in 2004.

Growth is continuing into 2006. The new NYMEX mini heating oil and unleaded gasoline futures each broke 1,000 contracts traded on January 20.

NYBOT posted similar gains. For the third straight year, records were set across the board. Total 2005 volume was 37,945,585 futures and options contracts, more than 20% increase over the previous record of 31,729,591 contracts. Ag futures and options both set new records with a 19% increase – to 24,486,440 futures traded and 8,932,169 options contracts traded in 2005.

On January 20, 2006, NYBOT sugar futures and options volume reached 232,560 contracts -- an all time high.

“From the floor perspective, 2005 was a great year for overall volume.” Said CFBTA Chairman A. George Gero. “We saw business come to the floor because of our regulation, guarantees and price transparency. Now, in 2006 we have to remain competitive, but also address issues of floor compensation. Our overall cost of doing business has gone up, but our fees per trade are going down. This will be one of our priority areas to examine this year.”

## CFBTA Annual Meeting

### Monday, March 6

### 3:30 p.m.

1 North End Ave.

10th floor

### Annual Elections of Officers/Directors

## In Brief...

### FIA Conference

Those looking to register for the Futures Industry's 31st annual conference in Boca Ration, Florida, to run from March 15 through the 18, can do so on line. Just log on to [www.futuresindustry.org/boca](http://www.futuresindustry.org/boca) for the registration form.

### Treasurer's Report

Treasurer Joe Salvatore reported a balance of \$80,206 in the CFBTA account.

### Charlie Rasher

CFBTA founding member Charlie Rasher died this past year at the age of 86. Charlie, a member of COMEX for 44 years, was an icon at the exchanges and never missed a CFBTA meeting. "He taught most of us about the physical end of the business," said CFBTA President John Hanemann. "He was always involved with what was best for the exchange. He helped us organized our group to represent the floor community. He will truly be missed."

### Merrit Levenberg

COMEX member Merrit Levenberg (SL) head of the Millennium Futures Group, one of the largest independent floor brokerage firms on the Exchange died in December. He first came to COMEX in 1979 as a summer intern for Floor Broker Associates. He became a clerk after graduating from college and in 1984, a COMEX member.

### Edward Argenio

In December, a food pantry opened its doors in the Mariners Harbor neighborhood of Staten Island. Named for Edward Argenio, former NYMEX member who died last September, the food pantry is a testament to his hard work and support for charitable causes. His wife Susan dedicated the facility that is named for him.

### New Contracts

NYMEX introduced mini heating oil and gasoline futures contracts on January 17 for their ClearPort system. Contracts at 21,000 gallons each are half the size of those physically traded on the floor. Prices are based on NYMEX pit trading.

### Futures & Options for Kids

NYBOT Futures and Options for Kids annual Dinner Dance and Award night will be February 23, 2006 at The Ritz Carlton Hotel, Battery Park. This year's honoree will be Terrence A. Duffy, chairman of the Chicago Mercantile Exchange and recipient of the 2006 Arthur Kaplan Award. Joseph J. O'Neill, senior vice president of NYBOT will receive the 2006 Patrick O'Shea Community Service Award. Cocktails will be at 6 p.m., dinner at 7 p.m. For more information call Theresa Silk at 212-748-4146

### Memberships in Trust

NYMEX and COMEX memberships may be held by Trusts and Family Limited Partnerships, per rule amendments at year-end 2005. The rules were drafted in an effort to provide exchange members with an expanded and more flexible approach to seat ownership. Because the individual needs and objectives of the membership are so diverse, these rules were purposely drafted to be of general nature. Members are urged to meet with their personal legal and financial advisors to determine if the transfer is beneficial for them. A fee of \$500 and copy of the paperwork must be submitted to the membership department for processing. For further information, contact Dawn Lowe, vice president of member services.

### Reminder

*To remain eligible for health insurance at CFBTA group rates, you must keep your membership up to date.*

## 2005 CFBTA Officers/Directors

### Officers

**Chairman:** A. George Gero  
**Vice Chairman:** Fred Schoenhut  
**President:** John Hanemann  
**Secretary:** Jan Willem van den Dorpel  
**Treasurer:** Joe Salvatore  
**First Vice President:** Larry Bilello  
**Vice President:** David Greenberg

### Directors:

**COMEX:** Richard Buccellato, Michael Devaney, John Moore, Bob Pellegrino, Bruce Zins  
**COMEX OPTIONS:** Michael Hammer

**COTTON:** Marc Brenner, Thomas Butler, Stan Meierfeld

**CSCE:** Sebastian Angelico, Mike Belmont, Steve Forman, Fred Mascia, Steven Winter

**NYFE:** Walter Fair, Al Peras

**NYMEX:** Madeline Boyd, Robert Coakley, Steve Ardizzone, Jeff Grossman, Z. Lou Guttman, Scott Hess, Michael McCallion, John McNamara, Gary Rizzi, Gordon Rutledge, Richard Schaeffer, Richard Saitta, Steve Karvellas

**Public Director:** John Conheaney Sr.

## Committees and Associates

**Associate Members:** John Conheaney Jr., Thomas LoBue, David Schneiderman

**CPA Member:** Alan Berk, CPA

**Counsel:** Sam Abernethy, Esq.

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

**Open Outcry:** Mary Ann Matlock

**Communications Director:** David Garland