

THE OPENING CALL

Newsletter of the Commodity Floor Brokers and Traders Association

2006: The Year of Dramatic Changes

Dear Members:

The New York exchanges themselves have become global commodities. NYMEX made its initial public stock offering in mid-November, with demand exceeding even optimistic expectations. The stock price, initially set for the \$48 to \$52 range, shot above \$150 on the first day of public trading. Prices have remained about \$120 since.

At NYBOT, members approved a merger with the Intercontinental Exchange (ICE) in December, and are poised to take a similar historic step. Details of this business relationship will unfold in 2007.

The Exchanges as we knew them are gone. We are now accountable to forces and owners beyond the trading floors. We now have shareholders, not members. We are a true and vital part of the global economy, yet we are changing.

Parallel efforts are being made to preserve open outcry while increasing product availability on electronic platforms.

NYMEX products – including the metals — are now traded on the GLOBEX system. In late 2006, NYMEX added six new “soft commodity” contracts on its ClearPort platform, and will expand

those offerings to GLOBEX in January 2007. NYMEX is now in direct competition with the Intercontinental Exchange (ICE) for energy contracts; the LME for metals; and, NYBOT for soft commodities such as cocoa, coffee, cotton, orange juice and sugar. The competition is virtually around-the-clock because of electronic trading.

NYBOT, which shares physical space with NYMEX in the post-9/11 world, is also undergoing drastic change. As their merger with ICE unfolds in 2007, that exchange will directly compete with NYMEX energy contracts on the ICE electronic platform. NYBOT’s “soft commodities” will also become available on the ICE electronic system, bringing further competition into that marketplace.

Competition reins supreme. But, what will happen to the floor trader?

Where will volume increase? What will unfold in a business that has remained the same for over 100 years? All these questions remain.

At CFBTA, we are committed to fighting for the floor community. We will continue to represent our interests to Congress. We will continue to fight for a level playing field in the regulatory area. We will continue to embrace the importance of open outcry as a parallel service to electronic trading. Both systems can flourish, and should in the years ahead. With your support.

We look forward to representing your interests in 2007 and beyond. Have a healthy and prosperous new year.

Sincerely,
CFBTA Officers
A. George Gero, Fred Schoenhut,
John Hanemann, Jan Willem van den
Dorpel, Joe Salvatore, Larry Bilello,
David Greenberg

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New Health Plans Available for CFBTA Members

CFBTA members doing their year-end financial planning have some new health insurance options available. From December 1 on, all current and new CFBTA members will have five new health insurance options: three very attractive HIP plans (currently available to CFBTA members who are New York residents) and two High Deductible HSA plans from Perfect Health (available to our members nationwide).

Plans have been pulled together so CFBTA members have an affordable choice for 2007, as the Horizon Healthcare plan of NY will be discontinued on February 1.

Enrollment dates for the new contracts are December 1, January 1 and February 1.

“We highly recommend switching before the February 1 deadline,” said administrator Warren Rosen. “We have worked hard with CFBTA and these new insurance carriers to come up with affordable competitive programs. We are offering rates for CFBTA members that you cannot get on the street.”

“Health insurance is a very critical issue for our members,” said CFBTA Chairman A. George Gero. “We have worked with Rosen & Co. and these carriers to have the plans and premiums customized for our members. We are pleased with the results.”

A brief outline of the five plans follows:

HIP PLANS

The HIP plans enable members to utilize their substantial doctor network in New York. For listings, please visit www.hipusa.com to review your doctors. A brief description of the HIP plans:

A- HIP Access II PPO Available 12/1/2006

- * In-Network & Out-of-Network benefits
- * No referrals

- * \$1,000/\$2,000 Deductible Out-of-Network ONLY
- * 100% Co-Insurance In-Network/70% Co-Insurance Out-of-Network
- * Office Co-pay \$25/ Specialist Co-Pay \$40
- * Drug card co-pay \$7/\$30/\$50

B- HIP Access II PPO Available 12/1/2006

- * In-Network & Out-of-Network benefits
- * No referrals
- * \$2,500/\$5,000 Deductible Out-of-Network ONLY
- * 90% Co-Insurance In-Network/70% Co-Insurance Out-of-Network
- * Office Co-pay \$25/ Specialist Co-Pay \$40
- * Drug card co-pay \$20/\$30/\$50

C- HIP Access II epo Available 12/1/2006

- * In-Network
- * No referrals
- * \$3,000/\$6,000 In-Network deductible ONLY
- * 90% Co-Insurance In-Network
- * Office Co-pay \$30 Specialist Co-Pay \$45
- * Drug card co-pay \$20/\$30/\$50

HSA PLANS

The HSA, plans, on the other hand offer catastrophic coverage. The Perfect Health plans are HSA (Health Savings Account) plans where you have a high deductible, along with a Health Savings Account, premiums on these plans are significantly less. The HSA element allows you to set aside monies on a tax-deferred basis.

D- Perfect Health Health Savings Account (HSA) Available 12/1/2006

- * Catastrophic Insurance
- * In-Network & Out-of-Network benefits
- * No Referrals
- * \$2,500/\$5,000 Deductible In-Network AND & Out-of Network

- * 100% Co-insurance In-Network/70% Co-Insurance Out-of-Network
- * Drug Card: Deductible and Co-Insurance

E- Perfect Health Health Savings Account (HSA) Available 12/1/2006

- * Catastrophic Insurance
- * In-Network & Out-of-Network benefits
- * No Referrals
- * \$5,000/\$10,000 Deductible In-Network AND & Out-of Network
- * 100% Co-insurance In-Network/70% Co-Insurance Out-of-Network
- * Drug Card: Deductible and Co-Insurance

Reminder!

Membership in CFBTA is required to be eligible for health plans listed here. When examining any health plan offerings on the trading floor, please be sure that you meet the eligibility requirements of the group plan – whether offered by CFBTA or others.

The annual meeting of CFBTA members will be
April 9
3 p.m.
10th floor
1 North End Ave.

IPOs Have Unique Tax Implications for Members

Tax preparation will not be business as usual for exchange members this year. Going public – i.e. issuing stock – has different implications for NYMEX, COMEX and NYBOT members. Some – NYMEX and COMEX — will face tax consequences for 2006 filings, while NYBOT members face similar circumstances next year when their deal with Intercontinental Exchange (ICE) is scheduled to be finalized.

“I strongly urge members to consult with their tax advisor this year because circumstances are different for each exchanges’ members,” said Alan Berk, Vice President with Leonard Rosen & Co. “And, while your advisor can provide you with the tax treatment, it is a good idea to be familiar with the general situation each member will face. Be advised that as of now, many questions with regard to tax treatment remain unanswered.”

He gave some general guidelines:

NYMEX

NYMEX stock was issued on a tax-free basis because it was an exchange of membership rights for stock. However, when that stock is sold, it will have tax consequences. The basis of the stock is the original cost of the NYMEX membership. An allocation of the cost should be made between the NYMEX stock received and the trading rights. The allocation will most likely be based on the stock price and the value of the trading rights.

The holding period to determine long or short-term capital gain treatment will be determined by the date of purchase of the NYMEX membership.

COMEX

COMEX members have a different tax situation than NYMEX members. The COMEX members originally exchanged their memberships for an agreement with NYMEX which granted them trading privileges. They have no equity in NYMEX. Whatever NYMEX shares or cash received is

taxable when received. The holding period will be determined by the length of time the trading privileges were owned.

NYBOT

In December, NYBOT membership overwhelmingly approved a merger agreement with the Intercontinental Exchange (ICE) that had been proposed in September. The transaction will comprise 10.1297 million shares of ICE common stock and \$400 million in cash. When the deal is made final, NYBOT will become a wholly-owned subsidiary of ICE. Early 2007 is the target date for making the deal final. Tax treatment should be similar to that of NYMEX, since NYBOT members are essentially trading their rights for stock. However, NYBOT members will be paid in a combination of stock and cash. The cash received will be taxed immediately, while the stock will be taxed when sold. The holding period for the stock will be the date of purchase of the NYBOT membership.

File Give-Up Agreements Electronically

As trading goes electronic, so does the paperwork. Starting in mid-February, give-up agreements – i.e. agreements made between executing brokers, customers and clearing brokers that clearly spell out each party’s responsibilities – can be filed on-line through a system developed by the Futures Industry Association. The system is called EGUS, short for Electronic Give-Up Agreement System.

“There is a new initiative to have New York floor brokers have give-up agreements on file,” said Dennis Murray...FIA consultant. “In lieu of a hard-copy documents signed between

the customer, clearing broker and executing broker, we have developed an electronic system. This speeds up a process that can take days or months when hard copies are required.”

A preview of the system was shown in New York on Monday, January 8, at Sullivan and Cromwell, 125 Broad Street, 33rd Floor, from 2 to 4 p.m. There was no admission charge, although registration was required. Further previews are in the works.

The cost of the EGUS system – borne by everyone but the customer – is often less than the hard copy route. With express mail charges, hard copy give-

ups can easily cost \$100 per agreement. The EGUS system will cost \$15 to \$70 per agreement. Only executing brokers and dealers will pay the agreement fee. If the firms uses electronic storage capabilities of the system, those costs could range from an additional \$250 to \$1250 per month, based on the number of agreements on file.

The electronic platform for EGUS is provided by Markit Group. FCMs who are supporting the system include: Banc of America, Barclays, Bear Stearns, Calyon Financial, Citigroup, Credit Suisse, Deutsche Bank, Fimat, Goldman Sachs, JP Morgan, Lehman Brothers, Man Financial, Merrill Lynch, Morgan Stanley and UBS.

In Brief...

MFA Network 2007

The Managed Futures Association will hold their Network 2007 on February 11-13 at the Ritz Carlton in Key Biscayne, FL. Registration details: 202/367-1140.

Save the Date

NYBOT Futures & Options for Kids will hold their annual dinner gala on Thursday, February 15 at the Ritz-Carlton Hotel in Battery Park. This year's recipient of the Arthur Kaplan Award is Philip McBride Johnson, counsel with Skadden, Arps, Slate, Meagher & Flom. The Patrick O'Shea Community Service Award will be presented to NYMEX Chairman Richard Schaeffer. Details, call 212/748-4146.

Daily Volume Records

Records were set on December 7 for NYMEX contracts traded on the GLOBEX electronic trading platform: gold traded a record 32,444 contracts; RBOB gasoline, 32,457 contracts; and copper traded a record 3,018 contracts.

CFTC Commissioner

The appointment of Jill Sommers (R) to a spot as CFTC commissioner is being held up in the Senate, after she was nominated by President Bush on December 4 and subsequently received the backing of the Senate Agriculture Committee on December 6. If confirmed, she will replace Sharon Brown-Hruska, who resigned. She would join current CFTC Chairman Reuben Jeffery (R), Commissioners Walter Lukken (R) and Michael Dunn. Former Commissioner Fred Hatfield (D) resigned at year-end 2006, in advance of his term's April 2008 expiration.

NYMEX Trading Expanded

Starting in February, NYMEX will

expand its floor trading hours for energy contracts – opening one hour earlier than before, at 9 a.m. Closing times will remain the same, 2:30 p.m. NYMEX said the expansion was to have open outcry hours coincide better with the cash markets.

NYBOT Seat Sales

Two record seat sales were made on the NYBOT this year — \$1.3 million and \$1.4 million on November 17, 2006. This shattered the previous high of \$1.1 million in early November.

NYBOT Volumes

Total futures and options volume on NYBOT broke the 40 million contract mark in early December – for a 20% year-to-date surge in volume.

NYMEX Seat Sale

A NYMEX seat, bundled with 90,000 shares of stock, sold for a record \$10.5 million in mid-December.

NYMEX iPort

Futures indexes, which will allow investors to hedge in the NYNEX and COMEX markets using futures indexes, will be available on NYMEX trading floor, GLOBEX electronic platforms, and for clearing through NYMEX ClearPort.

In Memorium

CFBTA would like to extend condolences to the family of Harry Falk, President and CEO of NYBOT. Harry passed away on January 3, at the age of 66. He was elected Chairman of NYBOT in October 2000. Subsequently, he has named interim president and CEO in April 2002, and president and CEO in July 2003.

2006 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:

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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, Steve Ardizzone, Jeff Grossman, Z. Lou Guttman, Scott Hess, Michael McCallion, John McNamara, Gary Rizzi, Gordon Rutledge, Richard Schaeffer, Richard Saitta, Steve Karvellas

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Counsel: Sam Abernethy, Esq.

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

Open Outcry: Mary Ann Matlock

Communications Director: David Garland