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# CHICAGO MERCANTILE EXCHANGE

## Minimum Performance Bond Requirements and Contract Specifications

Revised November 26, 1991

**NOTES:**      *Contract specification information for all products follow performance bond requirement information.*

*For additional general information, call the CME Clearing House at (312) 930-3170*

*For Options and SPAN information, call (312) 648-3888*

*For margin changes, call a recorded message at (312) 930-8201*

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# CHICAGO MERCANTILE EXCHANGE

## <sup>TM</sup> **SPAN Minimum Performance Bond Requirements**

(SPAN refers to Standard Portfolio Analysis of Risk margining system)

CONTRACT SPECIFICATIONS NOW FOLLOW PERFORMANCE BOND REQUIREMENTS

Revised November 26, 1991

Changes since last revision (September 10, 1991):

Changes to SPAN initial and maintenance performance bonds for Deutsche Mark, Japanese Yen, Swiss Franc, BP/DM XRate, DM/JY XRate, and DM/SF XRates, effective close of business November 26, 1991. Changes to SPAN initial and maintenance performance bonds for calendar spreads for Feeder Cattle, Live Cattle, Live Hog, Pork Bellies and Broiler Chicken futures, effective close of business November 26, 1991. Changes to inter-commodity spreads for BP vs. SF, DM vs. SF, JY vs. AD and JY vs. SF, effective close of business November 26, 1991. Addition of allowable spread between S&P 500 vs. Nikkei 225, effective December 9, 1991. Changes to volatility scan range for Pork Bellies, Feeder Cattle, Deutsche Mark, Swiss Franc and Eurodollar.

### LEGEND

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I	- refers to Initial Performance Bond
M	- refers to Maintenance Performance Bond
S	- refers to Speculative Positions
H	- refers to Hedged Positions
MEM	- refers to CME Members
CBOE	- refers to Chicago Board Options Exchange members

**Agricultural Futures – SPAN  
Performance Bond Requirements (Exchange Minimums)**

COMMODITY	OUTRIGHTS		OUTRIGHTS- DELIVERY MONTH		INTRA-COMMODITY SPREADS		INTRA-COMMODITY SPREADS-DEL MONTH		ALLOWABLE INTER-COMMODITY SPREADS							
	SPEC	H/MEM	SPEC	H/MEM	SPEC	H/MEM	SPEC	H/MEM	SPEC	H/MEM						
LIVE CATTLE	I	\$700	\$500	I	\$980	\$700	I	\$140	\$100	I	\$420	\$300	LC vs. PB*	Initial	Maint.	I & M
	M	\$500	\$500	M	\$700	\$700	M	\$100	\$100	M	\$300	\$300	LC vs. FC**	\$1,400	\$1,000	\$1,000
													LC vs. LH**	\$420	\$300	\$300
													LC vs. BR**	\$700	\$500	\$500
FEEDER CATTLE	I	\$700	\$500	<i>Same as Non-Delivery Month</i>		I	\$140	\$100	MARKET				FC vs. LH**	\$560	\$400	\$400
	M	\$500	\$500			M	\$100	\$100					FC vs. LC**	\$700	\$500	\$500
LIVE HOGS	I	\$560	\$400	I	\$840	\$600	I	\$140	\$100	I	\$420	\$300	LH vs. PB*	\$420	\$300	\$300
	M	\$400	\$400	M	\$600	\$600	M	\$100	\$100	M	\$300	\$300	LH vs. LC**	\$840	\$600	\$600
													LH vs. FC**	\$700	\$500	\$500
													LH vs. BR**	\$700	\$500	\$500
PORK BELLIES	I	\$1,120	\$800	I	\$2,800	\$2,000	old/new:		old/old:				PB vs. LH*	\$560	\$400	\$400
	M	\$800	\$800	M	\$2,000	\$2,000	I	\$1,260	\$900	I	\$1,260	\$900	PB vs. LC*	\$1,400	\$1,000	\$1,000
							M	\$900	\$900	M	\$900	\$900	PB vs. BR*	\$1,400	\$1,000	\$1,000
						old/old & new/new:										
						I	\$140	\$100								
						M	\$100	\$100								
BROILER CHICKENS	I	\$560	\$400	<i>Same as Non-Delivery Month</i>		I	\$140	\$100	MARKET				BR vs. LH**	\$560	\$400	\$400
	M	\$400	\$400			M	\$100	\$100					BR vs. LC**	\$560	\$400	\$400
													BR vs. PB*	\$1,400	\$1,000	\$1,000

**Forest Product Futures – SPAN  
Performance Bond Requirements (Exchange Minimums)**

RANDOM LENGTH LUMBER	SPEC	H/MEM	SPEC	H/MEM	SPEC	H/MEM	SPEC	H/MEM	N/A		
	I	\$1,200	\$800	I	\$1,350	\$900	I	\$600		\$400	I
M	\$800	\$800	M	\$900	\$900	M	\$400	\$400	M	\$900	\$900

NOTE: For Agricultural & Forest products, Delivery month performance bonds become effective close of business on the first delivery date (see contract specifications)

\* Inter-commodity spreads are not allowed when either contract is in the delivery month.  
\*\* If either contract is in the delivery month, the performance bond will be the higher of the two non-spread delivery month performance bonds.

**Currency Futures - SPAN**  
**Performance Bond Requirements (Exchange Minimums)**

COMMODITY	OUTRIGHTS		OUTRIGHTS- DEL. MONTH	INTRA- COMMODITY SPREADS	INTRA-COMMODITY SPREADS DELIVERY MONTH	ALLOWABLE INTER-COMMODITY SPREADS				
	SPEC	H/MEM				SPEC	H/MEM			
						Initial	Maint.	I & M		
AUSTRALIAN DOLLAR	I	\$1,013	\$750	<i>Same as Non-Delivery Month</i>	MARKET	<i>Same as Non-Delivery Month</i>	AD vs. BP	\$1,688	\$1,250	\$1,250
	M	\$750	\$750				AD vs. CD	\$1,350	\$1,000	\$1,000
							AD vs. DM	\$1,688	\$1,250	\$1,250
							AD vs. JY	\$1,215	\$900	\$900
							AD vs. SF	\$1,350	\$1,000	\$1,000
BRITISH POUND	I	\$2,430	\$1,800	<i>Same as Non-Delivery Month</i>	MARKET	<i>Same as Non-Delivery Month</i>	BP vs. AD	\$1,688	\$1,250	\$1,250
	M	\$1,800	\$1,800				BP vs. CD	\$2,025	\$1,500	\$1,500
							BP vs. DM	\$1,148	\$850	\$850
							BP vs. JY	\$1,688	\$1,250	\$1,250
							BP vs. SF	\$810	\$600	\$600
CANADIAN DOLLAR	I	\$540	\$400	<i>Same as Non-Delivery Month</i>	MARKET	<i>Same as Non-Delivery Month</i>	CD vs. AD	\$1,350	\$1,000	\$1,000
	M	\$400	\$400				CD vs. BP	\$2,025	\$1,500	\$1,500
							CD vs. DM	\$1,688	\$1,250	\$1,250
							CD vs. JY	\$2,025	\$1,500	\$1,500
							CD vs. SF	\$2,025	\$1,500	\$1,500
DEUTSCHE MARK	I	\$1,350	\$1,000	<i>Same as Non-Delivery Month</i>	MARKET	<i>Same as Non-Delivery Month</i>	DM vs. AD	\$1,688	\$1,250	\$1,250
	M	\$1,000	\$1,000				DM vs. BP	\$1,148	\$850	\$850
							DM vs. CD	\$1,688	\$1,250	\$1,250
							DM vs. JY	\$1,688	\$1,250	\$1,250
							DM vs. SF	\$675	\$500	\$500
JAPANESE YEN	I	\$1,350	\$1,000	<i>Same as Non-Delivery Month</i>	MARKET	<i>Same as Non-Delivery Month</i>	JY vs. AD	\$1,215	\$900	\$900
	M	\$1,000	\$1,000				JY vs. BP	\$1,688	\$1,250	\$1,250
							JY vs. CD	\$2,025	\$1,500	\$1,500
							JY vs. DM	\$1,688	\$1,250	\$1,250
							JY vs. SF	\$1,215	\$900	\$900
SWISS FRANC	I	\$1,755	\$1,300	<i>Same as Non-Delivery Month</i>	MARKET	<i>Same as Non-Delivery Month</i>	SF vs. AD	\$1,350	\$1,000	\$1,000
	M	\$1,300	\$1,300				SF vs. BP	\$810	\$600	\$600
							SF vs. CD	\$2,025	\$1,500	\$1,500
							SF vs. DM	\$675	\$500	\$500
							SF vs. JY	\$1,215	\$900	\$900

**Currency Cross-Rate Futures – SPAN**  
**Performance Bond Requirements (Exchange Minimums)**

COMMODITY	OUTRIGHTS		OUTRIGHTS- DEL. MONTH	INTRA- COMMODITY SPREADS	INTRA-COMMODITY SPREADS DELIVERY MONTH	ALLOWABLE INTER-COMMODITY SPREADS			NOTES			
	SPEC	H/MEM				SPEC	H/MEM	I & M				
British Pound/ Deutsche Mark Currency Cross-Rate	I	\$1,013	\$750	<i>Same as Non-Delivery Month</i>	MARKET	<i>Same as Non-Delivery Month</i>						
							MS XRATE vs. DM *	Initial	Maint.	I & M		
								\$1,620	\$1,200	\$1,200		
							M	\$750	\$750			
								MS XRATE vs. BP	\$1,620	\$1,200	\$1,200	
								MS XRATE vs. JM XRATE *	\$2,025	\$1,500	\$1,500	
				MS XRATE vs. FM XRATE *	\$1,350	\$1,000	\$1,000					
				MS XRATE vs. DM-BP Spread #	\$1,080	\$800	\$800	Ratio – 1:1:1				
				MS XRATE vs. DM-BP Spread #	\$675	\$500	\$500	Ratio: See notes below				
Deutsche Mark/ Japanese Yen Currency Cross-Rate	I	\$1,350	\$1,000	<i>Same as Non-Delivery Month</i>	MARKET	<i>Same as Non-Delivery Month</i>						
							JM XRATE vs. JY *	\$2,025	\$1,500	\$1,500		
								JM XRATE vs. DM	\$1,620	\$1,200	\$1,200	
							M	\$1,000	\$1,000			
								JM XRATE vs. MS XRATE *	\$2,025	\$1,500	\$1,500	
								JM XRATE vs. FM XRATE	\$1,890	\$1,400	\$1,400	
				JM XRATE vs. JY-DM Spread #	\$675	\$500	\$500	Ratio – 1:1:1				
				JM XRATE vs. JY-DM Spread #	\$1,080	\$800	\$800	Ratio: See notes below				
Deutsche Mark/ Swiss Franc Currency Cross-Rate	I	\$675	\$500	<i>Same as Non-Delivery Month</i>	MARKET	<i>Same as Non-Delivery Month</i>						
							FM XRATE vs. SF *	\$1,755	\$1,300	\$1,300		
								FM XRATE vs. DM	\$1,620	\$1,200	\$1,200	
							M	\$500	\$500			
								FM XRATE vs. MS XRATE *	\$1,350	\$1,000	\$1,000	
								FM XRATE vs. JM XRATE	\$1,890	\$1,400	\$1,400	
				FM XRATE vs. SF-DM Spread #	\$405	\$300	\$300	Ratio – 1:1:1				
				FM XRATE vs. SF-DM Spread #	\$675	\$500	\$500	Ratio: See notes below				

**ADDITIONAL NOTES:**

The Clearing House will recognize 3-legged intercommodity spreads in ratios designed to estimate the appropriate arbitrage relationships. They are based on current market conditions and will change as the value of the component contracts fluctuate. For currently recognized ratios and additional information contact the Clearing House at (312) 648-3888.

\* Long vs. Long or Short vs. Short

# 3-Legged Spreads

## Interest Rate Futures – SPAN

### Performance Bond Requirements (Exchange Minimums)

COMMODITY	OUTRIGHTS		OUTRIGHTS DEL. MONTH	INTRA-COMMODITY SPREADS				INTRA-COMMODITY SPREADS-DELIVERY MONTH	ALLOWABLE INTER- COMMODITY SPREADS				
	SPEC	H/MEM		SPEC	H/MEM	SPEC	H/MEM		Initial	Maint.	I & M		
EURODOLLAR TIME DEPOSIT	I	\$540	\$400	<i>Same as Non-Delivery</i>	<i>If one/both legs in months:</i>				<i>Same as Non-Delivery</i> <i>Month</i>	ED vs. TB	\$270	\$200	\$200
	M	\$400	\$400		<i>Month</i>	1-6	I	\$270		\$200	ED vs. EM	\$270	\$200
							M	\$200		\$200			
						7-16	Mkt	Mkt					
13-WEEK U.S. TREASURY BILLS	I	\$540	\$400	<i>Same as Non-Delivery</i>	I	\$203	\$150	<i>Same as Non-Delivery</i>	TB vs. ED	\$270	\$200	\$200	
	M	\$400	\$400	<i>Month</i>	M	\$150	\$150	<i>Month</i>	TB vs. EM	\$270	\$200	\$200	
ONE-MONTH LIBOR	I	\$540	\$400	<i>Same as Non-Delivery</i>	I	\$270	\$200	<i>Same as Non-Delivery</i>	EM vs. TB	\$270	\$200	\$200	
	M	\$400	\$400	<i>Month</i>	M	\$200	\$200	<i>Month</i>	EM vs. ED	\$270	\$200	\$200	

## Stock Index Futures – SPAN

### Performance Bond Requirements (Exchange Minimums)

	SPEC		H/MEM/CBOE		SPEC		H/MEM/CBOE		SPEC			H/MEM
	Initial	Maint.			I & M							
STANDARD & POOR'S 500	I	\$22,000	\$9,000	<i>Same as Non-Delivery</i>	I	\$490	\$200	<i>Same as Non-Delivery</i>	SP vs. NK*	\$7,350	\$3,000	\$3,000
	M	\$9,000	\$9,000		<i>Month</i>	M	\$200		\$200	<i>Month</i>		
NIKKEI 225 STOCK AVERAGE	I	\$18,000	\$12,000	<i>Same as Non-Delivery</i>	I	\$300	\$200	<i>Same as Non-Delivery</i>	NK vs. SP*	\$7,350	\$3,000	\$3,000
	M	\$12,000	\$12,000		<i>Month</i>	M	\$200		\$200	<i>Month</i>		

For allowable Inter-Exchange Spreads, see Page 7.

Revised November 26, 1991

Page 5

\* S&P 500 vs. Nikkei 225 spread performance bond effective December 9, 1991.

## Options - SPAN Short Option Minimums

OPTION/SIZE	S P A N	SPAN Short Option Minimum
Australian \$ Options-One AD Futures Contract	Refer to Daily SPAN risk arrays generated by the CME.	\$ 19
British Pound Options-One BP Futures Contract	Refer to Daily SPAN risk arrays generated by the CME.	\$ 45
Canadian \$ Options-One CD Futures Contract	Refer to Daily SPAN risk arrays generated by the CME.	\$ 10
Deutsche Mark Options-One DM Futures Contract	Refer to Daily SPAN risk arrays generated by the CME.	\$ 25
Japanese Yen Options-One JY Futures Contract	Refer to Daily SPAN risk arrays generated by the CME.	\$ 25
Swiss Franc Options-One SF Futures Contract	Refer to Daily SPAN risk arrays generated by the CME.	\$ 33
S&P Options One S&P 500 Futures Contract	Refer to Daily SPAN risk arrays generated by the CME.	\$100
Nikkei Options One Nikkei 225 Futures Contract	Refer to Daily SPAN risk arrays generated by the CME.	\$100

OPTION/SIZE	S P A N	SPAN Short Option Minimum
Eurodollar Options-One ED Futures Contract	Refer to Daily SPAN risk arrays generated by the CME.	\$ 10
Treasury Bill Options One T-Bill Futures Contract	Refer to Daily SPAN risk arrays generated by the CME.	\$ 10
One-Month Libor Options One Libor Futures Contract	Refer to Daily SPAN risk arrays generated by the CME.	\$ 10
British Pound/ Deutsche Mark Cross-Rate Options-- One MS Cross Futures Contract	Refer to Daily SPAN risk arrays generated by the CME.	\$ 19
Deutsche Mark/ Japanese Yen Cross-Rate Options-- One JM Cross Futures Contract	Refer to Daily SPAN risk arrays generated by the CME.	\$ 25
Deutsche Mark/ Swiss Franc Cross-Rate Options-- One FM Cross Futures Contract	Refer to Daily SPAN risk arrays generated by the CME.	\$ 13

OPTION/SIZE	S P A N	SPAN Short Option Minimum
Live Cattle Options-One Live Cattle Futures Contract	Refer to Daily SPAN risk arrays generated by the CME.	\$ 13
Feeder Cattle Options-One Feeder Cattle Futures Contract	Refer to Daily SPAN risk arrays generated by the CME.	\$ 13
Live Hog Options-One Live Hog Futures Contract	Refer to Daily SPAN risk arrays generated by the CME.	\$ 10
Frozen Pork Bellies Options One Pork Bellies Futures Contract	Refer to Daily SPAN risk arrays generated by the CME.	\$ 20
Broiler Chickens Options--One Broiler Chicken Futures Contract	Refer to Daily SPAN risk arrays generated by the CME.	\$ 10
Random Length Lumber Options One Lumber Futures Contract	Refer to Daily SPAN risk arrays generated by the CME.	\$ 20

SEE PAGE 7 FOR NOTES AND INTER-EXCHANGE SPREADS

See Clearing House Manual of Operations for additional information on options margining.

For additional option information call (312) 648-3888

Revised November 26, 1991

Page 6

NOTES TO SPAN MINIMUM PERFORMANCE BOND REQUIREMENTS

I. INTER-EXCHANGE SPREADS

CME FUTURES VS. FUTURES ON OTHER EXCHANGES:	Speculative		H/Mem	CME S&P 500 FUTURES & OPTIONS VS. OCC Cleared Non-Equity Index Options:			
	I	M	I&M	I	M	/M/CBOE	
Live Cattle vs MidAm Cattle; Live Hogs vs MidAm Hogs (1:2)	280	200	200	vs. AMEX XMI-Major Market Index	\$7,350	\$3,000	\$3,000
90-Day T-Bill vs. CBOT T-Bond (30 Year)	540	400	400	S & P 500 vs. AMEX XII-Institutional Index	\$7,350	\$3,000	\$3,000
S & P 500 vs KCBOT Value Line	7,350	3,000	3,000	vs. CBOE OEX-S&P 100 Index	\$7,350	\$3,000	\$3,000

CME NIKKEI 225 FUTURES & OPTIONS VS. FUTURES ON OTHER EXCHANGES:			
Nikkei 225 Futures & Options vs. SIMEX Nikkei Futures	\$9,000	\$6,000	\$6,000
Nikkei 225 Futures & Options vs. OSE Nikkei Futures	\$9,000	\$6,000	\$6,000

NOTE:  
 The above Options/Futures ratio spreads must be on a 1 to 1 futures equivalent basis.  
 Holders of CME Nikkei Futures & Options vs. Amex Nikkei 225 Warrants qualify for hedge rates

Futures	vs. CBOE SPX, SPL-S&P 500 Index	\$7,350	\$3,000	\$3,000
& Options	vs. CBOE NSX-S&P 500 Index	\$7,350	\$3,000	\$3,000
	vs. CBOE OLX-S&P 100 Index	\$7,350	\$3,000	\$3,000
	vs. CBOE LSX-S&P 500 Index	\$7,350	\$3,000	\$3,000
	vs. NYSE NYA-NYSE Index	\$7,350	\$3,000	\$3,000
	vs. PHLX XVL-Value Line Index	\$7,350	\$3,000	\$3,000
	vs. PSE FNC-Financial News Com.	\$7,350	\$3,000	\$3,000

NOTE:  
 The above Options and Futures vs. Options on Other Exchanges ratio spreads must be on a weighted (5:1) futures equivalent basis. Contact the Options Unit for details on calculation of spreads.

SPAN  
 OPTIONS IMPLIED  
 VOLATILITY SCAN RANGE

Commodity	Scan Range
LC	.015
FC	.030
LH	.020
PB	.020
BR	.030
LB	.020
AD	.010
BP	.010
CD	.010
DM	.010
JY	.010
SF	.010
SP	.020
ED	.003
TB	.003
EM	.003
NK	.030
MS	.010
IM	.010
FM	.010

INITIAL/MAINTENANCE RATIO

AGRICULTURAL	1.4
FOREST PRODUCTS	1.5
CURRENCIES	1.35
INTEREST RATES	1.35
S & P	2.45
NIKKEI	1.5

SCHEDULE OF SPAN INTER-COMMODITY SPREAD CREDIT PRIORITIES

CURRENCIES		Credit
Priority	Spread	Rate
1	*SP/NK	.86
2	BP/SF	.81
3	DM/SF	.78
4	BP/DM	.70
5	JY/SF	.61
6	BP/JY	.55
7	BP/MS	.53
8	AD/BP	.51
9	AD/SF	.51
10	AD/JY	.49
11	DM/JM	.40
12	DM/JY	.38
13	BP/CD	.32
14	AD/DM	.29
15	DM/FM	.20
16	AD/CD	.13
17	CD/SF	.12
18	CD/DM	.11
19	JM/FM	.07
20	CD/JY	.07

INTEREST RATES		Credit
Priority	Spread	Rate
1	TB/ED	.75
2	ED/EM	.75
3	TB/EM	.75

AGRICULTURAL		Credit
Priority	Spread	Rate
1	LC/FC	.70
2	LC/BR	.56
3	LH/PB	.50
4	LH/BR	.50
5	LC/LH	.44
6	LH/FC	.44
7	LC/PB	.23
8	PB/BR	.17

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\* spread effective 12/09/91

## CHICAGO MERCANTILE EXCHANGE

### Contract Specifications

MINIMUM PERFORMANCE BOND REQUIREMENTS  
NOW PRECEDE THE CONTRACT SPECIFICATIONS

Note: There were changes made to the Nikkei Daily Price Limits effective October 7, 1991; See page 16 for new limits.

See pages 13-15 for Options Contract Specifications

Revised November 26, 1991

PAGE 8

## Agricultural Futures Contract Specifications

COMMODITY/ SIZE	HOURS*	MONTHS	CODES CLR / TICK	MINIMUM FLUCTUATION IN PRICE	LIMIT	LAST DAY OF TRADING **	1st DELIVERY DATE **
Live Cattle 40,000 lbs.	9:05 1:00 (12:00)	Feb, Apr, Jun Aug, Oct, Dec	48 LG	2 1/2 ¢ /100 lb. (\$4.00/pt.) (\$10.00)	1 1/2 ¢ /lb. (150 pt.) (\$600)	Bus. day prior to last 5 bus. days of contract	4th business day following 1st Fri of contract month
Feeder Cattle 44,000 lbs.	9:05 1:00 (12:00)	Jan, Mar, Apr May, Aug, Sep Oct, Nov	62 FG	2 1/2 ¢ /100 lb. (\$4.40/pt.) (\$11.00)	1 1/2 ¢ /lb. (150 pt.) (\$660)	Last Thurs. of contract month	Cash Settled the day following the last day of trading
Live Hogs 40,000 lbs.	9:10 1:00 (12:00)	Feb, Apr, Jun Jul, Aug, Oct Dec	54 LH	2 1/2 ¢ /100 lb. (\$4.00/pt.) (\$10.00)	1 1/2 ¢ /lb. (150 pt.) (\$600)	Bus. day prior to last 5 bus. days of contract	2nd business day following 1st Fri of contract month
Pork Bellies 40,000 lbs.	9:10 1:00 (12:00)	Feb, Mar, May Jul, Aug	56 PB	2 1/2 ¢ /100 lb. (\$4.00/pt.) (\$10.00)	2 ¢ /lb. (200 pt.) (\$800)	Bus. day prior to last 5 bus. days of contract	1st bus. day of contract month
Broiler Chickens 40,000 lbs.	9:10 1:00 (12:00)	Feb, Apr, May Jun, Jul, Aug Oct, Dec	BR BR	2 1/2 ¢ /100 lb. (\$4.00/pt.) (\$10.00)	2 ¢ /lb. (200 pt.) (\$800)	Second to last Fri of contract month	Cash Settled the day following the last day of trading

## Forest Product Futures Contract Specifications

Random Length Lumber 160,000 board feet	9:00 1:05 (12:05)	Jan, Mar, May Jul, Sep, Nov	69 LB	10 ¢ /thous board ft. (\$1.60/pt) (\$16)	\$5 /thous board ft. (500 pt.) (\$800) No Limit Spot Month	Bus day prior to 16th cal. day	Any bus. day after last day of trading, up to and including last business day of contract month.
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Contract Specifications for less active contracts may not necessarily be included in this summary.

SEE PAGE 16 FOR NOTES.

Revised November 26, 1991  
Page 9

## Currency Contract Specifications

COMMODITY/ SIZE	HOURS*	MONTHS	CODES CLR / TICK	MINIMUM FLUCTUATION IN PRICE	LIMIT	LAST DAY OF TRADING**	1st DELIVERY DATE
Australian Dollar 100,000	7:20 2:00 (9:16)	Jan, Mar, Apr Jun, Jul, Sep Oct, Dec & Spot Month	AD AD	.0001 (1 pt) (\$10.00/pt) (\$10.00)	OPENING LIMIT BETWEEN 7:20 AM-7:35 AM 150 POINTS	2nd Bus Day before 3rd Wed	3rd Wed
British Pound 62,500	7:20 2:00 (9:16)	Jan, Mar, Apr Jun, Jul, Sep Oct, Dec & Spot Month	BP BP	.0002 (2 pt) (\$6.25/pt) (\$12.50)	OPENING LIMIT BETWEEN 7:20 AM-7:35 AM 400 POINTS	2nd Bus Day before 3rd Wed	3rd Wed
Canadian Dollar 100,000	7:20 2:00 (9:16)	Jan, Mar, Apr Jun, Jul, Sep Oct, Dec & Spot Month	C1 CD	.0001 (1 pt) (\$10.00/pt) (\$10.00)	OPENING LIMIT BETWEEN 7:20 AM-7:35 AM 100 POINTS	2nd Bus Day before 3rd Wed	3rd Wed
Deutsche Mark 125,000	7:20 2:00 (9:16)	Jan, Mar, Apr Jun, Jul, Sep Oct, Dec & Spot Month	D1 DM	.0001 (1 pt) (\$12.50/pt) (\$12.50)	OPENING LIMIT BETWEEN 7:20 AM-7:35 AM 150 POINTS	2nd Bus Day before 3rd Wed	3rd Wed
Japanese Yen 12,500,000	7:20 2:00 (9:16)	Jan, Mar, Apr Jun, Jul, Sep Oct, Dec & Spot Month	J1 JY	.000001 (1 pt) (\$12.50/pt) (\$12.50)	OPENING LIMIT BETWEEN 7:20 AM-7:35 AM 150 POINTS	2nd Bus Day before 3rd Wed	3rd Wed
Swiss Franc 125,000	7:20 2:00 (9:16)	Jan, Mar, Apr Jun, Jul, Sep Oct, Dec & Spot Month	E1 SF	.0001 (1 pt) (\$12.50/pt) (\$12.50)	OPENING LIMIT BETWEEN 7:20 AM-7:35 AM 150 POINTS	2nd Bus Day before 3rd Wed	3rd Wed

SEE PAGE 16 FOR NOTES.

Revised November 26, 1991

Page 10

## Currency Cross-Rate Contract Specifications

COMMODITY/ SIZE	HOURS*	MONTHS	CODES CLR / TICK	MINIMUM FLUCTUATION IN PRICE	LIMIT	LAST DAY OF TRADING**	1st DELIVERY DATE
British Pound/ Deutsche Mark \$50,000 x BP/DM XRATE	7:20 2:00 (2:00)	Mar, Jun, Sep Dec	MS MS	.0005 (5 pt) (\$5.00/pt) (\$25.00)	OPENING LIMIT BETWEEN 7:20 AM-7:35 AM 500 POINTS	2nd Fri before 3rd Wed	Cash Settled
Deutsche Mark/ Japanese Yen \$125,000 x DM/JY XRATE	7:20 2:00 (2:00)	Mar, Jun, Sep Dec	JM JM	.0002 (2 pt) (\$12.50/pt) (\$25.00)	OPENING LIMIT BETWEEN 7:20 AM-7:35 AM 150 POINTS	2nd Fri before 3rd Wed	Cash Settled
Deutsche Mark/ Swiss Franc \$125,000 x DM/SF XRATE	7:20 2:00 (2:00)	Mar, Jun, Sep Dec	FM FM	.0002 (2 pt) (\$12.50/pt) (\$25.00)	OPENING LIMIT BETWEEN 7:20 AM-7:35 AM 150 POINTS	2nd Fri before 3rd Wed	Cash Settled

SEE PAGE 16 FOR NOTES.

Revised November 26, 1991

Page 11

## Interest Rate Futures Contract Specifications

COMMODITY/ SIZE	HOURS*	MONTHS	CODES CLR / TICK	MIN. FLUCTUATION IN PRICE	LIMIT	LAST DAY OF TRADING**	1st DELIVERY DATE
Eurodollar Time Deposit \$1,000,000	7:20 2:00 (9:30)	Mar, Jun, Sep Dec & spot month	ED ED	.01 (1 basis pt) (\$25/pt) (\$25.00)	NO LIMIT	2nd London bus day before 3rd Wed	Cash Settled last day of trading
13-Week U.S. Treasury Bills \$1,000,000	7:20 2:00 (10:00)	Mar, Jun, Sep Dec	T1 TB	.01 (1 basis pt) (\$25/pt) (\$25.00)	NO LIMIT	1st bus day prior to delivery date	1st day of issue ***
One-Month LIBOR \$3,000,000	7:20 2:00 (9:30)	Spot month plus next 5 calendar months	EM EM	.01 (1 basis pt) (\$25/pt) (\$25.00)	NO LIMIT	2nd London bus day before 3rd Wed	Cash Settled last day of trading

## Stock Index Futures Contract Specifications

COMMODITY/ SIZE	HOURS*	MONTHS	CODES CLR / TICK	MIN. FLUCTUATION IN PRICE	LIMIT	LAST DAY OF TRADING**	1st DELIVERY DATE
Standard & Poor's 500 \$500 X S&P's 500 Stock Index	8:30 3:15 (3:15)	Mar, Jun, Sep Dec	SP SP	.05 (5 pt) (\$5/pt) (\$25.00)	Limits in place See Pages 17 - 20	Thurs prior to 3rd Fri	3rd Fri  Cash Settled
Nikkei 225 Stock Average \$5 x Nikkei Stock Index	8:00 3:15 (3:15)	Mar, Jun, Sep Dec	NK NK	5 (\$5/pt) (\$25.00)	See table on Page 16	Bus day preceding 2nd Friday of contract month	2nd Fri  Cash Settled

NOTE: Nikkei Spot Month trades without limits on the last day of contract month.

SEE PAGE 16 FOR NOTES.

Revised November 26, 1991

Page 12

# Options Contract Specifications

OPTION/SIZE	HOURS*	MONTHS	CODES CLR / TICK	MIN FLUCTUATION IN PRICE	LIMIT	LAST DAY OF TRADING	STRIKE PRICE INTERVALS
Australian \$ Options—One AD Futures Contract	7:20 2:00 (2:00)	Mar, Jun, Sep Dec and Serial Month Options +	AD/KA Calls JA Puts	.0001 = 1 pt. (\$10.00/pt) (\$10.00) cab = \$5.00	Option ceases trading when corresponding future locks limit	2nd Friday prior to 3rd Wed of contract mo.	\$/ AD ** \$.01 intervals e.g. \$.76, \$.77
British Pound Options—One BP Futures Contract	7:20 2:00 (2:00)	Mar, Jun, Sep Dec and Serial Month Options +	BP/CP Calls PP Puts	.0002 = 2 pts. (\$6.25/pt) (\$12.50) cab = \$6.25	Option ceases trading when corresponding future locks limit	2nd Friday prior to 3rd Wed of contract mo.	\$/ BP \$.025 intervals e.g. \$1.600, \$1.625
Canadian \$ Options—One CD Futures Contract	7:20 2:00 (2:00)	Mar, Jun, Sep Dec and Serial Month Options +	CI/CV Calls PV Puts	.0001 = 1 pt. (\$10.00/pt) (\$10.00) cab = \$5.00	Option ceases trading when corresponding future locks limit	2nd Friday prior to 3rd Wed of contract mo.	\$/ CD \$.005 intervals e.g. \$.800, \$.805
Deutsche Mark Options—One DM Futures Contract	7:20 2:00 (2:00)	Mar, Jun, Sep Dec and Serial Month Options +	D1/CM Calls PM Puts	.0001 = 1 pt. (\$12.50/pt) (\$12.50) cab = \$6.25	Option ceases trading when corresponding future locks limit	2nd Friday prior to 3rd Wed of contract mo.	\$/ DM ** \$.01 intervals e.g. \$.63, \$.64
Japanese Yen Options—One JY Futures Contract	7:20 2:00 (2:00)	Mar, Jun, Sep Dec and Serial Month Options +	J1/CJ Calls PJ Puts	.000001 = 1pt. (\$12.50/pt) (\$12.50) cab = \$6.25	Option ceases trading when corresponding future locks limit	2nd Friday prior to 3rd Wed of contract mo.	\$/ JY ** \$.0001 intervals e.g. \$.0072, \$.0071
Swiss Franc Options—One SF Futures Contract	7:20 2:00 (2:00)	Mar, Jun, Sep Dec and Serial Month Options +	E1/CF Calls PF Puts	.0001 = 1 pt. (\$12.50/pt) (\$12.50) cab = \$6.25	Option ceases trading when corresponding future locks limit	2nd Friday prior to 3rd Wed of contract mo.	\$/ SF ** \$.01 intervals e.g. \$.72, \$.73
S&P Options One S&P 500 Futures Contract	8:30 3:15 (3:15)	Mar, Jun, Sep Dec and Serial Month Options +	SP/CS Calls PS Puts	.05 = 5 pts. (\$5.00/pt) (\$25.00) cab = \$12.50	All S&P options series close when S&P futures lock limit	Bus day prior to 3rd Fri +++ Serial—3rd Fri	See note ++ (Page 16)
Nikkei Options One Nikkei 225 Futures Contract	8:00 3:15 (3:15)	Mar, Jun, Sep Dec and Serial Month Options +	NK/KN Calls JN Puts	5 = 5 pts. (\$5.00/pt) (\$25.00) cab = \$12.50	NO LIMIT	Bus day prior to 2nd Fri +++ Serial—Bus day prior to 3rd Sat	500 point intervals e.g. 23,000, 23,500

SEE PAGE 16 FOR NOTES.

Revised November 26, 1991

Page 13

For additional option information call (312) 648-3888

# Option Contract Specifications

OPTION/SIZE	HOURS*	MONTHS	CODES CLR / TICK	MIN FLUCTUATION IN PRICE	LIMIT	LAST DAY OF TRADING **	STRIKE PRICE INTERVALS
Eurodollar Options-One ED Futures Contract	7:20 2:00 (9:30)	Mar, Jun, Sep Dec	ED/CE Calls PE Puts	.01 = 1 pt. (\$25.00/pt) (\$25.00) cab = \$12.50	NO LIMIT	2nd London bus day before 3rd Wed of contract month+++	IMM Index for ED Futures .25 intervals e.g. 92.00, 92.25
Treasury Bill Options One T-Bill Futures Contract	7:20 2:00 (2:00)	Mar, Jun, Sep Dec	T1/CQ Calls PQ Puts	.01 = 1 pt. (\$25.00/pt) (\$25.00) cab = \$12.50	NO LIMIT	Fri which is at least 6 bus days prior to 1st bus day of contract mo	IMM Index for TB Futures .25 intervals e.g. 92.50, 92.75
One-Month LIBOR Options One EM Futures Contract	7:20 2:00 (9:30)	Mar, Jun, Sep, Dec and Serial Month Options+	EM/EM Calls EM Puts	.01 = 1 pt. (\$25.00/pt) (\$25.00) cab = \$12.50	NO LIMIT	2nd London bus day before 3rd Wed of contract month+++	IMM Index for EM Futures .25 intervals e.g. 92.25, 92.50
British Pound/ Deutsche Mark Options One MS Futures Contract	7:20 2:00 (2:00)	Mar, Jun, Sep Dec and Serial Month Options +	MS/MS Calls MS Puts	.0005 = 5 pt. (\$5.00/pt) (\$25.00) cab = \$12.50	Option ceases trading when corresponding futures locks limit	2nd Friday prior to 3rd Wed of contract mo.	IMM BP/DM XRATE at intervals of .025 e.g. 2.9250, 2.9500
Deutsche Mark/ Japanese Yen Options One JM Futures Contract	7:20 2:00 (2:00)	Mar, Jun, Sep Dec and Serial Month Options +	JM/JM Calls JM Puts	.0002 = 2 pt. (\$12.50/pt) (\$25.00) cab = \$12.50	Option ceases trading when corresponding futures locks limit	2nd Friday prior to 3rd Wed of contract mo.	IMM DM/JY XRATE at intervals of .01 e.g. 0.8500, 0.8600
Deutsche Mark/ Swiss Franc Options One FM Futures Contract	7:20 2:00 (2:00)	Mar, Jun, Sep Dec and Serial Month Options +	FM/FM Calls FM Puts	.0002 = 2 pt. (\$12.50/pt) (\$25.00) cab = \$12.50	Option ceases trading when corresponding futures locks limit	2nd Friday prior to 3rd Wed of contract mo.	IMM DM/SF XRATE at intervals of .01 e.g. 0.8200, 0.8300

For additional option information call (312) 648-3888

SEE PAGE 16 FOR NOTES.

Revised November 26, 1991  
Page 14

# Option Contract Specifications

OPTION/SIZE	HOURS*	MONTHS	CODES	MIN FLUCTUATION	LIMIT	LAST DAY OF	STRIKE PRICE
			CLR / TICK	IN PRICE		TRADING **	INTERVALS
Live Cattle	9:05	Feb, Apr, Jun	48/CK Calls	2 1/2 c/100 lbs	NO LIMIT	1st Fri of the delivery month of the underlying futures contract	cents/pound \$0.02 intervals e.g. \$0.76, \$0.78
Options—One	1:00	Aug, Oct, Dec	PK Puts	(\$4.00/pt)			
Live Cattle Futures Contract	(1:00)			(\$10.00) cab = \$5.00			
Feeder Cattle	9:05	Jan, Mar, Apr	62/KF Calls	2 1/2 c/100 lbs	NO LIMIT	Last Thurs of contract month+++	cents/pound \$0.02 intervals e.g. \$0.88, \$0.90
Options—One	1:00	May, Aug, Sep	JF Puts	(\$4.40/pt)			
Feeder Cattle Futures Contract	(12:00)	Oct, Nov		(\$11.00) cab = \$5.50			
Live Hog	9:10	Feb, Apr, Jun	54/CH Calls	2 1/2 c/100 lbs	NO LIMIT	1st Fri of the delivery month of the underlying futures contract	cents/pound \$0.02 intervals e.g. \$0.48, \$0.50
Options—One	1:00	Jul, Aug, Oct	PH Puts	(\$4.00/pt)			
Live Hog Futures Contract	(1:00)	Dec		(\$10.00) cab = \$5.00			
Frozen Pork	9:10	Feb, Mar, May	56/KP Calls	2 1/2 c/100 lbs	NO LIMIT	Last Friday that is more than 3 bus days prior to 1st bus day of delivery month	cents/pound \$0.02 intervals e.g. \$0.60, \$0.62
Belly Options	1:00	Jul, Aug, Nov	JP Puts	(\$4.00/pt)			
One Pork Belly Futures Contract	(1:00)			(\$10.00) cab = \$5.00			
Broiler Chickens	9:10	Feb, Apr, May	BR/BR Calls	2 1/2 c/100 lbs	NO LIMIT	Second to last Friday of the contract month (or prior business day if a holiday) +++	cents/pound \$0.02 intervals e.g. \$0.60, \$0.62
Options—One	1:00	Jun, Jul, Aug	BR Puts	(\$4.00/pt)			
Broiler Chicken Futures Contract	(12:00)	Oct, Dec		(\$10.00) cab = \$5.00			
Random Length	9:00	Jan, Mar, May	69/KL Calls	10 c/thous brd ft	NO LIMIT	Last Friday prior to delivery month	\$ / thous bd. ft. \$5.00 intervals e.g. \$160, \$165
Lumber Options	1:05	Jul, Sep, Nov	JL Puts	(\$1.60/pt)			
One Lumber Futures Contract	(1:05)			(\$16) cab = \$8.00			

For additional option information call (312) 648-3888

SEE PAGE 16 FOR NOTES.

Revised November 26, 1991

Page 15

## NOTES TO CONTRACT SPECIFICATIONS

- \* Times in parentheses indicate close on last day of trading (Central Time). Please note that pursuant to Rule 3902.F the Eurodollar contract will close on the last day of trading at 3:30 London Time. This is 9:30 a.m. Chicago time except when Daylight Savings time is in effect in either, but not both London or Chicago.
- \*\* See special provisions of contract in Rulebook.
- \*\*\* The first delivery day (issue date) shall be the first day of the spot month on which a 13-week Treasury bill is issued and a one-year Treasury bill has thirteen (13) weeks remaining to maturity.
- + For options that expire in months other than those in the March quarterly cycle, ie. serial month options, the underlying futures contract is the next futures contract in the March quarterly cycle.
- ++ In the third and fourth nearest contract month in the S&P March quarterly cycle, the exercise prices shall be an integer divisible by 10. In all other months, the exercise prices will be an integer divisible by 5.
- +++ There will be automatic exercise and cash settlement of One-Month LIBOR, Feeder Cattle, Broiler Chickens, and quarterly in-the-money contracts in S&P 500, Nikkei 225, and Eurodollar options on settlement day.

NIKKEI DAILY PRICE LIMITS	Daily Limit
Lead Month Settlement	(Index Points)
Less than 20,000.00	1000.00
More than 20,000.00 but less than 30,000.00	1500.00
More than 30,000.00	2000.00

MUTUAL OFFSET SYSTEM - FUTURES ONLY				
<p>The Mutual Offset System (MOS) is the facility by which CME firms can have trades executed on the Singapore International Monetary Exchange (SIMEX) and transferred back to the CME as new or liquidating trades. Similarly, SIMEX firms can have trades executed on the CME and transferred back to the SIMEX as new or liquidating trades. Mutual offset commodities for FUTURES ONLY are shown below:</p>				
<table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">1. Eurodollar</td> <td style="width: 50%;">3. Japanese Yen</td> </tr> <tr> <td>2. Deutsche Mark</td> <td>4. British Pound</td> </tr> </table>	1. Eurodollar	3. Japanese Yen	2. Deutsche Mark	4. British Pound
1. Eurodollar	3. Japanese Yen			
2. Deutsche Mark	4. British Pound			

### 1991 HOLIDAY EARLY CLOSING SCHEDULE FOR CURRENCY, INTEREST RATE AND AGRICULTURAL PRODUCTS:

The following list indicates the days on which currency, interest rate and agricultural products will close at 12:00 noon through the end of 1991:

Monday, January 21, 1991	Martin Luther King Day	Friday, August 30, 1991	Labor Day	Friday, November 29, 1991	Post-Thanksgiving
Friday, February 15, 1991	President's Day	Monday, October 14, 1991	Columbus Day	Tuesday, December 24, 1991	Christmas Eve
Thursday, March 28, 1991	Good Friday	Monday, November 11, 1991	Veteran's Day	Tuesday, December 31, 1991	New Year's Eve
Friday, May 24, 1991	Memorial Day	Wednesday, November 27, 1991	Thanksgiving Eve		

*THIS DOCUMENT IS BASED ON INFORMATION THAT MAY CHANGE WITHOUT NOTICE. PLEASE CONSULT THE CME OR YOUR BROKER IF YOU HAVE QUESTIONS. THIS DOCUMENT SHALL IN NO WAY BE CONSTRUED AS BEING THE OFFICIAL RULES OF THE CME.*

Revised November 26, 1991

Page 16



S-2328

December 17, 1990

**APPROVAL OF NEW S&P 500  
CIRCUIT BREAKER RULES**

The CFTC approved changes to S&P 500 Stock Price Index futures Rule 4002.I. - DAILY PRICE LIMIT (circuit breaker rule), and S&P 500 Stock Price Index futures options Rule 4101.A. - CONTRACT MONTHS, TRADING HOURS, AND TRADING HALTS, on Wednesday, December 12, 1990. These rules were implemented effective Thursday, December 13, 1990. The effect of the rule changes is to reduce the current 30 index point maximum daily limit to 20 index points.

The proposed rule keeps the current 5 point up or down opening limit and the 12 point down limit in effect. There will be a two-minute trading halt if the primary futures contract is limit offered 12 points down at the end of the thirty-minute period. After this two-minute halt, the market would reopen with the 20 point limit in effect. The proposed rule would also keep provisions for trading halts in the futures and options when trading halts are declared in the corresponding cash markets. Trading in the futures and futures options markets would halt, and the futures markets would not reopen until 50% of the S&P 500 stocks (selected by capitalization weights) had reopened.

The new rules are set forth below, with additions underscored and deletions bracketed:

**4002. FUTURES CALL.-**

**I. Daily Price Limit**

~~[For a period of 180 days from [actual date of Commission approval to be inserted here], the date of Commission approval, Rule 4002.I. shall read as follows:]~~

Daily price limits and trading halts of the S&P 500 Stock Price Index futures contract shall be coordinated with trading halts of the underlying stocks listed for trading in the securities markets.

There shall be an initial daily price limit of 12.00 index points below the previous day's settlement price. Once the primary futures contract is limit offered, a 30-minute period shall commence after which the 12.00 point limit shall not apply. In no case shall the 12.00 point limit apply after 2:30 p.m. Chicago time.

If the primary futures contract is limit offered at the 12.00 index points limit at the end of the 30-minute period or at 2:30 p.m. Chicago time, trading shall terminate for a period of two minutes, at which time the market shall reopen. The 12-point Initial Daily Price Limit shall not apply to such reopening.

~~[There shall be an intermediate daily price limit of 20.00 index points below the previous day's settlement price. Once the primary futures contract is limit offered, a 60 minute period shall commence after which the 20.00 point limit shall not apply. However, if the 20.00 index point limit goes into effect after 1:30 p.m. Chicago time, it shall remain in effect for the remainder of the trading day.]~~

If at any time the primary futures contract is limit offered at the initial [~~or intermediate~~] daily price limit and there is a trading halt declared in the primary securities market, trading shall be halted in the futures contract and shall not resume until at least 50 percent of the underlying S&P 500 stocks (selected according to capitalization weights) reopen. Upon reopening after such a trading halt, the total daily price limit of [~~30.00~~] 20.00 index points shall apply, superseding the initial [~~and intermediate~~] daily price limit[s].

There shall be a total daily price limit of [~~30.00~~] 20.00 index points below the previous day's settlement price. If the market is limit offered and there is a one-hour trading halt declared in the primary security market, trading shall be halted. Once trading in the primary security market resumes after a one-hour trading halt, trading on the S&P 500 Stock Price Index futures contract shall resume only after 50 percent of the underlying S&P 500 stocks (selected according to capitalization weights) reopen. Upon reopening after a one-hour trading halt, prices may not trade beyond the [~~30.00~~] 20.00 index point limit.

If the market is limit offered and there is a two-hour trading halt declared in the primary security market, trading shall be halted. Once trading in the primary security market resumes after a two-hour trading halt, trading on the S&P 500 Stock Price Index futures contract shall resume only after 50 percent of the underlying S&P 500 stocks (selected according to capitalization weights) reopen, except that there shall be no trading at a price more than [~~30.00~~] 20.00 index points below the previous day's settlement price.

There shall be no trading at a price more than [~~30.00~~] 20.00 index points above the previous day's settlement price.

If a one-hour trading halt occurs within 30 minutes of the normal close of trading that day, the S&P 500 Stock Price Index futures contract shall not reopen that day. If a one-hour trading halt occurs more than 30 minutes but less than 60 minutes before the normal close of trading that day, the S&P Price Limit Committee, after consultation with the Executive Committee, shall determine whether an abbreviated reopening of the S&P 500 Stock Price Index futures contract shall be allowed in order to settle the futures contracts to market forces. In the event of such a reopening, there shall be no trading at a price more than [~~30.00~~] 20.00 index points below the previous day's settlement price.

If a two-hour trading halt occurs within 60 minutes of the normal close of trading that day, the S&P 500 Stock Price Index futures contract shall not reopen that day. If a two-hour trading halt occurs more than 60 minutes but less than 120 minutes before the normal close of trading that day, the S&P Price Limit Committee, after consultation with the Executive Committee, shall determine whether an abbreviated reopening of the S&P 500 Stock Price Index futures contract shall be allowed in order to settle the futures contract to market forces. In the event of such a reopening, there shall be no trading at a price more than [~~30.00~~] 20.00 index points below the previous day's settlement price.

**4101. OPTION CHARACTERISTICS.-**

**A. Contract Months, Trading Hours,  
and Trading Halts**

Options contracts shall be listed for such contract months and scheduled for trading during such hours, except as indicated below, as may be determined by the Board of Governors, subject to the requirement that all such determinations be submitted to the Commodity Futures Trading Commission in accordance with the provisions of Section 5a(12) of the Commodity Exchange Act and all Commission regulations thereunder.

There shall be no trading in any option contract when the S&P 500 Stock Price Index primary futures contract is limit bid or offered: 1) at its Opening Price Limit, 2) at its Initial Daily Price Limit, [~~3~~] ~~at its Intermediate Daily Price Limit,~~] or [~~4~~]3) at its Total Daily Price Limit, except that provision [~~s-2,~~] 3 [~~7~~ and 4] shall not apply on an option's last day of trading.

There shall be no trading in any option contract during a period when trading in the primary futures contract is terminated pursuant to Rule 4002.I. or 4002.J.

For purposes of this rule, the primary futures contracts shall be defined as the futures contract trading in the lead-month configuration in the pit.

For purposes of this rule, the S&P Price Limit Committee shall have the responsibility of determining whether the primary futures contract is trading at its limit.

If you have any questions, please contact Mr. Todd Petzel, Senior Vice President and Chief Economist, Financial Research Department, at (312) 930-4580; Mr. Mark Jackson, Senior Research Analyst, Financial Research Department, at (312) 930-4581; or Ms. Mary Foster, Manager, Equity Index Marketing, Equity Index Product Department, at (312) 930-8549.

# LAST TRADING DAY/DELIVERY DAY SUMMARY FOR 1991

(These dates are subject to change.)

JAN 91   FEB 91   MAR 91   APR 91   MAY 91   JUN 91   JUL 91   AUG 91   SEP 91   OCT 91   NOV 91   DEC 91

LIVE CATTLE	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY		FEB 21 FEB 7		APR 23 APR 11		JUN 21 JUN 13		AUG 23 AUG 8		OCT 24 OCT 10		DEC 20 DEC 12
FEEDER CATTLE	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY	JAN 31 FEB 1		MAR 28 APR 1	APR 25 APR 26	MAY 23 MAY 24			AUG 29 AUG 30	SEP 26 SEP 27	OCT 31 NOV 1	NOV 21 NOV 22	
LIVE HOGS	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY		FEB 21 FEB 5		APR 23 APR 9		JUN 21 JUN 11	JUL 24 JUL 9	AUG 23 AUG 6		OCT 24 OCT 8		DEC 20 DEC 10
PORK BELLIES	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY		FEB 21 FEB 1	MAR 21 MAR 1		MAY 23 MAY 1		JUL 24 JUL 1	AUG 23 AUG 1				
BROILER CHICKEN	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY				APR 19 APR 22	MAY 24 MAY 28	JUN 21 JUN 24	JUL 19 JUL 22	AUG 23 AUG 26		OCT 18 OCT 21		DEC 20 DEC 23
LUMBER	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY	JAN 15 JAN 16		MAR 15 MAR 18		MAY 15 MAY 16		JUL 15 JUL 16		SEP 13 SEP 16		NOV 15 NOV 18	
CURRENCY CROSS-RATES	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY						JUN 07 JUN 07			SEP 06 SEP 06			DEC 06 DEC 06
CURRENCIES (SF,AD,DM, CD,BP,JY)	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY	JAN 14 JAN 16	FEB 15 FEB 20	MAR 18 MAR 20	APR 15 APR 17	MAY 13 MAY 15	JUN 17 JUN 19	JUL 15 JUL 17	AUG 19 AUG 21	SEP 16 SEP 18	OCT 11 OCT 16	NOV 18 NOV 20	DEC 16 DEC 18
EURODOLLAR	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY	JAN 14 JAN 14	FEB 15 FEB 15	MAR 18 MAR 18	APR 15 APR 15	MAY 13 MAY 13	JUN 17 JUN 17	JUL 15 JUL 15	AUG 19 AUG 19	SEP 16 SEP 16	OCT 14 OCT 14	NOV 18 NOV 18	DEC 16 DEC 16
1-MO. LIBOR	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY	JAN 14 JAN 14	FEB 15 FEB 15	MAR 18 MAR 18	APR 15 APR 15	MAY 13 MAY 13	JUN 17 JUN 17	JUL 15 JUL 15	AUG 19 AUG 19	SEP 16 SEP 16	OCT 14 OCT 14	NOV 18 NOV 18	DEC 16 DEC 16
T-BILLS	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY DELIVERABLE			MAR 06 MAR 07 JUN 6 '91			JUN 26 JUN 27 SEP 26 '91			SEP 18 SEP 19 DEC 19 '91			DEC 11 DEC 12 MAR 12 '92
S&P 500	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY			MAR 14 MAR 15			JUN 20 JUN 21			SEP 19 SEP 20			DEC 19 DEC 20
NIKKEI 225	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY			MAR 7 MAR 8			JUN 13 JUN 14			SEP 12 SEP 13			DEC 12 DEC 13

# LAST TRADING DAY/DELIVERY DAY SUMMARY FOR 1992

(These dates are subject to change.)

		JAN 92	FEB 92	MAR 92	APR 92	MAY 92	JUN 92	JUL 92	AUG 92	SEP 92	OCT 92	NOV 92	DEC 92
LIVE CATTLE	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY		FEB 21 FEB 13		APR 23 APR 09		JUN 23 JUN 11		AUG 24 AUG 13		OCT 23 OCT 08		DEC 22 DEC 10
FEEDER CATTLE	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY	JAN 30 JAN 31		MAR 26 MAR 27	APR 30 MAY 01	MAY 21 MAY 22			AUG 27 AUG 28	SEPT 24 SEPT 25	OCT 29 OCT 30		
LIVE HOGS	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY		FEB 21 FEB 11		APR 23 APR 07		JUN 23 JUN 09	JUL 24 JUL 07	AUG 24 AUG 11		OCT 23 OCT 06		DEC 23 DEC 8
PORK BELLIES	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY		FEB 21 FEB 03	MAR 24 MAR 02		MAY 21 MAY 01		JUL 24 JUL 01	AUG 24 AUG 03				
BROILER CHICKEN	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY		FEB 21 FEB 24		APR 16 APR 20	MAY 22 MAY 26	JUN 19 JUN 22						
LUMBER	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY	JAN 15 JAN 16		MAR 13 MAR 16		MAY 15 MAY 18		JUL 15 JUL 16		SEP 15 SEP 16			
CURRENCY CROSS-RATES	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY			MAR 06 MAR 06									
CURRENCIES (SF,AD,DM, CD,BP,JY)	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY	JAN 13 JAN 15	FEB 14 FEB 19	MAR 16 MAR 18	APR 13 APR 15	MAY 18 MAY 20	JUN 15 JUN 17	JUL 13 JUL 15	AUG 17 AUG 19	SEP 14 SEP 16	OCT 19 OCT 21	NOV 16 NOV 18	DEC 14 DEC 16
EURODOLLAR	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY	JAN 13 JAN 13	FEB 14 FEB 14	MAR 16 MAR 16	APR 13 APR 13	MAY 18 MAY 18	JUN 15 JUN 15	JUL 13 JUL 13	AUG 17 AUG 17	SEP 14 SEP 14	OCT 19 OCT 19	NOV 16 NOV 16	DEC 14 DEC 14
1-MO. LIBOR	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY	JAN 13 JAN 13	FEB 14 FEB 14	MAR 16 MAR 16	APR 13 APR 13	MAY 18 MAY 18							
T-BILLS	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY DELIVERABLE			MAR 04 MAR 05 JUN 4 '92			JUN 24 JUN 25 SEP 24 '92			SEP 16 SEP 17 DEC 17 '92			DEC 09 DEC 10 MAR 11 '93
S&P 500	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY			MAR 19 MAR 20			JUN 24 JUN 25			SEPT 17 SEPT 18			
NIKKEI 225	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY			MAR 12 MAR 13									

# LAST TRADING DAY/DELIVERY DAY SUMMARY FOR 1993

(These dates are subject to change.)

JAN 93   FEB 93   MAR 93   APR 93   MAY 93   JUN 93   JUL 93   AUG 93   SEP 93   OCT 93   NOV 93   DEC 93

		JAN 93	FEB 93	MAR 93	APR 93	MAY 93	JUN 93	JUL 93	AUG 93	SEP 93	OCT 93	NOV 93	DEC 93
LIVE CATTLE	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
FEEDER CATTLE	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
LIVE HOGS	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
PORK BELLIES	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
BROILER CHICKEN	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
LUMBER	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
CURRENCY CROSS-RATES	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
CURRENCIES (SF,AD,DM, CD,BP,JY)	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY	JAN 18 JAN 20	FEB 12 FEB 17	MAR 15 MAR 17									
EURODOLLAR	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY	JAN 18 JAN 18	FEB 12 FEB 12	MAR 15 MAR 15	APR 19 APR 19	MAY 17 MAY 17	JUN 14 JUN 14	JUL 19 JUL 19	AUG 16 AUG 16	SEP 13 SEP 13	OCT 18 OCT 18	NOV 15 NOV 15	DEC 13 DEC 13
1-MO. LIBOR	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
T-BILLS	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY DELIVERABLE												
S&P 500	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
NIKKEI 225	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												

# LAST TRADING DAY/DELIVERY DAY SUMMARY FOR 1994

(These dates are subject to change.)

		JAN 94	FEB 94	MAR 94	APR 94	MAY 94	JUN 94	JUL 94	AUG 94	SEP 94	OCT 94	NOV 94	DEC 94
LIVE CATTLE	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
FEEDER CATTLE	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
LIVE HOGS	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
PORK BELLIES	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
BROILER CHICKEN	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
LUMBER	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
CURRENCY CROSS-RATES	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
CURRENCIES (SF,AD,DM, CD,BP,JY)	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
EURODOLLAR	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY	JAN 17 JAN 17	FEB 14 FEB 14	MAR 14 MAR 14	APR 18 APR 18	MAY 16 MAY 16	JUN 13 JUN 13	JUL 18 JUL 18	AUG 15 AUG 15	SEP 19 SEP 19	OCT 17 OCT 17	NOV 14 NOV 14	DEC 19 DEC 19
1-MO. LIBOR	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
T-BILLS	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY DELIVERABLE												
S&P 500	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
NIKKEI 225	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												

# LAST TRADING DAY/DELIVERY DAY SUMMARY FOR 1995

(These dates are subject to change.)

		JAN 95	FEB 95	MAR 95	APR 95	MAY 95	JUN 95	JUL 95	AUG 95	SEP 95	OCT 95	NOV 95	DEC 95
LIVE CATTLE	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
FEEDER CATTLE	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
LIVE HOGS	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
PORK BELLIES	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
BROILER CHICKEN	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
LUMBER	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
CURRENCY CROSS-RATES	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
CURRENCIES (SF,AD,DM, CD,BP,JY)	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
EURODOLLAR	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY	JAN 16 JAN 16	FEB 13 FEB 13	MAR 13 MAR 13	APR 17 APR 17	MAY 15 MAY 15	JUN 19 JUN 19	JUL 17 JUL 17	AUG 14 AUG 14	SEPT 18 SEPT 18			
1-MO. LIBOR	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
T-BILLS	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY DELIVERABLE												
S&P 500	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												
NIKKEI 225	LAST DAY OF TRADING DELIVERY DAY/VALUE DAY												

## THE CHICAGO MERCANTILE EXCHANGE **BACKGROUNDER**

The Chicago Mercantile Exchange (CME), founded in 1919, is the world's leading *financial* futures and options exchange. An international marketplace, it is the most diversified exchange in the world. The CME trades futures and futures-options contracts on agricultural commodities, currencies, interest rates and stock index products.

One-third of the CME's business comes from overseas. On an average day, the Exchange clearing division processes about \$500 million in performance bonds which back market positions taken by customers, members and member firms. Of the more than 90 member firms at the CME, 25 are owned by non-U.S. banks and investment firms.

In 1991, the underlying value of all contracts traded at the CME will total more than \$50 trillion. In contrast, the underlying value of all equities traded at the New York Stock Exchange in 1990 was about \$1.3 trillion.

The CME Center, located at 30 South Wacker Drive in Chicago, consists of twin 40-story office towers connected by a state-of-the-art trading complex. The complex encompasses two trading floors totalling 70,000 square feet, 34 trading pits and more than 1200 individual communications booths. More than 5,000 people engage in business activity on the main trading floor during the course of a typical business day, which begins at 7:20 a.m. and ends at 3:15 p.m. The Exchange also maintains offices in New York, Washington, D.C., London and Tokyo.

The CME is a not-for-profit corporation consisting of and owned by its members. It provides an open forum for the trading of futures and futures-options. The Exchange establishes and enforces trading rules and collects and disseminates information on transactions executed on its trading floor.

Exchange membership, numbering 2,724, comprises independent traders and brokers as well as representatives of major brokerage firms, banks, investment houses and corporations. These members execute trades for themselves, for others, or both.

All CME memberships are subject to a thorough review process and must be approved by the Exchange's Board of Governors. Memberships are purchased from existing members

at prevailing market prices. All members are qualified (guaranteed) by a CME Clearing Member firm. Three types of memberships may be purchased on the Exchange:

- The full Chicago Mercantile Exchange (CME) Division membership entitles the owner to execute trades in any contract offered on the Exchange.
- The International Monetary Market (IMM) Division membership entitles the owner to execute trades in all IMM and IOM futures and futures-options contracts, i.e., all currency futures, interest rate futures and stock index futures contracts as well as all futures-options contracts.
- The Index and Option Market (IOM) Division membership entitles the member to execute trades in all IOM futures and futures-options contracts, i.e., all stock index futures contracts, random length lumber contracts and all futures-options contracts.

The CME (full) seat is the highest priced seat on any U.S. exchange. Record seat prices on the Exchange are:

CME -- \$550,000 on March 9, 1989  
IMM -- \$475,000 on April 28, 1989  
IOM -- \$180,000 on September 22, 1987

## TRADING VOLUME

In 1990, the CME traded just under 103 million contracts. Between 1980 and 1990, overall volume at the CME increased 460 percent -- nearly twice the industry rate. The key to CME growth is found in its diversity: the Exchange trades four product groups -- agricultural, currency, interest rate and stock index.

Financial futures and options are responsible for a great deal of this spectacular growth, accounting for approximately 90 percent of all trading at the CME in 1990 and representing a 60 percent industry-wide market share.

CME 1990 volume was led by Eurodollar futures which traded more than 34 million contracts, making it the industry's second most active contract. More than 12 million futures contracts were traded on the S&P 500 stock index in 1990, the largest equity index product traded in the world.

The 1983 introduction of options on the S&P 500 stock index futures contract paved the way for a new era of growth and possibilities; the CME now trades 16 options on futures. In 1990 the CME recorded annual volume of more than one million on five of those options contracts.

## INTERNATIONAL MOMENTUM

The CME is programmed for diversification and internationalization. In 1980, the CME was the first U.S. exchange to open an office in Europe. The CME established an historic bridge to the markets of the Pacific Rim in 1984 with its mutual offset trading link to the Singapore International Monetary Exchange (SIMEX). In April 1987, the CME reaffirmed that global commitment and its leadership role by being the first exchange to open a Tokyo office.

In response to the demands of globalization, the Chicago Mercantile Exchange, the Chicago Board of Trade and Reuters Holdings PLC entered into an historic long-range agreement to create an "after hours" global electronic automated transaction system for the trading of futures and futures-options. The concept embodied in GLOBEX embraces the realities brought about by technological advancements of recent years and takes a giant step toward unification of the world's separate financial centers.

## ECONOMIC IMPACT

A study commissioned by the Commercial Club of Chicago in 1987 found that "at least 33,000 people were directly employed by the Chicago exchanges, their members and the organizations that use the exchanges and provide services to them and their members." Total direct and indirect employment was put at 110,000. Approximately one-third of these figures can be attributed to the CME and its members. Naturally, the CME also adds vitality to the Chicago economy through its spending, payment of both city and property taxes and by attracting tourists and foreign investors to the Chicago area. What's more CME members have some \$3.4 billion in cash and treasury securities is on deposit in Chicago banks as margin collateral.

## CME EURODOLLAR STATISTICS

Year	Volume	Pct Inc.
1981	15,171	
1982	323,619	
1983	891,066	175.34%
1984	4,192,952	370.55%
1985	8,900,528	112.27%
1986	10,824,914	21.62%
1987	20,416,216	88.60%
1988	21,705,223	6.31%
1989	40,818,269	88.06%
1990	34,695,625	-15.00%
1991	34,047,370	6.30%
	Jan-Nov.	

Chicago Mercantile Exchange  
Annual volume of contracts traded

Year	Vol	Pct. Inc.
1980	22,261,295	
1981	24,527,020	10.18%
1982	33,574,286	36.89%
1983	38,111,134	13.51%
1984	44,870,922	17.74%
1985	56,548,476	26.02%
1986	68,775,524	21.62%
1987	84,367,214	22.67%
1988	78,011,668	-7.53%
1989	104,654,457	34.15%
1990	102,994,612	-1.59%

Compound increase 1980-1990 363%

1991 99,147,847 4.10%

Jan-Nov.

World financial centers that have established futures  
and options exchanges since 1980:

London	Tokyo
Hong Kong	Osaka
Singapore	Switzerland
Sydney	Frankfurt
Paris	Sao Paolo
New Zealand	Amsterdam

Countries that have announced intentions to establish  
futures and options exchanges:

Mexico	USSR
Panama	Chile
Hungary	China (PRC)
Czechoslovakia	
Italy	

**CME CONTRACTS****CME FUTURES:****AGRICULTURAL**

Live Cattle  
Live Hogs  
Feeder Cattle  
Frozen Pork Bellies  
Broiler Chickens

**IMM FUTURES:****CURRENCIES**

Australian Dollar  
British Pound  
Canadian Dollar  
Deutschemark  
Japanese Yen  
Swiss Franc  
British Pound/Deutschemark Currency Cross-Rates  
Japanese Yen/British Pound Currency Cross-Rates  
Deutschemark/Japanese Yen Currency Cross-Rates

**INTEREST RATES**

Three-Month Eurodollar  
U.S. Treasury Bill  
One-Month LIBOR

**IOM FUTURES:****STOCK INDEXES**

Standard & Poor's 500  
Nikkei 225

**OTHER**

Random Length Lumber Futures and Options

**IOM OPTIONS  
ON FUTURES:****AGRICULTURAL**

Live Cattle  
Live Hogs  
Feeder Cattle  
Frozen Pork Bellies  
Broiler Chickens

**CURRENCIES**

Australian Dollar  
British Pound  
Canadian Dollar  
Deutschemark  
Japanese Yen  
Swiss Franc

**INTEREST RATES**

Eurodollar  
U.S. Treasury Bill  
One-Month LIBOR

**STOCK INDEXES**

Standard & Poor's 500  
Nikkei 225

# Reagan at CME

Administration of Ronald Reagan, 1988 / Sept. 30

make up stories, jokes, and tell them among themselves, which reveals they've got a great sense of humor, but also a little cynicism about their way of life. And just as I was coming home from the Moscow summit, I got another new one that was handed to me. This is their story, this is the way they treat it, and it shows a little difference between two systems.

The story has it that I and Gorbachev are in his limousine. And I had the head of our Secret Service unit, and he had his chief security man with him. And we were sight-seeing. And we got out to where there was a waterfall. And we got out of the car to look at the waterfall. And the Secretary General Gorbachev said to my man, "Go ahead, jump. Go over the fall." And my man said, "I've got a wife and three kids." So he turned to his own man and said, "Go

on, jump. Go over the fall." And he did. And my man went down the rocks around the fall to see if he could be of help. And there he was down there wringing out his shirt. And he said, "When he told you to jump and go over the falls, why did you do that?" He said, "I got a wife and three kids." [Laughter]

So, thank you all, and God bless you all.

*Note: The President spoke at 12:49 p.m. at Wozniak's Casino. He was introduced by Gov. James R. Thompson. In his opening remarks, he referred to the late Aloysius Mazewski and his wife, Florence, who was seated beside the President. He also referred to Representative Jack Davis; Stanley Wozniak, owner of the casino; and Mr. Wozniak's mother, Theresa.*

## Chicago Merc Ex.

Remarks at a Republican Party Fundraiser in Chicago, Illinois  
September 30, 1988

Thank you very much. And, Jim, I thank you for that introduction. And thank you, Mike Galvin and Dick Morrow. And I'd like to say hello to Congresswoman Lynn Martin, who happens to be the Congresswoman where my hometown is—or was. And my valued friend and old colleague, Howard Baker. And again, a special thank you to Jim Thompson for that marvelous introduction. Jim, you're a great guy and an even greater Governor and a man who gives new meaning to an old phrase—because unlike some Governors, Jim, you took the Pledge. [Laughter]

Now, they tell me I'm standing right in front of the pork bellies pit here. [Laughter] That's funny, I never knew Congress spent time in Washington—or in Chicago, I should say. [Laughter] They spend time in Washington—and spend it and spend it. [Laughter] Actually, I might have to revise my opinion of Congress if that were true, because anyone with half a brain knows that this is one of the world's great towns. A city that's home to Saul Bellow and Allan Bloom and Ernie Banks and yes, Number

34, Sweetness itself, Walter Payton. Let me tell you something about that town: It ain't no Second City!

Of course, it's not exactly the same place it was in the old days. I remember hearing about a fellow who was assigned to be a precinct watcher on election day here. He saw a fellow walk in and vote and walk out. And then the same fellow came in again, only this time with a different hat on—[laughter]—and voted. And then he came in again, only this time with a different sport coat on, and voted. And the first fellow went up to the precinct captain and said, "Hey, I think that man voted three times already." And the precinct captain said, "Three times? That's impossible. He's not even dead yet." [Laughter]

Seriously, it's a great pleasure to be here on the floor of the Merc because this is a place devoted to the future. And believe me, when you've had as much past as I have, you just love the future. [Laughter] Just think, only a few hours ago traders and brokers were waving their arms, screaming themselves hoarse, betting on the future.

Come to think of it, they were a lot like the crowd in New Orleans during and after one of the finest speeches I've ever heard, given by one of the finest men I've ever known, a fellow by the name of George Bush.

Some people want to talk this year about competence. Well, I say, fine, let's talk about competence. I just happen to think that the youngest flier in the Navy with 58 combat missions, the Texas wildcatter who made his own way in the world, the Republican Congressman from Houston, the chairman of the Republican Party, the de facto Ambassador to China, the Ambassador to the United Nations, the Director of the Central Intelligence Agency, and the Vice President of the United States has it just about wrapped up in the competence department. We've all seen what a brilliant job he's done in the past, and I can promise you he's going to do an even better job in the future.

Looking ahead to the future is something George Bush has in common with the people who work on this floor. It's also something he has in common with all of you and with the Republican Party as a whole. You know, it used to be that being a Republican in Cook County was a little bit like being Elliot Ness in "The Untouchables"—[laughter]—outnumbered in a big way. But more and more Chicagoans are beginning to realize that if you want to go with a future of opportunity, economic growth, and peace through strength, there's only one place to turn: the party of Abraham Lincoln, the Republican Party.

But I'm delighted to see so many new faces in this room, a sign of the change in Republican fortunes in Cook County. And of course, there are two fellows here who really have seen the light, men of vision and tenacity, Jim O'Grady and Ed Vrdo-lyak. They saw the light and came aboard, which is fine by me. It's no secret I used to be a Democrat before I saw the light, too. Only when I saw the light, I had to ask Tom Edison, "What in heck is that thing, anyway?" [Laughter]

George and our party look to the future—a future of continued growth, a future of expanded opportunity, a future of peace. I hear some people say it's time for a change. Well, ladies and gentlemen: We are the

change. We began the change 8 years ago.

Now, let me talk a little bit about that change: We're in the 70th straight month of economic recovery. We've been dedicated to slashing taxes and liberating the American economy from the regulations and confiscations of the "malaise" years. When we came into office, families everywhere were reeling from tax rates that were sapping this nation's initiative. We took that money out of the grasping hands of the Washington bureaucrats and put it back in the wallets of the people from whom they confiscated it in the first place: the working men and women of America.

But you know, I have to interrupt myself right here with just a little anecdote from my previous days as Governor of California. I came into a situation there as Governor that was about the same as I came into in Washington a few years ago. But the difference between the two parties is evidence of this. We began to have surpluses, and about the fourth surplus was the biggest. And each time that we had a surplus, we gave it back to the people by way of the tax system. Well, this fourth one was big enough, and each time I would have to—I'd find out first that we were going to have a surplus so that I could go public and tell the people what we were going to do with it.

I had a Democratic legislature, and then they couldn't quite take on the people after they'd heard that I was giving them back the money. [Laughter] And this particular day, a leader—Democratic leader in the senate—stormed into my office and hit my desk. And he said, "Mr. President, giving that money back to the people is an unnecessary expenditure of public funds." [Laughter] I think that kind of sums up the difference between our two philosophies.

The result has been astounding. In the past years, we've seen an explosion of hard work and innovation across this country, people putting their shoulders to the wheel and shifting their entrepreneurial energies into overdrive. And now more Americans are at work today, an amazing 62.7 percent of all—this is what is considered to be the potential employment pool—of all Americans, male and female, from age 16 and up. And 62.7 percent of that group have jobs.

But we didn't work ourselves encouraging them. We're mandating nothing. Excellence isn't just a philosophy that says "cause that is why we can." Excellence is going to get it!

We've gone to a system, appointed people who respect the meaning of the word. Crime has fallen because we put it in the can. Make a false name. Hear is the can shut.

We've gone to a world. Our America is at the center. Our allies stood firm. Siles pointing to Asia. And Mr. He did business; and v

America has distance in the world. It has faded in the world. Policy crises threaten. President Bush and so many things right after Mr. do the cancan.

Yes, let's take years before (to Washington Nicaragua, an Ambassador to by Communism invaded by Sc what was going

The misery index by adding the unemployment rate. In the 1976 candidate Carter against Jerry F misery index has a right to misery index. 1976. In 1980 misery index,

But we didn't stop there. We've gone to work ourselves on the educational system, encouraging the return to basics and demanding nothing less than excellence. Excellence isn't just a good grade: It's a philosophy that says, "You must do your best because that is what it means to be an American." Excellence—that's our goal, and we're going to get it!

We've gone to work on our judicial system, appointing serious-minded judges who respect the Constitution and know the meaning of the word punishment. Violent crime has fallen significantly since 1981 because we put America's crooks on notice: Make a false move, and the next sound you hear is the clang of a jail cell slamming shut.

We've gone to work on our nation's defenses. We're once again respected in the world. Our Armed Forces are strong, and America is at peace. We and our NATO allies stood firm in the face of Soviet missiles pointing at the heart of Europe and Asia. And Mr. Gorbachev got the message. He did business because he knew we meant business; and we still mean business!

America has traveled such a remarkable distance in the last 8 years that the memory has faded of the economic and foreign policy crises that we faced when Vice President Bush and I took office. The last time so many things went wrong all at once was right after Mrs. O'Leary's cow decided to do the cancan. [Laughter]

Yes, let's take a little journey back to the years before George Bush and I were sent to Washington. In just one year, 1979, Iran, Nicaragua, and Grenada were all lost. Our Ambassador to Afghanistan was murdered by Communist gunmen, and that country invaded by Soviet troops. And add to that what was going on at home.

The misery index—which you determine by adding the rate of inflation to the rate of unemployment. And that had been invented in the 1976 election, and it was used by candidate Carter—or President Carter against Jerry Ford. He used this because the misery index was 13.4, and he said no one has a right to ask to be President with a misery index that big. Well, that was in 1976. In 1980 they never mentioned the misery index, after their 4 years, because it

was now 21 percent.

Well, today it's less than 10 percent, and it's been shrinking faster than Walter Hudson, the 1,200-pound man in New York who just lost 700 pounds. Now, if only we could get Congress to follow Walter's example. Maybe you didn't hear me a moment ago. He's that 1,200-pounder who's lost 700 pounds—if we could get Congress to follow Walter's example and cut the fat out of their diet. I think we ought to put them on a diet, a diet called the line-item veto and the balanced budget amendment. Now, you know when I'm talking about the Congress this way, present company is excepted—[laughter]—and a lot of her kind that are there on our side.

Well, back in 1979, Americans were waiting in lines a mile long to buy gasoline. And a President went on television that year to blame it all on the American people, telling them it was all their fault. They were suffering from some kind of malaise. Well, it wasn't the American people: It was the guys in Washington who had the malaise. And come 1980, those guys felt the winds coming in off the lake, and those winds blew them all the way back to Georgia.

Today we have peace and prosperity, and the liberals are trying to pretend those economic and foreign policy nightmares they gave us never happened. They're singing the same song they sang back then, and it sure isn't, "Don't Worry, Be Happy." [Laughter] It's more like, "Please Worry, Be Miserable." [Laughter]

You can hardly blame them for trying to convince the country that good news is actually bad news. After all, what issues do they have to run on? Take defense—they opposed rebuilding our military defenses. They opposed the deployment of the missiles in Europe to counter the Soviet threat. They opposed the liberation of Grenada. They opposed the raid on terrorist Libya. They oppose our policy of helping freedom fighters advance the cause of liberty around the world. George and I did all those things, and I'll tell you proudly right now: We'd both do every single one of them over again.

Well, now they're trying to get elected, and so they say the Nation's defenses are

safe with us. Well, ladies and gentlemen, I've been Commander in Chief for almost 8 years now, and I've studied their record and their positions. And based on my research, I'm going forth with a message for the American people: When they talk about a strong defense, I don't buy it.

They oppose the death penalty, even for a crack dealer with a machinegun who murders a police officer in the line of duty. George and I fought to protect the noble men and women who protect us, and that means the death penalty for these vicious killers. If you ask me, there are no Americans braver and no citizens more precious than the men and women who guard us: our State and local police.

But the liberals, like their flagship, the ACLU—[laughter]—often seem to concern themselves with the rights of criminals and forget about the rights of the citizens those criminals prey upon. But now they want to get elected, and so they claim they're tough on crime. Well, I've examined that record, and we've all got to go out and tell the American people: When they say they're tough on crime, don't you believe it.

The liberals opposed our tax cuts, our tax reform efforts, our economic program that slashed interest rates in half and put America back to work. Now they say they want to help the American middle class. And what they're planning to do for the American middle class is to tax them. Well, the traders on this floor would understand what they're doing, and it's a message we all have to bring to our fellow Americans: The liberals are selling the middle class short.

The liberals have been slashing away at our nation's defenses while passing budget-busting bills through Congress—\$87 billion here, \$23 billion there; and as Everett Dirksen might have said, pretty soon you're talking about real money. [Laughter] Every time they see a problem, they think a big government program run by bureaucrats in Washington is the solution—the same bureaucrats who do so much to stifle individual initiative and economic growth.

I brought with me to Washington a little memory of what I had learned about a gentleman who had a job in Washington. He sat at a certain place, and documents and bills and so forth came to his desk. And he

decided which department they should go to and initialed them and sent them on. And one day a classified paper came to his desk marked "secret." And he initialed it and sent it on. In 24 hours it came back to him with a memorandum attached that said, "You weren't supposed to see this. Erase your initials and initial the erasure." [Laughter] Well, now the liberals are talking about fiscal responsibility and how they'll pay America's debts. Well, once again, we've got to go out to the American people with a message: Don't look to a big spender to pay America's bills.

There's a solution to the spending crisis. That solution is so simple only a liberal could miss it. [Laughter] We just have to spend less. But big spending is as seductive as anabolic steroids, and it's time the big spenders were disqualified. We can accomplish that by giving George Bush what he needs to do the job: a new Congress, a better Congress, a Republican Congress. And people in this area can help get the job done by reelecting a terrific first-term Congressman from the Fourth District. He's got a tough race, but he's a tough-as-nails guy: Jack Davis. Send him back there.

We're working hard to solve the drug crisis in this country, but we're facing some resistance. Guess where? With the liberals on Capitol Hill, that's where. The House has passed a drug bill with a lot of good and tough provisions. But now that bill is stalled in the Senate. I tell you this: If the Senate were controlled by Republicans today, we'd already have signed into law that drug bill, and dealers and users everywhere would know this country stands united behind two powerful words: zero tolerance.

What it all comes down to is a clash of principles, of values, of visions. The liberals look at this country and see problems, woes, gloom and doom. And you know, that's the kind of thinking that can turn into a self-fulfilling prophecy. We look at this country, and we see expanded opportunities, a glorious future, a future in which this nation is strong, protected by land and sea and air and, yes, space—courtesy of the Strategic Defense Initiative. We look to the future and see a nation healthy, a nation strong, a nation at peace. I know all of you want to

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### Message to September

#### To the Congr

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### Informal September

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send the Chicago Bears to the Super Bowl. Well, on November 8th, the American people will be sending the gloom-and-doom liberal bears into hibernation. [Laughter] And why? Because they know that we are bullish on America.

So, let us go then. Let's bring our messages and our optimism to every man, woman, and child across this great State and across this great nation. Let them know that a vote for us is a vote for peace, a vote for prosperity, and, yes, a vote for the future.

And I think I've kept you from dinner too long. I just want to say a thank you to all of you not only for your warm reception but also for what you're doing. And God bless you all.

*Note: The President spoke at 7 p.m. on the trading floor of the Chicago Mercantile Exchange. He was introduced by Gov. James R. Thompson. In his opening remarks, the President referred to Michael Galvin, Illinois Bush/Quayle campaign finance chairman; Richard Morrow, chairman of the reception; Howard H. Baker, Jr., former Chief of Staff to the President; writers Saul Bellow and Allan Bloom; former Chicago Cubs baseball player Ernie Banks; and Chicago Bears football player Walter J. Payton. The President also referred to James O'Grady, Cook County sheriff, and Edward R. Vrdolyak, Republican candidate for Cook County Circuit Court clerk.*

## Message to the Congress Reporting Budget Deferrals September 30, 1988

*To the Congress of the United States:*

In accordance with the Impoundment Control Act of 1974, I herewith report 10 deferrals of budget authority now totalling \$2,024,171,278.

The deferrals affect programs in Funds Appropriated to the President, and the Departments of Agriculture, Defense, Energy, Health and Human Services, Justice, State, and Transportation.

The details of these deferrals are contained in the attached report.

RONALD REAGAN

The White House,  
September 30, 1988.

*Note: The attachment detailing the deferrals was printed in the "Federal Register" of October 14.*

## Informal Exchange With Reporters September 30, 1988

*The President.* I have a short statement here. I had hoped that we'd mark the end of the dog-ate-my-homework era of congressional budgetry, but it was not to be. I'd hoped to return tonight to sign the last of the required 13 appropriations bills, but they're not all here. So, Congress is going to have to stay and work so that all remaining bills will be complete and in a form I can

sign. So, goodnight, and pleasant dreams.

*Q.* Do you think you'll be able to sign them all by tomorrow?

*Q.* Are you disappointed?

*The President.* Yes.

*Note: The exchange began at 10:48 p.m. on the South Lawn of the White House.*

DECEMBER 4, 1991

MEMORANDUM FOR TONY SNOW

FROM: MICHELE NIX

SUBJECT: CHICAGO MERCANTILE EXCHANGE

Merc is sending me tons o' stuff. Re: trade volume, etc.; bios of all the officers; a backgrounder at Merc; a recent speech delivered by the CEO; and other goodies.

Dave Prosperi does not work at Merc; he works at the Chicago Board of Trade. I spoke with his counterpart at Merc, Andy Yemma, V. Pres of Communications at Merc.

Before addressing the Exchange, the Pres will tour the trading floor. He will receive a red jacket, which will probably have "Zapata" printed on it. Attached will also be a badge with the word "Pres."

The Pres will address 400-500 people from the Upper Trading Floor. The audience will be seated in the Main Trading Floor, which usually accommodates approximately 4,000 people at one time. Approximately 200-300 people will be members of the exchange -- all wearing their jackets -- many different colors. The rest of the audience will include CEOs from leading corporations in the Chicago area -- also the mayor, Sen. Rostenkowski, and other Chicago politicians.

#### THE EXCHANGE

The building is 8 years old. This is the 4th building they've had. Their old building is a couple blocks away. One block from the building is the Sears Tower.

Monday, Dec. 9, Merc is celebrating the 10th anniversary of the 3-Month Euro Dollar Futures Contract. (Yawn) They will be bringing in the media and having a big party for this on Monday. This is the leading futures contract in the world -- used by commercial banks to hedge short-term interest rate exposure [enabling banks to handle volatile interest rates] and is one of the self-corrective measures allowed in free markets.

The Merc is 1 of 4 major exchanges in the Chicago area and thus Chicago is fast becoming known as a financial services center.

They are the world leader in futures trading. Although the Merc's market share has decreased over the years from 90% to 50%, their volume has continued to grow.

**For the past 3 years, they have the highest seat value than any exchange in the world.** Their membership runs at approximately half a million a seat -- greater than the NYSE. There are roughly 2,700 memberships. Their growth really surged in 1971, after the Treasury Dept. allowed futures contracts on foreign currency exchange rates.

The Merc is best known for its SNP 500 index future, which is used by pension and mutual fund managers to curb risk. **The Merc likes to refer to themselves as leaders in risk management -- and a mention of this would please the members.**

Several of their consultants and former board members are Nobel Laureates for Economics -- including Merton Miller, who shared the prize with 2 others in 1990. The University of Chicago, whose Graduate Business School has a rep for producing Nobel Prize winners in economics or for hosting them as faculty, is well-respected by the senior staff at Merc and is a close tie with the Exchange.

#### OFFICERS

These three will be with Pres on the Upper Trading Floor.

Chairman: John F. Sandner -- Pres can refer to him as "Jack." Merc is sending bio. A couple things: Sandner was a Golden Gloves Boxer. [JOKE] On Oct. 16, 1990, POTUS awarded the Presidential Citizen's Medal to Tony Zale -- a former boxing champion and a mentor and trainer to Sandner his youth. Sandner lead the cause for Zale's recognition. Sandner and POTUS met at this event. Sandner is also a graduate of Notre Dame -- Irish football season joke here.

Sandner likes to use the phrase -- "Free markets for a free society."

President: Bill J. Brodsky. His predecessor was Clayton Yeutter. JOKE

Chairman Emeritus: Leo Melamed. Was the principle behind their growth surge in 1971. Very well thought of.

# CHICAGO MERCANTILE EXCHANGE

## TELEFAX MESSAGE

TO: Michelle Nix - WHITE House

FROM: Andy Yemma - CME Communications

DATE: 12/4

4 pages will follow this cover page.

Please call (312) 930-3436 if there are any problems with this transmission.

NOTES:

**REMARKS OF MEXICAN PRESIDENT  
CARLOS SALINAS DE GORTARI  
AT THE CHICAGO MERCANTILE EXCHANGE  
APRIL 11, 1991**

...It was a very moving experience the one I just had walking the floor with you, and getting the sense, the sense of the meaning precisely of free trade. That's what you get walking there watching the intense exchange of goods and also of currencies.

But something that struck me very strongly was to look at the eyes of those that work down there. They are young people. Not only because of their age, but mainly because of their attitude. They had in their eyes, brightness, because they know what's at stake. They know their responsibility, they know they can gain and lose in a matter of seconds, but that they have an opportunity to exercise their freedom, their talent, their capacity.

That is precisely why we want free trade. Because my countrymen also want to have the chance to exercise their freedom, their tremendous capacity to change the world in which they live, and they have in their eyes that brightness, that positive perspective, and I want to fulfill their dreams, but not manana, today. That is precisely my complement.

...We in Mexico are committed to trade on a multi-lateral basis. We are convinced that for the world to increase the standards of living, unilateral free trade must be among us... We have been promoting freer trade with the rest of the countries of Latin America. We are going faster with those who have opened themselves already...

This brings me to our commitment to have freer trade north of our border. This is a proposal we've been promoting. President Bush has stated his full commitment to make it a reality, as has Prime Minister Mulroney of Canada. I'm convinced that freer trade would mean more jobs in Mexico, no doubt, but also more jobs in the U-S as well as Canada.

The past three years thanks to freer trade, a quarter of a million additional jobs have been created in the U-S, thanks to increased exports to the Mexican Market...We have the studies and they prove and show that free trade will mean more jobs for Mexico, for the U-S, and for Canada as well...

...We are fully committed to a very orthodox economic policy. We paid a very high price for lacking discipline in fiscal policy three years ago. The deficit was 16% GDP and inflation was breaking the 200% level, and our debt was beyond 100 billion dollars. So we have for many years paid a tremendous price to bring inflation and the economy under control, and we are not willing to repeat the mistakes of the past. That is why last year the public sector deficit was only half

## Salinas--Page Two

a percentage point of GDP and this year we will run a balanced budget for the first time in this century in Mexico. This has allowed us, as we mentioned before, to reduced drastically inflation. And let me tell you last year we were able to grow almost 4% in real terms while bringing the deficit down. That is, it shows that you can bring the deficit down, get the economy up and keep prices under control. That's what convinces us to keep this very strict economic policy, and to keep it permanent.

But while we trade the peso here, we would like your advice on establishing a Mercantile Exchange in Mexico. It would help us very much because we are trading some goods like oil...Last year at the beginning of August, three days after Iraq invaded Kuwait, and the price of oil went immediately up, I called a meeting of the economic cabinet, and I told them that the last time the price of oil had gone suddenly up, we had ended with 100 billion dollars in debt. So this time we were going to consider those price increases and those additional resources as not permanent, and we would not channel them to expenditures. We put the additional 3 billion dollars we got from increasing the price of oil into our international reserves and nothing for additional expenditures. At the same time, we knew that oil was reflecting a non-market situation, so I instructed the minister of finance to create a contingency fund that would get resources from enterprises we were privatizing.

At the same time we knew that the price of oil would go down soon, so when it was at the level of about \$30, we considered in our budget for this year \$17 per barrel. And last but not least, we wanted to be sure we were going to get those resources, that revenue, that foreign exchange that we were considering for this year.

So in spite of being an oil exporting country, we decided to go into the options market. It was a very delicate operation and was kept very private because of the amount it represented and the precedent it was creating. Well, we did it when the price of oil was very high, and some people thought it was going to stay there. We wanted to be sure if the price went below \$17, we would guarantee those resources. I don't know what the price is today, and let me say in quotes I don't even care, because in the sense that we are covered in this options, we certainly care because if the price goes up, we benefit, but if it goes down, we are covered, and what is actually covered is our economic program. We are trying to eliminate uncertainties, and that is why we decided to take this unprecedented step

...In the perspective of the free trade agreement, they would have to have a competitive status in order to participate in the market that would be created. But let me tell you, let me emphasize, they would have to fulfill the environmental laws that we have...We are committed to the environmental problem in the rest of the country. Because we want a clean recovery, we do not want jobs that damage the

### Salinas--Page Three

environment. We are not thinking only about this generation. We are thinking about the next as well.

→ We want trade, not aid. Those who argue that jobs may be lost with a free trade agreement in the U-s. Without the free trade agreement, you will lose jobs inevitably to other regions of the world who are having a higher competitive advantage than you. Goods that are imported into the U-S come mainly from countries that have wages similar or higher than yours. The competitive advantage doesn't come from lower wages but from markets that work from better technology, better organization. You create those competitive advantages. That's precisely what we want to do...In the global economy of today the only way to grow on a sustained basis is through interrelation. If we do not get a free trade agreement, you will really lose jobs in the U-S to Mexican migrants coming here because they could not find jobs in their own country.

...This is a question of vision. This is a matter of how this region and the world will be able to cope at the end of this century and the next with other regions that are getting together with a tremendous competitive advantage...I am convinced that through a free trade agreement among sovereign nations, we will be able to create here a region of well being for all its citizens...If its a trilateral agreement, it will be a win, win, win negotiation that will benefit all of our countries...

**REMARKS OF AUSTRALIAN PRIME MINISTER  
JAMES LEE HAWKE  
AT THE CHICAGO MERCANTILE EXCHANGE  
JUNE 20, 1988**

...We've got our priorities worked out, we came to Chicago first, then we go to New York later...we of course are very interested to see the operations of the Exchange here because it fits very concisely with the philosophy that we have developed in our country. We want to see a freeing up of transactions within our own economy and between the economies of the world. My message in the United States as I said to you briefly at breakfast Jack, will be here in Chicago, New York and in Washington will be a very simple one, and that is that the world has prospered, when you look at its history, when it has been prepared to trade and eliminate its possible barriers between nations. That's true within nations and it's true between nations, and to the extent that your institution here provides a greater elasticity of opportunity for allowing firms the types and amounts of risk that they want to assume in their operations. So it is to say that is consistent with the approach we've adopted in our country.

We have tried to create within Australia an economy, essentially a de-regulated economy, and one which we are increasingly trying to make outward-looking and competitive. The problem of the Australian economy we inherited is that we had a very high profile of exposure to sudden and deep variations of prices of commodities. So we've tried to create an economy in which our services and our manufacturing sectors will grow in importance. And we have very substantially achieved that to this point. Our proportion of cattle merchandise exports constituted by manufacturers have increased from 21% to 26% in the period that we've been in office. We are seeing a very significant increase in the exports of manufactured goods.

And of course one of our great sources of strength is tourism, which is growing at a very rapid rate. In terms of trying to create a more competitive, more exposed economy, just recently a few weeks ago, Jack introduced a decision to affect a very significant reduction in tariffs, which will mean over four years a 30% reduction in the affective tariff rate in our country. And internally, as far as our own budgetary situation is concerned, the important statistic is that when we came to office, we were looking at about a 5% GDP deficit. In five years we've now eliminated that and we're not looking at a significant surplus. So that when we come here to your country, we'll try to tell your administration what they should be doing to about balancing the budget...



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102nd Congress 1st Session  
U. S. House of Representatives

HR 223

1991 H.R. 223

COMMODITY EXCHANGE ACT AMENDMENT

DATE-INTRO: January 3, 1991

LAST-ACTION-DATE: January 3, 1991

SPONSOR: Representative Neal Smith D-IA

TOTAL-COSPONSORS: 0 Cosponsors

SYNOPSIS:

A bill to amend the Commodity Exchange Act to require public disclosure of certain information relating to sales of commodities for export, and for other purposes.

ACTIONS:

Committee Referrals:  
01/03/91 House Agriculture Committee

Legislative Chronology:

1st Session Activity:  
01/03/91 137 Cong Rec H 60 Referred to the House Agriculture Committee

BILL-DIGEST:

Amends the Commodity Exchange Act to require certain exporters of wheat, corn, or soybeans to report specified export sales information to the Commodity Futures Trading Commission. Requires the Commission to make such information available to the public. Directs the Commission to revoke the registration (for at least 12 months) of any broker violating these provisions or accepting an order from any person violating these provisions.

CRS Index Terms:

Agriculture; Agriculture in foreign trade; Commodity exchanges; Corn; Exports; Government paperwork; Soybeans; Wheat

CO-SPONSORS:

No cosponsors have been added to HR 223



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BILL TRACKING REPORT102nd Congress 1st Session  
U. S. House of Representatives

HR 707

1991 H.R. 707

## COMMODITY FUTURES IMPROVEMENTS ACT OF 1991

DATE-INTRO: January 29, 1991

LAST-ACTION-DATE: November 6, 1991

SPONSOR: Representative Glenn English D-OK

TOTAL-COSPONSORS: 3 Cosponsors: 2 Democrats / 1 Republicans

## SYNOPSIS:

A bill to improve the regulation of futures trading, authorize appropriations for the Commodity Futures Trading Commission, and for other purposes.

## ACTIONS:

## Committee Referrals:

01/29/91 House Agriculture Committee

03/07/91 Senate Agriculture, Nutrition, and Forestry Committee

## Legislative Chronology:

## 1st Session Activity:

01/29/91	137 Cong Rec H 781	Referred to the House Agriculture Committee
02/06/91	137 Cong Rec H 993	Cosponsors added
02/19/91	137 Cong Rec D 151	House Subcommittee on Conservation, Credit, and Rural Development approved for full Committee action, amended
02/26/91	137 Cong Rec D 188	House Agriculture Committee ordered reported, amended
02/27/91	137 Cong Rec H 1181	House Agriculture Committee received permission to have until 6:00 p.m. on March 1, 1991 to file a report
03/04/91	137 Cong Rec H 1341	Reported in the House on March 1, 1991 amended (H. Rept. 102-6)
03/05/91	137 Cong Rec H 1350	House agreed to suspend the rules and pass by a recorded vote of 395 yeas and 27 nays and 1 voting "present" (Roll No. 27)
03/05/91	137 Cong Rec H 1350	House agreed to amend the title
03/07/91	137 Cong Rec S 2923	House requested the concurrence of the Senate
03/07/91	137 Cong Rec S 2924	Referred to the Senate Agriculture, Nutrition, and Forestry Committee
04/18/91	137 Cong Rec S 4683	Passed in the Senate by a recorded vote of



## BILL TRACKING REPORT HR 707

90 yeas and 8 nays (Vote No. 45), after striking all after the enacting clause and inserting in lieu thereof the text of S. 207, amended, by voice vote

04/18/91 137 Cong Rec S 4683 Senate Agriculture, Nutrition and Forestry Committee was discharged from further consideration

05/14/91 137 Cong Rec S 5815 Senate appointed as conferees Sens. Leahy, Boren, Heflin, Conrad, Lugar, Dole, and Cochran

05/15/91 137 Cong Rec H 3039 Senate requested the concurrence of the House

05/15/91 137 Cong Rec H 3039 Senate insisted on its amendments and requested a conference with the House

05/15/91 137 Cong Rec H 3039 Senate appointed as conferees Sens. Leahy, Boren, Heflin, Conrad, Lugar, Dole, and Cochran

10/02/91 137 Cong Rec H 7202 House disagreed to the Senate amendment to the bill, and agreed to a conference -- appointed conferees from various committees

10/02/91 137 Cong Rec H 7202 House agreed to a conference with the Senate, and appointed as conferees -- from the Agriculture Cmte., for consideration of the House bill, and the Senate amend., and changes committed to conference, Reps. de la Garza, English, Staggers, Stallings, Nagle, Sarpalius, Johnson (SD), Huckaby, Glickman, Penny, Espy, Long, Stenholm, Tallon, Coleman (MO), Smith (OR), Gunderson, Combest, Allard Barrett, Nussle, Boehner, and Roberts

10/02/91 137 Cong Rec H 7202 House agreed to a conference and appointed as conferees -- from the Banking, Finance and Urban Affairs Committee, for consideration of section 263 and title III of the Senate amendment, and modifications committed to conference -- Reps. Gonzales, Annunzio, Neal of North Carolina, Hubbard, LaFalce, Oakar, Wylie, Leach, McCollum, and Roukema

10/02/91 137 Cong Rec H 7202 House agreed to a conference and appointed as conferees -- from the Energy and Commerce Committee, for consideration of section 263 and title III of the Senate amendment, and modifications committed to conference -- Reps. Dingell, Markey, Scheuer, Synar, Eckart, Slattery, Lent, Rinaldo, Moorhead, and Ritter

11/06/91 137 Cong Rec D 1386 Conferees met on the differences between the Senate- and House-passed versions but did not complete action thereon and recessed subject to call

## BILL-DIGEST:

0418/91 (Measure passed Senate, amended, in lieu of S. 207, roll call 45 (90-8) ) Futures Trading Practices Act of 1991



## BILL TRACKING REPORT HR 707

## Title I: Commodity Futures Trading Commission; Funding and Personnel

Amends the Commodity Exchange Act to authorize FY 1992 through 1996 appropriations for the Commodity Futures Trading Commission (Commission). Authorizes the Commission to request eight additional Senior Executive Service positions. Directs the Commission to establish a service fee schedule. (Currently authority is discretionary.) Establishes annual FY 1992 through 1996 aggregate fee limits. Excludes from coverage under such Act any deposit (as defined by the Federal Reserve Act and related regulations) offered by: (1) an insured depository institution; (2) an insured credit union; or (3) a Federal or State branch or agency of a foreign bank. Excludes from coverage under such Act any loan: (1) that is a consumer credit transaction subject to the Truth in Lending Act; (2) made by an insured depository institution or credit union; or (3) made by a foreign bank to a specified person or made by a Federal or State branch of a foreign bank.

## Title II: Futures Trading Practices Subtitle A: Floor Surveillance and Dual Trading

Requires every contract market to maintain a system to monitor trading to detect and deter violations of the Act relating to the making of trades and the execution of customer orders. Requires any audit trail system that is part of such a monitoring system to capture transaction times independently, promptly, precisely, and completely, including a record of the time a customer order is received on the exchange floor and received and executed by the floor broker. Authorizes audit trail exemptions for: (1) small exchanges with demonstrated compliance; and (2) certain categories of customer orders. Requires biennial Commission assessments of each market's trade monitoring system. Directs the Commission to issue deficiency orders requiring timely correction of any such system failing to meet standards. Requires suspension of dual trading, except under specified circumstances, on any market subject to such an order. Bars the placing of oral orders except according to certain Commission rules.

## Subtitle B: Broker Associations

Prohibits trading between floor traders or brokers and affiliated customers. Requires disclosure of formal or informal business affiliations between floor brokers and traders.

## Subtitle C: Governing Structure

Prescribes meaningful representation on exchange boards of brokerage firms, commodity producers and consumers, and floor traders and brokers. Specifies diversity of membership that must prevail on major disciplinary panels.

## Subtitle D: Floor Trader Registration



## BILL TRACKING REPORT HR 707

Requires floor trader registration.

#### Subtitle E: Penalties

Revises penalties for violations of the Act. Makes Commission merchants liable to customers for any losses caused by the malfeasance of their chosen floor brokers. Allows customers to sue floor brokers for punitive damages of up to double actual losses. Authorizes the Commission to require customer restitution. Increases penalties for violations under such Act. Repeals the requirement that the Commission consider financial circumstances when assessing a civil penalty. Suspends a person's registration and trading privilege for failure to pay a civil monetary penalty. Authorizes the Commission to seek monetary penalties in civil court. Makes it a felony to provide false information to a contract market, board of trade, or futures association. Applies criminal penalties for willful and knowing violations of such Act. Authorizes class action suits against registered persons if the Commission has issued final rules permitting such actions. Directs the Commission to make a study of Commission and contract market penalties and related industry guidelines.

#### Subtitle F: Assistance to Foreign Futures Authorities

Provides for cooperation with foreign futures authorities (as defined by this Act) with regard to: (1) subpoena authority; (2) investigative assistance; (3) information disclosure and receipt; and (4) payment for necessary investigative expenses.

#### Subtitle G: General Provisions

Defines specified terms for purposes of such Act, including "floord trader" and "foreign futures authority." Authorizes the Commission to require futures commission merchants to provide information on the activities of affiliated persons (as defined by this Act) that are reasonably likely to affect the financial or operational conditions of such entities. Sets forth: (1) exemptions from such requirements; and (2) confidentiality provisions. Requires the Commission to publish any dissenting or separate opinions whenever it publishes any opinion, rule, other official rule. Requires ethics training for new registrants. Grants the Commission authority to conduct limited undercover investigations where it has reason to believe that violations of the Act may be taking place and the Department of Justice has declined to do so. Grants the General Accounting Office (GAO) access to information maintained by self-regulatory organizations, subject to specified confidentiality requirements. Revises provisions regarding Commission registration authority. Authorizes the Commission to suspend or modify the registration of a person charged with a felony that reflects on such person's fiduciary fitness. Prohibits insider trading. Directs the Commission to: (1) facilitate the development of computerized trading as an adjunct to the open out cry auction system; and (2) seek to remove any foreign trade barriers on the international use of electronic trading systems. Directs the Commission to consider agricultural interests in discharging its duties and functions under such Act. Permits futures



## BILL TRACKING REPORT HR 707

associations to appeal certain Commission decisions. Requires each futures association to adopt telemarketing fraud disciplinary criteria, which shall include a prohibition on a person who has solicited a new account by telephone from entering any orders for such account for three days after the customer has signed the risk disclosure statement. Provides for nationwide service of process and venue in U.S. district courts. Directs GAO to study delivery points for agricultural commodity contracts.

## Title III: Intermarket Coordination

Requires any contract market in a stock index futures contract to file with the Board of Governors of the Federal Reserve System any rule establishing or changing margin levels on stock index futures. Authorizes the Board to direct an exchange to adjust margin levels. Authorizes the Commission to exempt any agreement, contract, or transaction from Commission requirements when in the public interest to do so if such agreement will: (1) be between institutional participants; (2) be in connection with a line of business or for hedging risk management; and (3) not adversely affect the Commission or any contract market. States that such Act shall not apply to a swap transaction entered into: (1) for hedging or business-related risk management; and (2) where each party expect to make specified payments. Establishes a function-based determination of whether or not a hybrid commodity instrument falls within Commission jurisdiction. States that there would be no Commission jurisdiction in the case of an instrument: (1) deriving less than 50 percent of its value in commodity option, to the extent that it has commodity option elements; and (2) expected to have less than 50 percent of its change in value owing to movement in a commodity's specified price or in the terms and conditions of the transaction, to the extent that the instrument has futures contract elements. Excludes from such Act stock index participations approved for trading by the Securities and Exchange Commission by April 11, 1989, or pending approval on or prior to December 31, 1990. Directs the Commission to utilize existing authorities to facilitate the registration of certain persons associated with a broker or dealer for the purposes of marketing stock index futures products to the public.

## Title IV: Effective Date

Sets forth the effective date for this Act.

## CRS Index Terms:

Agriculture; Administrative procedure; Agricultural economics; Agriculture in foreign trade; Auditing; Brokers; Business ethics; Civil procedure; Commodity exchanges; Computers; Congressional oversight; Congressional reporting requirements; Exports; Fines (Penalties); Foreign exchange futures; Foreign trade; Fraud; Futures trading; Independent regulatory commissions--Authorization; Insider trading in securities; Law enforcement--International cooperation; Program trading (Securities); Securities regulation; Telemarketing; Telephone; Undercover operations; White collar crime

these deferrals are contained in the attached report.

George Bush

The White House,  
September 30, 1991.

*Note: The attachment detailing the deferrals was published in the Federal Register on October 7.*

### Remarks at the Beacon Council Annual Meeting in Miami, Florida September 30, 1991

Thank you for that welcome back. And I'm delighted to be here. And Jim Batten, thank you, sir. What is it about the water in Miami? I think about Alvah Chapman and all he did as a civic leader in addition to running Knight-Ridder. And now in that same marvelous, unselfish tradition, you have Jim Batten who introduced me here today, and I'm very grateful to him for that warm introduction. And I listened carefully to his counsel. And, yes, the Federal Government must help when you have active citizens like Miami, trying to take care of their own problems. We have a role. We understand it. And we want to be your partners in these efforts for economic development. So, thank you, sir, very, very much.

I want to thank John Anderson, the council president. I want to salute Burt Landy, the incoming chairman. And I would like to just say what a great job your outgoing chairman has done. [Laughter] I'm entitled to my opinion. Now, wait a minute here.

I'm also pleased that one of the representatives from here, Ileana Ros-Lehtinen, flew down with us. And your State insurance commissioner is with us today. And I hope I'm not neglecting others, but that is a marvelous turnout.

Jeb, I've got to hand it to you. You've been telling me Miami is friendly territory, and I'm beginning to see what you mean. Imagine winning a new major league baseball franchise and naming it for my Press Secretary. I hear Marlin, Fitzwater that is, is serious about these rumors that he'll get

to throw out the first pitch. [Laughter] Marlin thinks I don't notice these things, but last time I gave a press conference he'd left his rosin bag there at the podium in the newsroom. [Laughter]

Commerce in Miami, it's always been an adventure. Dade County now numbers 2 million residents, but in an exciting sense it's still an outpost of opportunity. Your organization's symbol, the beacon on the old Cape Florida Lighthouse, reminds us that less than a century ago, south Florida was a frontier less developed and more forbidding than the Western deserts. And in the year 1900, Miami was a sultry settlement of fewer than 1,700 souls. And today, Miami serves as the gateway of the Americas, a powerful magnet for economic growth.

Here, you look beyond your borders, and beyond your time. And you take seriously your obligation to build a prosperous economy not just for today, but for the future.

For instance, you do care deeply about education, and your schools reflect that commitment. Educators across our country admire Dade County's international schools program. Graduates of the program will meet all the requirements for university admission not only in the United States but also in participating foreign countries.

This sort of imagination, this commitment to quality lies at the heart of our administration's America 2000 strategy, to spark a veritable revolution in education. Miami can take pride that our Secretary of Education, Lamar Alexander, this month gave special recognition to the Dade County schools' innovations.

But you should not rest on today's laurels because you'll need to do even better in the future.

You know, we talk a lot at our students and about our students. Well, tomorrow I will be going into a junior high classroom to talk to and with our students about their role in this revolution.

All across the United States via CNN and PBS, other students in their own schools will be able to hear this message about the need for educational excellence. And we're determined to deepen the involvement of parents. We want to give parents the freedom to choose their children's schools, public, private, or parochial. We're chal-

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lenging parents, students, businesses, and community leaders to help develop schools that simply break the mold. Because Dade County already is in the forefront, in the vanguard, I count on you to light the way, to show the whole Nation how we can reinvent American education.

You also build a better future with just plain common sense. You invite business, rather than shooing it away. Miami enjoys a large tax base with some of the lowest tax rates in the country. But one important tax remains not just for Miamians but for taxpayers all across the country. And I'm talking here about the Federal tax on capital gains. A capital gains tax cut will boost start-up companies and other small businesses. And these are the primary sources of new jobs in our country.

And I may be talking to the choir here with some of the entrepreneurs in this crowd, but that's because I want you to sing a louder chorus. Some folks in Congress still haven't gotten the message. They don't understand that a capital gains tax cut is not a sop for the rich. It offers a helping hand to entrepreneurs and dreamers, people who aren't rich today but whose contributions could enrich our entire society tomorrow.

A capital gains tax cut also will help beleaguered industry, especially the real estate business. And a cut will produce an immediate increase in property values, which in turn can offer new hope for struggling financial institutions.

So, I hope you'll make the truth vivid to Congress. Talk about your own experiences and needs. Tell them to cut the capital gains taxes and give our people jobs. The two things are interlocked.

And we also must fight as a Nation to battle another tax, an invisible tax. And many in this room have been in the forefront of this. I'm talking about crime. Crime exacts enormous costs. I think of the job that many of you did in battling the narcotics coming into this country, battling the crime related to all of that. I'm talking about crime. Crime exacts enormous costs in security systems, in business losses, in workers' morale, in pain, and in fear.

Our administration has proposed a comprehensive crime package that offers people hope, and it gives them a chance to reclaim their streets. The Senate has passed

a bill that incorporates many of our suggestions. It's important that you urge the House to do the same thing. We must prevent the criminals from holding up our economy. And we need fewer stickups and more lockups, and this bill will help get the job done.

On a more positive note, Miami faces an exciting future in international banking and financial services. Among American cities, only New York conducts more foreign banking business. And with expected growth in foreign trade, the market for Miami-based financial services should grow ever more robust. And unfortunately, you must be dealing now, at the Federal level at least, with banking laws that lag way behind our times. Our administration wants to bring them up to date.

I worry about the economy. Jim Batten touched on it. These are tough times. But we can do something about it. We sent Congress a comprehensive package of banking reforms earlier this year. Our plan would protect depositors' hard-earned money, strengthen and modernize our banks and financial institutions, and make them more competitive in global markets.

So, this is no time for delay. And this is no time for anticompetitive measures. If we want strong banks and a strong economy, Congress must enact comprehensive banking reforms. And I might add, parenthetically, we also need a full and vigorous team on the Federal Reserve. This is a matter on which the United States Senate needs a loud wake-up call. Two of the seven seats on the Fed sit empty right now. And my nomination for the first vacancy, Larry Lindsey, won an overwhelming endorsement from the Senate Banking Committee, but one or two Senators have held up his nomination for months. And given the problems the country faces, the financial problems, that's just plain inexcusable.

And when the Senate confirms Larry Lindsey, we hope it will move quickly to confirm Susan Phillips, my choice for the other open seat. The Senate also needs to act on my renomination of Alan Greenspan as Chairman of the Federal Reserve Board. He's doing a good job. There's no controversy, but they ought to get on about the Nation's financial business, it seems to me.

The Fed faces a host of important decisions in monetary policy, in bank regulation, and international affairs. And it shouldn't have to address them with anything less than a full team, a team dedicated to ensuring price stability and fostering economic growth.

Our administration wants to take on issues that you care about. And here I've touched on just a few: the education, crime and economic growth, the capital gains tax, Fed and banking reform. And I could talk, too, about energy or transportation or homeownership or tenant management in housing or in defense. But the point is, we need Congress' help if we want to move forward toward our goals. And looking out on the enormous collection of talent, of business talent, I can't resist asking you to volunteer in helping me persuade Congress to get moving, not tomorrow, not next year, not the next congressional session, but now.

And now I'd like to briefly look ahead. As we gather here, we can almost see a new age of liberty dawning around the globe. I can't think of a more exciting time in the history of our country to be President than right now. The changes around the world are amazing, and freedom and democracy is on the move, and I think peace has a much better chance than it's had in a long, long time.

Now, I spoke of that new age just this past Friday night in an address to the American people. And because of the dramatic changes that have swept our world, particularly in the Soviet Union, we are now able to take equally dramatic steps to make our world safer from the threat of nuclear weapons. I am very pleased with the positive worldwide response to our announcement, particularly from President Gorbachev.

I believe that this announcement the other day really does have the chance of removing fear from the minds and hearts of our young people in schools, not just in our country, but all around the world.

We are seeing that new age of democracy and freedom also dawn right here in our own hemisphere. With each passing day, we move closer to realizing the dream of free trade, from the Arctic Circle to the Strait of Magellan. Under President Carlos Salinas, this outstanding young President of Mexico,

Mexico has enacted breathtaking economic reforms. And now, with the Fast Track procedures in place, we are negotiating with Mexico and Canada to create a North American free trade agreement that will create an open market of 360 million consumers, one that produces \$6 trillion a year in economic output.

Our prospects south of Mexico look just as exciting. We have signed framework trade and investment agreements with 28 countries in this hemisphere. And I have asked Congress to act promptly on legislation for debt reduction and a multilateral investment fund for the hemisphere. These simple acts will let us put our Enterprise for the Americas Initiative into full effect and make Miami a key gateway to our Nation's economic future.

I might say, having challenged the Congress to take certain action on the domestic side, that we approach this Fast Track authority in a totally nonpartisan way. It wasn't Democrat; it wasn't Republican; it was just sound, good business that will help our neighbors and, in my view, will create job after job right here in the United States of America. It was government at its very best, and now we're working to hammer out an agreement that Congress can accept, a trade agreement with Mexico and Canada that Congress can enthusiastically endorse. And it shows that it can be done when you reach out and work across the aisle Republican and Democrat and even Independent. So, that is what we've got to do, and I must say, I think this sets a good example. And I hope when we bring these things to fruition, Miami and south Florida will be the immediate beneficiaries of what I think is farsighted foreign policy.

But our hopes for the future involve more than just the promise of trade, important though that is. We also see a dramatic increase in individual freedom and empowerment throughout our region. Democratic elections, respect for human rights, economic liberty are fast becoming the rule, not the exception.

This phenomenon just begs for a catchy name. Here's one, "La revolución sin fronteras," the revolution without frontiers. Now some here will know that I stole the term. It comes from the bad old days of

Sandinista rule in Nicaragua. When Marxists used this slogan, it signaled a threat to freedom and sovereignty of Nicaragua's neighbors. Threat to the sovereignty, threat to the freedom.

And how times have changed. Today, a real liberation movement sweeps the globe. And it threatens no one's peace or sovereignty, no one's right to worship, no one's freedom to buy and sell, or to imagine and create. It's the revolution of democracy. And it makes possible the equally startling revolution of ideas that gives rise to economic progress.

In closing, it's absolutely impossible to visit Miami these days without feeling that this revolution soon will sweep away our hemisphere's last dictator, Fidel Castro. Already, a savvy team of experts from the Greater Miami Chamber of Commerce has prepared a detailed report on the economic opportunities that will emerge along with freedom in Cuba. Trade and investment will offer new hope to the Cuban people who have suffered enough despotism and deprivation.

Remember how we used to dream about a free Cuba and a prosperous, free hemisphere? Well, it's no longer a fantasy. It's inevitable in my view. Soon our new world, our hemisphere of the Americas, will be a community where liberty, peace, and prosperity know no frontiers. And Miami will flourish, you can see it clearly, as its hub and as its beacon.

Some have suggested to me that now is the time, given the enormous changes in Eastern Europe, changes in the Soviet Union, the changes for democracy south of Mexico, that now is the time to alter our policy towards Cuba.

Let me tell you something, I'm not going to change it one single bit. The Cuban people are entitled to have this wave of democracy fulfill their dreams. And we want to be a part of that answer, a part of that new democracy in which many people in this room can have such an active role as we try to bring commerce and prosperity to people that have been deprived too long because they've been the victim of totalitarianism.

It's a great pleasure to be back here in Miami today. As I say, I think of the activity and the energy of Miami's civic business

community. You're an example to the rest of the country. And I salute you, I'm grateful to you, and I might just say on a very personal basis, thanks for embracing my son, our daughter-in-law. We've got a granddaughter here, and these Bushes feel that they're an integral part of the love and honor that is Miami. Thank you all very, very much.

*Note: The President spoke at 3:33 p.m. at the James L. Knight International Center. In his remarks, he referred to James Batten, chairman and chief executive officer of Knight-Ridder, Newspaper, Inc.; Alvah Chapman, director and chairman of the executive committee of Knight-Ridder; John Anderson, president of the Beacon Council; Burt Landy, chairman of the Beacon Council; John Ellis (Jeb) Bush, the President's son and former chairman of the Beacon Council; Representative Ileana Ros-Lehtinen; State insurance commissioner Tom Gallagher; Marlin Fitzwater, Press Secretary to the President; Secretary of Education Lamar Alexander; Larry Lindsey and Susan Phillips, Presidential nominees to the Federal Reserve Board; Alan Greenspan, Chairman of the Federal Reserve Board; President Mikhail Gorbachev of the Soviet Union; President Carlos Salinas de Gortari of Mexico; President Fidel Castro Ruz of Cuba; and the President's daughter-in-law Columba Garnica Bush and granddaughter Noelle. Following his remarks, the President departed for New Orleans.*

#### Remarks at a Fundraising Dinner for Governor Buddy Roemer in New Orleans, Louisiana September 30, 1991

Thank you all very, very much. Thank you, Buddy, and thank all of you. Thank you so very much for that warm welcome. I'm just delighted to be here. It was a wonderful introduction, recalling why the author Pearl Buck wrote, "I fell in love with Louisiana generally and New Orleans in particular." Well, thinking back to the 1988 convention, this town reminds me of winning. And I have a feeling that, come Octo-

Apr. 7 / Administration of George Bush, 1991

objectives which we so beautifully have achieved. None. And I hope that helps clarify it.

Thank you all very much.

*Note: President Bush's 79th news conference began at 11:51 a.m. in the Briefing Room at Ellington Field. President Salinas spoke in Spanish, and his remarks were translated by an interpreter. Marlin Fitzwater is Press Secretary to President Bush.*

**Remarks at a Meeting With Hispanic Business Leaders in Houston, Texas**  
April 8, 1991

Thank you all very much. And Miguel, thank you for your leadership for the Greater Houston Partnership. And to all of you who managed to get through security and struggle in here, why—[laughter]—apologies for the delay, but I'm sure glad to see you.

Even though these lights are bright, I can see many, many friendly faces out there, people with whom I've worked for one cause or another over the years. You have this wonderful way of making a guy feel at home. So, thank you for coming. Lionel Sosa, I love those ads. They're terrific. I believe they're going to be very effective. And I thank you for your energy and your expertise. Those are the people that—also, would thank all of those who are helping you on this project.

To my old friend, Bob Mosbacher, our able Secretary of Commerce, I'm glad to see him. He's slightly jet lagged out, having just returned from Japan on yet another mission to try to encourage our exports—a mission in favor of free and fair trade—something we must continue to press for, whether it's halfway across the world or whether it's in relation to our own neighbors to the south. And Bob is doing a great job, a leadership role in fighting for free trade because he knows as I do, and as all of you do, that the freer the trade is, the more job opportunities there are for the people of the United States of America, say nothing of our trading partners. And so, I'm glad to see him back from his mission.

I've been looking forward to this meeting today. We've had a series of these, as some of you know. Some have attended one in Washington, then we had one out in California, and now this. Because I do want to discuss with you two issues that are vitally important to all of us: America's ability to compete in the global marketplace and our ability to negotiate with our trading partners. That's what's at stake right now. I've said many times that the hard work of freedom awaits us. And now, I'm asking for your help in that challenge.

I love the way that Mexico's very able President Carlos Salinas talked yesterday about the vision—the vision of free and fair trade between the two countries. It's a vision that we share. Last month, I asked Congress to support this Fast Track authority in trade negotiations. You see, Fast Track is a way of assuring our trading counterparts that the agreements that they reach with us at that bargaining table, the one they reach with our negotiators will be the same ones that Congress has a chance to vote on, up or down. Some are alleging Congress has no say. And that's simply not true.

Fast Track doesn't affect Congress' power to accept or reject trade agreements. But it does prevent these 11th-hour changes to agreements that have been hammered out, changes that force everyone to start all over again.

We need Fast Track authority to pursue vital trade objectives: the North American free-trade agreement, the Uruguay round, and the Enterprise for the Americas Initiative. If we lose our Fast Track authority, we lose any hope of achieving these three vital agreements. The North American free-trade agreement, the Uruguay round, and the Enterprise for the Americas Initiative. We lose trade, we lose jobs, and we jeopardize economic growth.

Here's the key: A vote against Fast Track is a vote against things that we all hold dear—prosperity at home and growth in other lands. It ignores the dramatic and wonderful changes in the world economy.

We want to play a leading role in that emerging, exciting world, and we don't want to hide from it. We want to join in the thrilling business of innovation, and we do

not want to chain people to outmoded technologies and ideas.

Right now, we have the chance to expand opportunity and economic growth from the Yukon to the Yucatan. Think of it. The North American free-trade agreement would link us with our largest trading partner, Canada, and our third-largest trading partner, Mexico. It would create the largest, richest trade zone on Earth: 360 million consumers in a market that generates \$6 trillion in output in a single year.

A unified North American market would let each of our countries build on our own strengths. It would provide more and better jobs for U.S. workers. Let me repeat that one. It would provide more and better jobs for U.S. workers. It would stimulate price competition, lower consumer prices, improve product quality. The agreement would make necessities such as food and clothing more affordable, more available to our poorest citizens. It would raise productivity and produce a higher standard of living throughout the continent.

Let me illustrate the stakes involved in the Fast Track debate by discussing the Mexican component of the North American free-trade agreement. Trade with Mexico has helped both our countries.

Just 4 years ago, we had a \$4.9 billion trade deficit with Mexico. Since then, we've cut that deficit by two-thirds, to \$1.8 billion. This turnaround took place in part because Mexico's President believes in free trade. He's slashed tariff rates for some goods from 100 percent to 10 percent. One result: our exports to Mexico have increased 130 percent in the past 4 years.

This export boom has created more than 300,000 new jobs here in the United States of America. And each additional billion dollars in exports creates 20,000 new jobs here in the United States.

I don't have to tell anyone in this room about Mexico's market potential: 85 million consumers who want to buy our goods. Nor do I have to tell you that as Mexico grows and prospers, it will need even more of the goods we're best at producing: computers, manufacturing equipment, high-tech and high-value products.

Unfortunately, we've got a tough fight ahead of us. Some Members of Congress are concerned about the potential impact that

any agreement may have on American jobs, American companies, American exports.

Other Members of Congress say that they worry about wage rates or environmental quality, health and safety issues. I believe, I firmly believe that concern about those very same issues is the strongest argument for support for Fast Track.

Let me just talk about those concerns. We've already seen what the reduction in Mexican tariffs has done for our exports—American exports to Mexico. A free-trade agreement would eliminate the remaining tariffs entirely. And that would stimulate exports, create new jobs, generate wealth, and hope, I might add, on both sides of the border.

Let's take a look at the impact on American companies. When trade barriers vanish, goods flow freely across borders. And everybody—businessmen and workers, to farmers and consumers—reaps the benefits of growth.

Consider the environment. The North American free-trade agreement fits into a winning strategy of improving environmental quality. Opponents of Fast Track and the trade pacts forget that prosperity offers the surest road to worker safety, public health, and indeed, environmental quality.

This administration wants to ensure that Mexican economic growth goes hand in hand with the environmental protection. Our EPA is already assisting the Salinas government with its environmental programs. President Salinas has shown that he's serious about cleaning up the environment, by requiring all new cars to have catalytic converters, and recently, I'm sure all of us noticed with pride and pleasure the fact that he shut down Mexico's largest oil refinery because, frankly, it was just too much pollution into the air. I know that President Salinas cares deeply about his nation and its people and that he means business when he says he wants to clean up Mexico's air and water.

And finally, consider the matter of working conditions in Mexico. As our trade with Mexico has grown, so have the wages of Mexican workers. Indeed, Mexican wages have risen very quickly in recent years, with no tangible impact on America's pay scales. That being the case, someone ought

to ask the opponents of Fast Track why they oppose prosperity in Mexico.

Someone should ask why they oppose letting our neighbors enjoy the benefits of progress. These are our friends. These are our neighbors. Ask them what's wrong with increased productivity throughout the whole continent. We benefit when others in this continent prosper. And ask them what's wrong with a more stable Mexico. A free-trade pact would encourage investment, would create jobs, would lift wages, and give talented Mexican citizens opportunities that they don't enjoy today. A stronger Mexico, in turn, means a stronger United States; it means a stronger North American alliance.

So, you see, we have much to gain from extending Fast Track: a new era of open, free and fair trade, a future of unprecedented economic growth and regional harmony. As with most good things in life, competition involves risk. But we always have been a nation of risktakers, of adventurers.

Our forefathers transformed a rough wilderness into an industrial superpower. We've created technologies and products unlike any others produced in human history. We've placed the wisdom of the ages within reach of anyone who can operate a computer.

The vote on Fast Track is really a vote on what kind of America we want to build. A "yes" vote expresses confidence in American know-how and ingenuity. I say we believe in ourselves.

I want to make clear that this isn't a partisan political issue. I want to salute those Democratic leaders in the United States Congress, including our own Senator Lloyd Bentsen, who's a key player in this debate, and others in the House—Speaker Foley—who have the vision to say this is good for the United States and it's good for Mexico. I'm going to approach this strictly in a non-partisan, nonpolitical manner. It is too important to get it bogged down in partisan politics. I take great pride in the fact that the relationship between Mexico and the United States has never been better. But it is my view that we owe Mexicans the opportunity that they will get from Fast Track. And when they get that opportunity it is going to benefit the United States of America.

And so, I will be fighting my heart out to win passage of this. I was very privileged to receive for the second time in Houston the able President of Mexico yesterday. He's doing a first-class job. He's moved that country in ways that some of his critics would never dared dream possible. And I think that it is in our interest now to build on this improved and strengthened relationship to give them and give ourselves the benefit of free and fair trade.

So, as we join a world that is linked primarily by economic—not military—competition, we have nothing to fear except the fearmongers themselves. They seem to be the only ones who haven't learned lately that defeatism produces defeat, while confidence and self-reliance produce greatness. We've got to seize the opportunities that this new world economy offers us. And with your help, I am absolutely convinced that we will do it.

So, once again, thank you for coming. And I pledge to each and every one of you that this goal is so important to the United States that it will be priority with me, with Secretary Mosbacher, with every other member of the Bush administration in Washington, DC. We are going to win this fight. But we need your help. Thank you all very, very much.

*Note: The President spoke at 8:30 a.m. in the Evergreen Room at the Houstonian Hotel. In his remarks, he referred to Miguel San Juan, vice president, world trade division, Greater Houston Partnership, and Lionel Sosa, who produced a video shown prior to the President's remarks.*

### Remarks on Presenting a Point of Light Award to the Voice of Hope Ministries in Dallas, Texas

April 8, 1991

Let me just say Barbara and I are delighted to be here. In the first place, I want to salute all at the Dallas Naval Air Station, and say it's a pleasure to be back.

But today what I wanted to do here in this very brief period of time was to salute those that are gathered here not only to

Week Ending May 3, 1991

Remarks and a Question-and-Answer  
Session With the National Association  
of Farm Broadcasters  
April 29, 1991

*The President.* Sit down, please, and welcome, welcome. Let me just make a couple of comments and then try, with the assistance of our able Secretary of Agriculture, my friend and yours, too, Ed Madigan, to respond to your questions.

But in the first place, I'm delighted that Ed is here. I was very high on Clayton Yeutter—moved over to a new and very difficult and very different assignment. Ed stepped into the breach. He's doing a fantastic job for our country. And I understand that he's rapidly making believers out of those in ag business that didn't know him. Those that did I think already were believers, as I have been.

But anyway, we are the most agriculturally productive nation the world has ever known. And I want to be sure that we continue to be that. I'm still convinced that we can compete with anybody, provided we remove some of the barriers to trade. And that's one of the reasons that the Secretary and I are as committed to the successful conclusion of the GATT round; also why I believe that a Mexico free trade agreement would be in our own best interests.

As a matter of fact, we've got a new one with Canada. It's been in effect for 2 years, and agricultural exports have gone up by 35 percent. So, those that want to criticize ought to take a look at the reality, and I think then they'd understand why we are committed—because we think it's good for American agriculture as well as good for—I think it's good for jobs, too. Just across the labor frontier there.

There are three important trade agreements. You're all familiar with them. The Uruguay round—the GATT talks; the trade component of our Enterprise for the Americas Initiative, which is, I think, a bold new program that must succeed in terms of

helping these democracies—fledgling democracies, many of them—in South America and thus building new markets for our own goods. But in any event, that's the second one. And then the third one, of course, is the North American free trade agreement that I mentioned earlier that, in this instance, features Mexico.

Now, there are some questions about whether these would be of benefit to the American farmers. Let me just give you a couple—click off a couple of little numbers here. Free trade in North America would give our farmers a freely accessible market of 365 million people with a GNP of \$6 trillion. And that's a market that's larger than the European Community. And likewise, the negotiation of a successful GATT agreement would decrease the trade barriers worldwide, offering potentially unlimited export opportunities.

We're not there yet. We've had some difficulties getting our friends in Europe—and they are friends—to understand this. But the Secretary and I and our USTR, Ambassador Carla Hills, and the Secretary of the Treasury and the Secretary of Commerce—all of us are working on this important agreement. But we think that it would be a boon to American agriculture when we're successful.

The success, obviously, hinges on what you know and I know as Fast Track negotiating authority. It is simply not right to—you can't negotiate an agreement if the people you're negotiating with think that it will be amended in many, many ways. The Congress will, though—there's a misunderstanding because some think that when we ask for Fast Track, that we're asking Congress to yield their right to vote on it. And that simply isn't—I found that hard to believe, but I think there's been some confusion on that. We are going to—they obviously would vote up and down. And if they didn't like it, they'd vote it down. If they liked it, they'd vote for it. But you can't have 25,000 amendments to an agreement

and expect your trading partners to negotiate seriously.

So, the Congress—and I'm very respectful of Congress' role in this. They have a constitutional role on international trade, and some forget that. So, we're sensitive to that role. We've had extensive consultations. I don't believe I've seen an initiative that's had more consultation with Congress than this one. And I think we're going to be all right on it, but we're going to continue to work very hard to get Fast Track approval.

New applications for agricultural products, like the alternative fuels, fuels blended with ethanol, and biodegradable plastics, and some not so modern uses like food and clothing, provide farmers with exciting opportunities. I understand that there's some differences in the ag community. I was just talking to the Secretary about this. But generally speaking, we're committed to alternative fuels. I believe that the Clean Air Act alone is going to create tremendous opportunities for alternative fuel. So I haven't lost my enthusiasm for this at all.

The Fast Track assures our trading partners that we will go through with our agreement. We will vote on what they and we negotiate, and I mentioned that point earlier. New applications for agricultural products is important. And we're talking about some fuels blended with ethanol and biodegradable plastics. And all of these kinds of things I think have a brilliant future for agriculture. It's been a little slower than I had hoped, frankly, but I think there's a big market and big future out there.

And so I would say to farmers, do not despair because you haven't yet reached the full potential of these new markets for your products.

I'm going to be asking agriculture over and over again for support on this Fast Track extension, and I think that the bottom line is, they will enjoy more export opportunity if we're successful here. And I think it will be a boon for the rural economy as well as—well, obviously it would if we continue to sell more abroad. So, these were just a couple of the points, and now I'd be glad to respond to some questions.

*Q.* Mr. President, on behalf of NAFB, we appreciate this time on your schedule. As president of the organization here in 1991,

I'd like to defer the first question to the elder statesman of our group from Des Moines, Iowa, a gentleman who was our second president in 1946, Herb Plambeck.

*The President.* Is that right? Herb, you didn't tell me all that. Thank you, Ron, and I'm just delighted you are here, really.

#### *Trade With Iraq*

*Q.* Mr. President, I'm sure I speak for everyone here in our group when I voice the pride and the gratitude we have toward you for the way the Persian Gulf crisis was handled and the humanitarian efforts that have been made since then.

There are, however, a few questions remaining. One relates to Iraq, having been one of our good customers for our farm products. Is any thought being given already toward the restoration of this trade?

*The President.* The restoration of food support for Iraq is underway, the United Nations having taken some steps. We are not going to let people starve. But in terms of building reliable markets and in terms of trying to have normalized trade, the United States will not have normalized trade as long as Saddam Hussein is in power.

Food is an exception now, because we're not going to let people starve. We are going to go forward with helping people in Iraq without regard to what sect they're from or anything of that nature. But I don't want to mislead any farmer in this country. We will not have normalized trade with Iraq as long as Saddam Hussein is in office. And they're now trying to appeal to get some relief on the oil. There's not going to be any relief as far as the United States goes until they move forward on a lot of fronts, incidentally. I mean, what's happened to these Kurds is absolutely—it's so sad you're just moved.

Frankly—and Herb, I'm glad you mentioned it—we have responded. We responded from day one, and now we're responding to enormous—hundreds of millions of dollars relief. That's what we do. We're Americans. We do that to help people. But we're not going to have normalized relations with this man.

#### *Credit for the Soviet Union*

*Q.* Mr. President, have you made a decision on granting the Soviet Union more credit?

**The President.** No, and we're thinking about that. The legislation—I've talked to Ed about this, and the legislation is fairly specific in terms of creditworthiness. Shake me off if I'm wrong here, Ed, but I think that's correct. Regrettably, the Soviet Union has not entered into the market reforms that I think Gorbachev aspires to and that I know that the President of the Republic, Mr. Yeltsin, aspires to. So, they've got to move forward to be creditworthy if we're going to do this.

Now, there may be—and we're thinking about this—there may be some way to extend credits. And I'll tell you another problem is we want to be sure how it's distributed—that no area is precluded from being the beneficiaries of this kind of credit. So, it's up in the air right now. I don't want to say that I won't go forward with this. I think in some areas it would be very helpful to us, to our grain growers.

I'm not immune to the fact that they've been hurting, so I'd like to be helpful. But I've got to abide by the law. And if we can find ways to encourage forward movement of these credits or find ways to make it creditworthy any other way, so much—market reform is a good way to do it. There are other ways that perhaps they could make the credit more secure.

#### **Fast Track Authority Legislation**

**Q.** Sir, I'd like to get back to Fast Track. Only one of the major farm organizations—and they're a glaring example—everybody else is in favor of the Fast Track—what's the hangup? What's the problem? What do you see?

**The President.** Problem with who? With that one guy that's out of step, or the other 51? [Laughter] I'm for the 51 farm organizations that are for it. Fifty-one are.

**Q.** Don't you feel it will pass?

**The President.** Well, I hope so, but we're not going to act like it's done yet. We are killing ourselves trying to get this done, and we are going to continue to work with the Democrats in the Congress—Republicans. Incidentally, we're approaching this in a nonpartisan manner. We've got some Republicans that I still have to convince, and plenty of Democrats. And then we've got plenty of Democrats that are for us and

plenty of Republicans. And Ed's not approaching it in a partisan manner.

But in terms of the farm organizations, thank heavens most of them are seeing that it will benefit the agricultural economy in this country. I really believe it will. But we're just going to keep pursuing it because I don't want to say it's in the bag. It isn't yet. We're counting votes, but we've got a ways to go before I can say to the American farmer, look, we're going to win this one, and you're going to be the beneficiaries thereof.

**Q.** The President, how successful—or what would it mean not only to the U.S. as a whole but for the U.S. farmer for a successful GATT agreement? And how important is Fast Track to that?

**The President.** It's very important to a successful conclusion to the GATT round. Without it, without Fast Track, I think it would be almost impossible to hammer out an agreement that would pass muster with the many countries that have to be in accord. And so it's do or die, in a sense, that this Fast Track—some have wanted to try to split them off, split off Mexican—the North American free trade from Fast Track and relating to Europe—to GATT, I mean. And I don't want that. I don't want to see a policy that discriminates against a neighbor of ours. And so, we're going to go forward. And I—again back to Bill's question—I think we can do it, but we're not there yet.

#### **Mexican Adherence to Pesticide Regulations**

**Q.** One of the problems it seems like that Congress and some agricultural interests need assurances on is the pesticide regulation issue. What kind of assurances can you provide that we can get Mexico to conform to our strict pesticide regulations here?

**The President.** Well, there's a lot of discussion going on with them. It has to do with the other environmental concerns, too. I believe that Mexico—and the technical way we're doing this I'd have to defer—even maybe Ed could answer it, but I'd have to defer to Carla. I'm not sure. I have discussed at length the environmental concerns here with the President of Mexico. And all I can tell you is that he has moved forward. He's already shut down or is in the

process of shutting down the highest polluting refinery in Mexico. It's the PEMEX refinery. He is well aware of the environmental concerns in this country, and he shares them as far as Mexico.

I'll give you an example. When I first met—maybe not the first meeting but early-on meeting with President Salinas, who's a good man—and he started telling me about the children in the Mexican schools. They paint the sky at night with no stars. Imagine that—a school child painting the sky gray. He said, "My ambition is to have the children paint the night with the stars and the moon so they can see it." And I am convinced that he is going to do what is reasonable and what he should do to protect his environment, just as we're trying hard to do it on ours.

So, in terms of this, I'm embarrassed to say I can't give you the technical language as to what we might be doing right now on agricultural pesticide use, pesticide use in agriculture, but I am confident—and incidentally, the Senators tell me that they are confident that the environmental questions can be readily answered.

Ed, do you want to add anything?

*Secretary Madigan.* You covered it very well.

*The President.* I mean, it's more general than you wanted, but I am satisfied we can get it done.

#### *Energy Policy*

*Q.* You mentioned the commitment to alternative fuels, and I think wheat and corn producers realize that commitment came long before the Persian Gulf war. But haven't the events of the last few months reemphasized our need to get away from those foreign fuels?

*The President.* Getting away from this much reliance on foreign oil has been there for a long, long time. It's more clear today because of the Gulf. We must learn. And one of the things that we are trying to do with our whole new national energy program is to become less dependent on foreign oil. Now, one way to do that is through alternative fuels.

We also, I want to say—and I hope I don't sound defensive—do have some pretty good ideas in terms of conservation. And we're accused of not having any conservation

ideas or conservation program—and we want it. But I also don't want this country to be shoved into a no-growth mode. I mean, there's a lot of young people that need economic opportunity in this country, a lot of farmers that can sell more if the market increases for their products. But you put your finger on something I feel strongly about, and that is that we must, from our national security standpoint, become less dependent on foreign oil. And alternative fuels is one good way to do it.

I happen to think another way to do it is to expand our exploration domestically. And you run into conflict with special interests groups on that, but I am convinced that that is in our national security interests, too.

#### *Federal Emergency Assistance for Kansas*

*Q.* Mr. President, any decision on Federal assistance for the tornado victims?

*The President.* I'm glad you asked about that one because one of the reasons I kept you all waiting a little bit is I just signed the disaster assistance for Kansas—and I expect, as the other requests come in, they will be processed that rapidly. I mentioned yesterday coming out of church that our hearts really go out to the victims. Bob Dole was out there the night before last in Kansas, and he called me up, I think it was Friday night—or Saturday night I guess he got back—and said he really had never seen anything like this. And of course, it was widely covered on the television.

And I said, Bob, what more do we need to be doing? He said, well, the FEMA emergency people are there now—and then, of course, then in came the formal request, and I'm happy to say that we did sign that right now, and we'll do what's necessary for other States.

#### *China*

*Q.* Mr. President, what about most-favored-nation status for China?

*The President.* Well, Mike, it's a difficult one. What I have tried to do with China is to make clear our concern about human rights abuses, stemming out of—highlighted particularly by Tiananmen Square, but recognize that cutting off all contacts or trying to drive them to their knees economically is not the way to effect change. And I go back to when we opened relation with China.

And, yes, there's some abuses there that no American can be tolerant of. But there's a lot of changes in China that have taken place that are beneficial.

And I would point to the fact that our policy of at least trying to keep some reasoned relation with China paid off in spades on the recent war, because we needed—I felt we needed—the international sanction that those United Nations gave the effort. And if we'd have had enmity with China, it is very clear in my mind that they might—I can't say would have, but they might well have vetoed the resolutions. And we operated with an international sanction, an international approval that gave the whole operation worldwide credibility.

So, I think it's important that we have reasonable relations with China. I think it's important we have trade relations with China. But on the other hand, China sometimes doesn't see eye-to-eye with us on some of the fundamental human rights questions that concern me as President and concern all Americans.

So, that's a long way of saying I don't know exactly what we're going to do on the MFN to China. We fought for it last year. We have protected the students in this country, Chinese students—will continue to do that. But I'm one who believes that if we can keep contact and keep showing them our way, showing them how good our product is, that that's a better way than breaking off relations.

There's a billion—what, 1.1 billion people in China. And give them their due, they're feeding 1.1 billion people. I wish our trade balance with China was better. It's gone more in their favor. But again, we can't legislate that. But I think I understand China. I note the importance of China. I respect the sovereignty of China. I've said over and over again, I wish that—I have not certainly approved, indeed, have condemned some of the human rights abuses.

So, we've got to work with this big country. And it is in our interest so to do. Whether that will lead to MFN renewal, that question will be decided very soon. And I, myself, must decide what role the administration will take, because we had a battle on it before, as you know.

Two more—there are two persistent hands up, and then we'll go. Yes?

### Soviet Union

**Q.** Your reaction to the instability shown last week, of Gorbachev resigning and then the Communist Committee not taking it. What would him stepping down mean to U.S. agriculture?

**The President.** Well, I think it would mean uncertainty inside the Soviet Union. And there's a lot of question as to something—if Mr. Gorbachev stepped down, which way the Soviet Union would go. I like to feel that the changes manifested by the lightening up in Eastern Europe and by much more openness, *glasnost*, inside is irreversible. I like to believe that. But that is an internal matter of the Soviet Union. I have elected to stay in close touch with Mr. Gorbachev. He is the man there right now. We meet with opposition leaders from time to time at various levels, including mine with the Baltic leaders. We have differences with them in terms of, well, treatment of the Republics, for example, right now.

But what happened last week I think in a sense was quite reassuring because there were some widespread speculation that Mr. Gorbachev was in trouble, even with the party. And I think that showed that that was not the case.

But, again, there's a lot of turmoil there. And there's a lot of economic difficulty in the Soviet Union today. And we don't take joy in that at all. We don't take joy in their problems. They've moved considerably since—on a lot of things. And, again, going back to the war, the answer I gave you on China is very valid in terms of the Soviet Union. They approved every resolution. They stayed with us, even when Gorbachev—you remember just before the ground war started—was talking about, well, please hold off. But I didn't take that as a disapproval of what we were trying to do. Indeed, when we said, okay, it's Saturday, Mr. Saddam Hussein, or you've got problems—the Soviets, having tried their approach, were supportive.

And so again, we want to keep good relations, but they have enormous—just enormous—problems, and we take no joy in that at all. I'd like to find ways to be helpful. But when it comes to these credits, we cannot—we are bound by our laws. And I think that protects the American taxpayers—that

there has to be a certain creditworthiness. So, it's a tough one right now for them, but let's hope that this democratic process will keep going and keep evolving until we have just pluperfectly good relations with them. I mean, we've got good relations, but they've got such enormous problems that their full potential is unrealized.

You talk about energy—somebody asked me the energy question—the potential is enormous. But they've got to move forward with more than rhetoric. They've got to go with these market reforms.

#### **Free and Fair Trade**

**Q.** Mr. President, there's been a lot of talk about tariffication. One of those places where it has happened—Japan has removed quotas and put on tariffs on beef. Could you relate to that, please?

**The President.** What was the word?

**Q.** Tariffication—putting tariffs on instead of quotas in trade negotiations. That's been one of the goals.

**The President.** I don't think just substituting one barrier for another, if that's what the question is, is a good way to do it. We're trying to get open markets. It is my fundamental belief that the American farmer can compete with anybody provided we're talking total freedom of trade. We're not there yet. We're not there yet in terms of trade with a lot of countries—put it that way. But if the substitution is being substituted to throw up a barrier under a different name, I don't think we should be very enthusiastic about that approach.

Maybe I'm missing your question, but—

**Q.** The question is, as opposed to just a strict quota, put on a tariff—and that's been one of the things that have been talked about in trade negotiations, that has happened, and apparently beef exports to Japan have increased.

**The President.** Can I refer to my economic expert to answer that which I do not know? [Laughter] Mike? This is Dr. Mike Boskin here.

**Chairman Boskin.** We have been generally in favor of substituting tariffs for quotas in the context of reducing the tariffs in a variety of ways. So, I think the President's quite right—you don't want to just substitute one form of barrier for another. That won't help us. That won't help our export-

ers. But it's being done, and the discussion of it will continue—discussion of it in the Uruguay round and elsewhere is a process of getting the tariffs removed. So, you start by getting rid of the quotas and putting on a tariff with a schedule for the tariff to decline.

**The President.** That's what I wanted to say, but I was just kind of hung up on it. Thank you all very much.

**Q.** I just wanted to say thank you, and we appreciate your access to talk about agriculture for a few moments.

**The President.** Thank you all very much.

*Note: The President spoke at 2:35 p.m. in the Roosevelt Room at the White House. In his remarks, he referred to Clayton Yeutter, chairman of the Republican National Committee; Secretary of the Treasury Nicholas F. Brady; Secretary of Commerce Robert A. Mosbacher; Ronald Hays, president of the National Association of Farm Broadcasters; Senator Robert Dole; Bill Mason, farm broadcaster at WGEL in Greenville, IL; Michael LePorte, farm broadcaster at KRVN in Lexington, NE; and Michael J. Boskin, Chairman of the Council of Economic Advisers.*

#### **Statement by Press Secretary Fitzwater on the Task Force on United States Government International Broadcasting April 29, 1991**

Hundreds of millions of people worldwide rely on U.S. Government broadcasting for objective world news, local news, explanations of U.S. policy, and information about democratic values and institutions, including free-market economics. In light of dramatic political developments worldwide, including the democratic revolution in Eastern Europe, the end of the cold war, and events in the Persian Gulf and Middle East, it is appropriate and timely to examine U.S. Government international broadcasting operations.

The President is pleased to announce the establishment of an independent, bipartisan Task Force on U.S. Government International Broadcasting to study the best future

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**W**here are you off to now, Dormah?"

It was Rafflo. Dormah detested the little creep. Not for his neuter sex, nor his nasal whine (which was not unusual for neuters), but for his demeanor and sarcasm. Rafflo knew he was superior and made certain everyone was aware of it.

"To pee—want to watch?"

Rafflo gave her the finger and twirled around smartly, making certain his rear wiggled as only neuters' can—as defiant a gesture as he was capable of.

Dormah smiled inwardly, pleased she didn't merely ignore the twerp as was her normal inclination.

Rafflo had been on her case since the moment they left Zamos. Somehow, he had detected she had a secret. For the life of her, Dormah couldn't figure out how he had reached this conclusion; she feared he could read her mind. She desperately tried to avoid his presence.

She waited, making certain he didn't turn around before she made for the Computer Center. The last thing she wanted was for Rafflo to follow her there. Not that he could ever see what her work was about—everyone's station was pri-

## DISCOVERY

vata. She simply didn't want him to know about her movements, especially her need to use the ship's computer so soon after their departure.

Her bizarre discovery had left her with an unbearable sense of excitement. There were moments during the last few days when she thought she might explode from nervousness. What dramatically intensified these emotions was the strong possibility that after nearly four years of frustration and disappointment she actually stood on the threshold of solving the puzzle which had eluded everyone, including Putral. Even now she had difficulty believing that the answer was really within her grasp, and yet she was convinced of it. This time everything fit.

The first thing she did after the One's liftoff from Dish-tu Ret was to place an interplanetary transmission to Kyro. It was an instinctive action, one she regretted as soon as she heard his voice. How could she say anything meaningful to him when the call was probably monitored by millions of eavesdroppers the world over? (Not to mention the little creep who had probably also found a way to intercept the ship's private transmissions.)

Consequently their conversation was unusually guarded and her attempt to convey a signal to Kyro awkward. She probably so confused the commander he didn't know what to make of her words, not a word, really, matter. They could be of little help under the circumstances. The full explanation would have to wait. Her computer analysis, however, could not.

"Dormah. Dormah."

For a moment she thought it was Raffio again, but to her immense relief it was not. It was good old Coni.

"If you're headed for the C.C., I'm with you. I've developed a new theory on the prime factor and I'm banking for the computer to tell me why I'm wrong again."

## DISCOVERY

Dormah nodded happily. "That's where I'm going," she admitted as he fell into step beside her.

Coni was a dear old friend. He was also a good chum of Commander Kyro and a highly-regarded astrophysicist. The three of them had spent many a night together pondering the alien puzzle, with no success, of course, but it was great fun. Kyro had told her that if he had to bet on it, Coni was the most likely person to find the solution, except for Putral.

"For a second I thought you were Raffio," she confided. "That creep has been following me all around the ship because he thinks I made a discovery. He'd be the last person in the world I'd confide in."

Coni nodded sympathetically. "I know just how you feel. I'd rather talk to a dead ferd."

"You're right," Dormah giggled. "dead ferds are better company."

"And have you made a discovery?"

Dormah giggled again. "I'll tell you right after I tell Raffio."

Coni chuckled and hugged her. "That's what I like about you, Dormah girl, you're so diplomatic."

"Thanks, but I take no credit. I owe all my diplomatic skills to the commander."

Moments later, when she sat alone in the privacy of her stateroom with her hands on the keyboard, she noticed for the first time that they were trembling. She forced herself to take deep breaths in order to calm down. No such now, she assured herself. No one in Galois knew what she knew and no one could pry the information from her. All she now had to do was organize her thoughts and instruct the computer. She would know the truth soon enough. The rest would be history.

She tried to think back to the beginning, to the day Putral delivered his "primcomm" address to billions of Galoisians. The day "would forever change the course of Galoisian

## DISCOVERY

history," as he put it. How right he was but how wrong his reason.

She recalled how she and Kyro sat transfixed before the vidcam and listened to the C-master's hypnotic voice. His face, the usual sea of tranquility, divulged nothing.

"I come before you today," Putral stated triumphantly, "with news of an unprecedented nature. News that will forever change the course and history of our civilization. We have at long last obtained irrefutable evidence of the existence in the cosmos of an intelligent alien civilization. We are no longer alone."

Had four years really elapsed? she wondered. The broadcast seemed like only last week, yet so much had happened since then--more to her than to anyone else.

She smiled. Would anyone believe her weird experience? Probably not. She still had trouble believing it herself sometimes. How desperately she wanted to share her thoughts with Kyro. Soon enough.

She keyed in her personal access code and the terminal in front of her instantly sprang to life. It was ready to follow her every command.

2

FOON

Many saw the phenomenon. The official tally, conducted much later, established that more than thirty million witnessed the event. Commander Kyro, P-406, was one of them.

It happened by accident. Were it not for Captain Sartin's abrupt intrusion, Kyro would have missed it. In fact, at the time, he was furious at the captain for interrupting the tranquility and beauty of the moment.

Although the trip was commonplace for the commander, it gave him great pleasure. His tiny perch was a marvel of engineering and Kyro, who knew the function of its every part, could feel the perfection of its synchronized movements. At moments such as this, his own body seemed to assume the power of the vessel and he and machine functioned as one. It was a feeling reserved for those who cherished and understood the magnificence of space flight and the vehicles that made it possible.

He was sitting in absolute silence while the planet he left shrank behind him and took on the spherical proportions of a globe. His vessel, enveloped by the velvet of space, had become but an insignificant speck in the vastness of the dark

FOON

heavens about him. As often as he had seen this sight, it never ceased to awe him.

Galos, when viewed from this distance, always gave him something new to admire. He especially liked the spectacular color effect caused by the sun; this, of course, depended on its angle. Sometimes the planet looked entirely orange, other times a shade of blue or purple. Then there were moments, as in that instance, when the planet reflected five or six colors in kaleidoscope fashion, one absorbing another.

Suddenly Kyro's concentration was rudely interrupted by a signal from OS-3, the Outstation toward which he was traveling. The commander automatically resented the intrusion since the Foon had no reason to communicate until he requested docking permission. When he acknowledged the signal, the excited voice of Captain Salin shattered the stillness of his cabin.

"Excuse the intrusion, Commander Kyro, but I believe we may be facing an emergency 303."

"A what?"

"A 303, sir. I think it's either a malfunction of the commscope, or worse."

"Salin, what in the name of Eon are you talking about?"

"I'm sorry, sir. I know it sounds silly but it's the only thing I can think of."

"Alright, please calm yourself and explain."

"Well, sir, the thing is that at 6:02 GOS, our automatic check on the IGS-1 failed."

"What do you mean, failed?"

"The vidcom remained blank, sir. We got nothing but stars. It's like the spacoship is gone."

"Have you taken leave of your senses, Salin?"

"I know it's crazy, sir. . . I've never encountered anything like it, otherwise I wouldn't have disturbed you."

8

FOON

"Let me get this right—you're telling me a visual of the One failed to come up on your vidcom? Is that what you want me to believe?"

"Yes, sir."

"And you've made a CPS-stat review?"

"Of course, sir. It found nothing."

The commander's impulse to get angry was suddenly overtaken by a desire to laugh. He could not remember the last time a genuine commscope failure occurred: the idea was preposterous.

Automatically, he switched on the vidcom on his perch and requested a visual of the IGS-1. The starship instantly appeared in all her majesty. Although she lacked the dramatics of Fletin-built ships, she was distinctly recognizable by her sheer size; there was nothing else that large in space.

"The One looks fine from here, Salin," Kyro said with more than a touch of sarcasm. He stopped himself from asking whether the good Captain was under the influence of some controlled substance. "My vidcom seems to be functioning properly."

"Sir, I can fully understand that."

"Understand what, Salin?"

"Understand why your vidcom might still be showing the IGS. Doesn't the perch commscope operate on post-image, Commander Kyro?"

Kyro was taken aback; Salin was right. Because the One was traveling in excess of the speed of light, simple commscope equipment such as his could not produce an "on-line" image. The perch commscope showed a "post-image" picture of the starship as she appeared some time before. The fact she still appeared on his screen proved nothing. On the other hand, on OS-3 the equipment was sufficiently sophisticated to receive and exhibit visual signals at twice the speed

8

FOON

of the object being observed. Their visual images were live.

"You are correct, Salin. How long ago was your attempt? Oh yes, you said 6:02 GOS."

"Yes, sir."

"Then this suggests that either you have a commscope malfunction on the Foon or the ICS-1 has vanished? Is that right?"

"Yes, sir."

"And, if the One is gone, it will also vanish from my screen within . . ." Kyro made the calculations, "within 17 GOS minutes."

"That's correct, sir."

"Well, Salin, we both know that's not possible, so while we wait to see what happens on my vidcom, why don't you get CPS to do a second review? And when it's finished let me talk to Jeng."

"Yes, sir."

Kyro found the whole episode absurd. He could assume neither a commscope failure nor the preposterous notion that the ICS-1 had disappeared. Indeed the screen on his vidcom presented clear testimony to the opposite. It was pouring out pertinent statistics about the starship's maiden expedition: the distance it had traveled since the inception of its journey, its speed, the time elapsed since it left Zamos, its ETA on Galos and a host of other technical data.

He smiled at the wild idea that anything could be amiss with the majestic One. He could only assume that Captain Salin was in an oping stupor. The drug, a current fad in the Marine Corps, was known to cause a dysfunction of the optic nerves. Its acquisition, while illegal, presented no problem on the Foons.

The six Outstations, or Foons as they were commonly known (a contraction of False Moons), resulted from the Second Galactic War. Their original purpose had long become

FOON

obsolete; their use now was as ports of call for interplanetary space traffic bound for the mother planet, Galos. Consequently, the Outstations had over time become a center for smuggling and illicit trafficking, which in turn became a lucrative sideline to OS marine duty. Galotian officialdom found no way to stop this underground activity. Kyro knew this first-hand. The Foons were under his command.

"Sir, I have Lieutenant Jeng with a CPS report."

"Your report, Jeng, please."

"I'm afraid, Commander Kyro, I must confirm our previous findings. The Commscope is in operational mode, no malfunctions apparent and yet the ICS-1 will not materialize."

Kyro said nothing while he pondered whether it might not be a conspiracy by everyone on the Foon. Such practical jokes had been played before.

"Shall we request permission for audio transmission, Commander?"

Because the One currently attracted millions of space watchers, nobody was allowed to contact the starship directly without specific permission from ICS Mission Command. The ship's passengers would otherwise be constantly bombarded with communications.

"Not yet, Salin. I want to see what happens on my vidcom."

Everyone remained silent until 17:07 when, to Kyro's

*After the Second Galactic War nearly destroyed Galos, the Outstations were placed around the planet as a protective measure. Their sole purpose was to house Gloran warships where they could quickly be deployed in the event of another attack. However, the necessity for rapid ship deployment was rendered obsolete by the invention of the V-Tor antimatter defense system. This system and the contingent of marines to staff it utilized but a small segment of each Foon, allowing the remainder to be converted to ports of call for incoming space traffic.*

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FOON

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amazement, the IGS-1 vanished from his screen, just as the calculations had indicated. Nothing remained of the magnificent starship, so visible moments before, except the last few statistics of her voyage.

The empty vidcom now showed only the backdrop of stars and the planet Zamos in the far distance. It was as though the One were never there.

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CAUSE UNKNOWN

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**M**icro-seconds after the starship vanished Putral possessed all the available data about the occurrence. Seconds later his analysis was complete.

The resulting conclusion was a jolt to his central nervous system. "Cause unknown" was a response Putral had never before encountered. Of equal shock was the unequivocal fact that all traces of matter and energy had disappeared together with the intergalactic starship, a phenomenon not known possible.

So unbelievable did the C-mastor find these conclusions that he instinctively ordered a re-analysis, something he had seldom before requested. It failed to change the result. Putral then did something even more unusual. He ordered a comprehensive examination of his vast and complicated communications network, including every data source station throughout the world; a formidable task even for someone of his talents—something never before necessary.

Unfortunately the exercise did nothing to alleviate his state of dismay. No malfunction materialized. It was conclusive. The IGS-1 had disappeared, an event without preced-

Two Zamotian days passed while the Dannsk continued to circle the planet, the two Zamotian warships never far behind. Contact with Agot did not occur.

Each day Putral made several inquiries about the android; each time Kyro pressed him for an interpretation of the silence. Putral refused to speculate. "It is as I expected" was all he would say. Nan was more imaginative. She offered a variety of explanations, the most telling of which was that Agot already knew the answer. "After all," she said, giving Kyro one of her plaintive smiles, "he seems to know everything else."

In the meantime the world continued to move toward galactic confrontation with inexorable certainty. Putral's failure to persuade the Elders to overlook the Delt incident sent an interplanetary chill through Galotia. It set the stage for a meeting of representatives from the Galotian Council and Arl whose intimacy caused a local fever whose final result could not be measured. It was from this arena that the interplanetary conflagration would be exported to the rest of Galotia.

The Galotian battleship Zifron, an LF monster, con-

fronted the Arlian Emrit in a lonely sector off Dvook, Flotin's number four moon. The Emrit was escorting several chemical carriers back to its colony when, according to the Zifron, it violated Galosan territorial space. In its zeal to protect the merchant ships, the Arlian warship ignored the Zifron's repeated warnings.

It was not much of a contest and might have served as the necessary face-saving Galosan reprisal—had the Galosan battleship not accidentally crippled one of the unarmed tankers and killed many of its crew. Naturally the incident begat an Arlian retaliation.

This occurred the very next day when two Arlian heavy cruisers pursued and cornered the Galosan Fluor, a first generation warship, claiming it had opened fire without provocation. The ensuing battle was fierce and lasted several hours. All aboard the Galosan vessel perished.

These incidents and those that inevitably followed were clear signals that the war disease was about to reach contagious proportions. Not only were the fleets of every government encircling their respective planets and closely monitoring each other's movements, internal preparations were frantically underway at a pace which bespoke inevitability.

Every action of one government was viewed with suspicion by all others. Emergency meetings were conducted without respite. Official proclamations, often contradictory, became commonplace, confidence in any of them virtually nonexistent.

The Cordian Congress made it clear that, in the event of a declared war, it would come to the aid of the mother planet. The parliament of a long group of the opposite opinion, signed a hastily negotiated nonaggression treaty with its long standing ally, A.J.

The most troublesome effect of these events was to diminish Cang's authority. Putral's pleas for restraint were in-

LEAF OCEAN

creasingly ignored as normal life within the planetary structures came to a near standstill. The populations of each prepared for the worst, yet no one knew exactly what to expect. Bizarre and irrational revelations became accepted gospel. Rumors of every sort, especially of an imminent alien invasion, abounded.

In an early incident, the commander of a Flatin vessel, Termyx C-89, reported sighting a UFO. Two Flatin cruisers were sent speeding in the direction of the discovery.

At about the same time, the Cordian Astro Observatory reported a landing by "alien-like" space vehicles on Brot, one of the uninhabited planets in the outermost reaches of the system. A Cordian warship was dispatched to investigate.

The parliament of Zamos issued another proclamation, reversing its previous views and implicating the SEU as instigator of the disasters. It was part of an interplanetary plot, they said, "to advance the cause of anarchy."

However, the renowned Zamotian physicist Afsh Wollbra demurred, stating the cause could not be galanoid inspired. Instead he announced that he was on the verge of discovering the source of the unknown power and that "a deterrent force" was within his reach.

On Galos the highly respected philosopher Alvyt Z-2000 proclaimed that the end of the world was at hand. Later, "Too Life," an interplanetary theosophical organization whose membership included some of Galotia's most respected philosophers and scientists, substantiated Alvyt's prediction by requesting that all important records be placed in time capsules.

On Arl, almost as comic relief, the underworld's Triad, realizing that galactic war would be disastrous for its investments, announced that as a gesture of good will it would suspend all terrorist activities.

Meanwhile, aboard the Dannsk, life took on a tense

LEAF OCEAN

and unreal dimension. A sense of impending doom seemed to prevail. Daily functions were carried out in a trance-like fashion. Crew members spoke in whispers or not at all. No one dared question Kyro's reasons for remaining near Zamos and he volunteered none.

The Dannsk's commander once again immersed himself in a flow of interplanetary transmissions from friends and officials alike; many called to discuss the state of the world in general, some to commiserate with Kyro's plight in particular.

These involvements occupied Kyro's time, but did little to dislodge his feeling that the last scene of a tragedy was about to be enacted. Try as he might, his efforts to reach Agot went unrewarded. The responsibility for deteriorating world conditions became a heavier burden with each passing hour and the anticipated value of Agot's cooperation diminished accordingly.

The idea that he could somehow convince the android to reverse his course of action was fast becoming a remote possibility. As he had said to Nan, there was an undeniable logic to Agot's decision to save the terranoid world. It was a "them or us" proposition as she herself had so often stated.

On the fourth day, the inevitable happened. Putral appeared to advise the commander: "Upheaval is at hand." Galos and Cord had officially declared war on Arl and Flatin. Only Zamos remained uncommitted.

The news was more a relief than a shock. "How much time do we have?" Kyro calmly inquired.

"In Zamotian terms, no more than one day."

"Then I am going to the android," the commander said without hesitation. "There is enough time for me to get to the Leaf Ocean and back before you need to act."

Putral opposed the idea. "There may be sufficient time, but the trip is an unnecessary danger for you.

LEAF OCEAN

"Pursuant to Bril Fist's warning," he cautioned, "if you are captured by the ZCP no one will be able to save you. Your commander status will be meaningless. Besides, you have no idea how Agot will treat an uninvited visit. If he knows the outcome of the program analysis, as Nan suggests, a visit by you without his approval could enrage him unnecessarily."

"I must chance it," said Kyro emphatically. "Our options have run out and I feel compelled to make this one last effort. My decision is unalterable."

Nan applied all her intellectual and emotional skills in an attempt to be included in the mission. She would accept, she said, nothing less than an affirmative response. Her efforts, however, were futile. The commander would not budge. Never again, he told her, would he be party to a decision which brought her back to Zamos.

"Whatever else," he said with finality, "I am still a battleship commander. You are a Zamotian outcast, a discredited officer of the ZCP, an accused spy for the SEU, and officially wanted for the murder of Lar Ban. Your life isn't worth a sator leaf on that planet."

So it remained with but one prerequisite. The Commander prevailed that he should be in constant contact with Kyro throughout the trip and encounter with the android.

When these issues were finally settled, the commander prepared an explanatory vidcom broadcast for the Dannsk crew, to be aired in the event he did not return. Then he hastily summoned Landu.

Until that moment, the second officer of the Dannsk had behaved like the good soldier he was. No doubt a lesser officer would have succumbed to the temptation of trying to pry from his commander some information about the mystery which enveloped their vessel. Not Landu! He carefully

LEAF OCEAN

avoided giving the impression he was curious, allowing the commander to keep his private counsel.

Now Kyro knew the moment to enlighten Landu had come. In the event he did not return in time, it was imperative the Dannsk be safely taken back to Galosan territorial space. In such case, his second officer was entitled to a personal briefing. The only precaution the commander took was to hold the conversation within the relative safety of the Gul's interior.

"I thought you'd like to know why we keep circling the fruit farm," Kyro said by way of greeting. "It's a long tale and I have but a few minutes, so listen close."

Throughout the length of the explanation, except for an occasional involuntary whistle, Landu did not breathe a sound. When Kyro finished, the second officer asked several questions to fill in some voids, then stood up and grinned at him.

"You know what bothers me most about all of this, commander? Goddamn Sukra was closer to the truth than I was! The alienics won!"

Both officers broke into laughter.

At the precise moment set, the Gul—fully repaired but with ZCP insignia in place of its own—slipped away from its mother ship under an image-block cover.

Kyro's strategy was to keep the Gul near the upper limit of the stratosphere until he was in the vicinity of the Leaf Ocean. At that juncture, he programmed the lander to follow the route originally set by Agot. Although this procedure would lengthen the journey, he thought it necessary to ensure finding the exo-chamber.

Twice during the voyage, at Putral's suggestion, Kyro attempted to contact Agot. The android refused to respond. To occupy Kyro's time, Putral gave him a complete history of

## LEAF OCEAN

the Leaf Ocean and the biological makeup of the trees. While Kyro appreciated the diversion, it did little to diminish his apprehension.

The first time Kyro saw the saster forest, it was daylight. The intensity of the color had been unbearable. Now, in the Zamotian night, he could see nothing but a continuous black shroud. The only unmistakable similarity between this visit and the original one was the constant mourning of the leaves as they left their branches to find their final resting place below. Yet even this sounded different. Sunlight, it seemed, caused the freak leaves to depart at a much faster rate. At night the rhythm was slower, the effect more ominous.

To Kyro, the sound resembled the slow drum beat he had once heard in an image theater production of an ancient tribal ritual. The beat announced the arrival of an intruder. The present sound seemed to transmit a similar message.

Finally, the Gul reached the surface of the Leaf Ocean. Unhesitatingly, as before, it entered and began its slow descent. This time, however, the yellow leaves were indistinguishable from the colorless blanket surrounding them, nor could Kyro discern the changing composition of the matter beneath the surface. Everything was uniformly black.

When the vessel stopped, presumably in the same location as the first time, not a sound could be heard, not even by the monitor. The surrounding darkness was much heavier than he had ever encountered in space, the stillness unique to his experience.

Suddenly the monitor recorded an object beneath the vessel. First it registered as "unknown," then, by way of correction, the monitor advised it was the same object encountered there before. Agot was on the ocean floor directly under the vessel.

Kyro broke into a sweat. Putral became silent. Kyro tried to make contact with the android. No response. He tried

## LEAF OCEAN

again and again. Nothing happened. Agot refused to acknowledge. Was he angry at the uninvited intrusion? Or obstinately refusing to talk?

Kyro activated his space suit to go below. Putral said nothing. It took Kyro only a few seconds. He stepped into the evacuation chamber and used his lift-beam to lower himself to the ocean floor. The exo-vapor quickly enveloped him. He could see nothing.

Slowly he descended to the bottom. He was now only a short distance from where he knew the android to be. His spacoboam illuminated the area before him, casting an eerie green light. He stepped toward where the monitor had indicated.

At first he thought he had lost his direction, for there was nothing except the soft slimy ocean substance beneath his feet, now green from the light. Suddenly there he was. Kyro froze in his tracks. He was positive it was Agot lying on the ocean floor directly in front of him. He again tried to talk to him. No response.

He bent over to touch the android with his hands. He could feel the shape of his body. Agot was lying outstretched on the ocean bottom. Kyro ran his hands over the creature's torso. There was no responsive movement. He touched Agot's face. It remained still. Kyro began to believe what his instincts had been telling him for some time—Agot was dead.

Kyro lifted the android's body with his hands. It was much heavier than he had expected. Slowly he carried it back to the lander. The location sensors guided his direction. He again used the lift-beam to ascend. Slowly Kyro moved upward with the android's body in his arms.

Aboard the Gul, he carefully put Agot down and quickly replaced his space suit into his belt. He looked at the body for the first time in light. Agot's eyes were closed. There was no sign of life. Kyro asked the science monitor to examine

## LEAF OCEAN

the object. It registered "absence of function." It was confirmed; the android was dead.

Kyro suddenly remembered Putral. He recounted to him what had transpired. Putral continued his silence. Kyro told him that he was ordering the lander to return to the Durnask. Putral finally responded, saying it was a good idea.

The Gal encountered no Zamotian craft and was undetected as it ascended at maximum speed to the stratosphere above the Leaf Ocean. Uneventfully, it rendezvoused with its mother ship and found the safety of its bosom. During the swift journey, neither Kyro nor Putral spoke to each other. Kyro spoke only with Landu to prepare for the docking.

Once aboard, Kyro set the Durnask on a return course to Galos. He explained the situation to Nan, isolated the docking chamber and quickly went to his own quarters. There, he contacted Putral again.

"You know," he accused.

Putral nodded slowly. "I wasn't positive, but I thought it probable."

"How?" Kyro demanded, restraining his emotions. "How did you know? How did it happen? You told me Agot was indestructible."

"He was," came Putral's calm reply. "There was no power in our world that could injure him."

"Then how did he die, Putral?"

"The only way possible—at the hands of the Satos."

"I don't understand."

Putral smiled. "You see, Kyro, it happened during the android's de-analysis. As soon as I realized his programs were irreversibly locked..."

"Then you understood the language," Kyro interrupted. "You didn't need the additional time to decipher it?"

"That is true. I knew the truth—the programs were un-

## LEAF OCEAN

alterable. There was only one thing I could do, an eventuality I had prepared for. Since I couldn't change his programs or neutralize his power, I gave Agot the gift of a new one. I programmed him with the ability for scientific analysis, an ability, he so often stated, that the Satos had failed to provide him with."

"You gave Agot the means to discover Terra's location! He died by completing his purpose on Zamos."

"Yes," said Putral quietly. "I was fairly certain the data I placed in his new program would lead him to the solution."

Kyro fell silent, awed by Putral's brilliance. It was the only means to save Galotia. Putral had come through again.

"I am speechless," he said finally. "I never would have thought of it."

"I am programmed to think of such things," the C-master modestly intoned.

"But... but why did you delay advising Cosog and chance a Galactic war?"

"I explained it to you. It was a difficult decision. I couldn't be certain my strategy had yet been affected. Think of the risks involved if I had revealed everything before he was dead. Think of Agot learning what I had done. How would he react? I needed as much time as possible for my measures to be successful, even at the risk of war."

Putral was right. Agot's ability to know everything was a serious concern. Still, Kyro felt cheated.

"You could have told me," he protested.

The C-master disagreed. "Not really," he responded. "The same constraint applied to a conversation with you. Agot was tuned to everything involving his existence. The danger was too great, so I opted for silence. Besides, I preferred you learn the truth by yourself."

"You knew I would go to the Leaf Ocean?"

"I thought it likely."

Again Kyro became quiet, the full scope of Putral's thought process becoming clear.

"You know, Putral," he said in a whisper, "I feel like I participated in a murder."

The C master shook his head. "Actually, if anyone did, it was Dormah. I placed her statistical analysis within the android's new scientific program. It was her tenth planet hypothesis that in the end enabled Agot to find Terra."

Kyro smiled. "The ultimate form of poetic justice," he whispered. Suddenly another startling thought struck him.

"But Putral, by saving our world, we have doomed Terra. The Sates will now be able to carry out their intent."

The C master hesitated a moment. He shrugged. "One dilemma at a time, Kyro, please."

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## GLOSSARY

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### A

*Afsh Wollbra.* Renowned Zamotian physicist.

*Agot.* Three-million-year-old android created by the Sates; the caretaker of planet Zamos; in Satian mythology, the god who is caretaker of all planets.

*Aldor, D-1504.* Danish marine captain.

*Allenics.* Those who believed the disappearance of the IGS-1 was the result of an alien causation.

*Alvyt, Z-2000.* Famous Galasian philosopher.

*Antident.* Satian weapon utilized by Agot to annihilate matter and change energy into its opposite, anti-energy.

*Arl.* One of the five inhabited planets of Galotia.

*Arlion.* Pertaining to planet Arl; a citizen of the colony of Arl.

*Aryl.* See Centur.

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### B

*Baftin.* Sci-Sti investigatory warship on Arl commandeered by Commander Eron.