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THE WHITE HOUSE
WASHINGTON

December 9, 1991

INFORMATION

MEMORANDUM FOR THE PRESIDENT

THROUGH: DAVID DEMAREST

FROM: TONY SNOW
JOE DUGGAN

SUBJECT: REMARKS FOR CHICAGO TRIP

I. SUMMARY

Chicago Board of Trade: On Tuesday, December 10, at 9:25 a.m. you will deliver remarks (2 minutes, on cards) from a pulpit of the trading floor at the CBOT to an audience of 1200 traders, brokers and members of the CBOT. You will be introduced by Chairman Billy O'Connor.

Chicago Mercantile Exchange: On Tuesday, December 10, at 12:00 p.m., you will deliver remarks (8 minutes, on cards) on the upper trading floor of the Merc to an audience of 500 business leaders from the Chicago area and members of the Merc. You will be introduced by Chairman Jack Sandner.

Illinois Farm Bureau: On Tuesday, December 10, at 1:25 pm., you will deliver remarks (12 minutes, on prompter) to approximately 500 leaders of the Illinois Farm Bureau at the Palmer House Hotel. You will be introduced by President John White.

II. DISCUSSION

Your remarks at the CBOT and the Merc laud the two trading centers for their leadership in the futures market and highlights the economic growth initiatives we sent to Congress three years ago.

The Merc speech includes a joke about Chairman Emeritus Leo Melamed. Melamed published a science fiction book in 1987 called The Tenth Planet. The protagonist of the story is Commander Kyro. Melamed is currently working on a sequel entitled Cousins.

Your remarks at the Farm Bureau emphasize economic growth through increased trade and through domestic initiatives such as a capital gains tax cut -- both enthusiastically supported by the Farm Bureau.

(Snow/Nix)
BOT
Draft Three
December 9, 1991

PRESIDENTIAL REMARKS: CHICAGO BOARD OF TRADE
CHICAGO BOARD OF TRADE
TUESDAY, DECEMBER 10, 1991
~~[TIME]~~ 9:25 a.m.

Billy [O'Connor], thank you for that introduction. Let me also acknowledge Tom Donovan, Gov. Edgar and Mayor Daley. I'll stop there -- I'll get dizzy if I spend too much time surveying the floor from up on this ladder.

You know, I feel right at home when I come to a trading floor. There's just one problem. With all the commotion and hand-waving -- I always feel an overwhelming urge to call on a reporter. \\

I know everyone here is busy, so I'll cut to the chase. I'm in Chicago to talk about trade and agriculture. I'm here to listen to people who will shape our future -- people like you.

Our nation grew great on international trade, and Chicago, the futures capital of the world, pushes America toward new greatness in the 21st Century.

I know many people are hurting, and that the slump in some financial industries has affected you. We will respond to hard times with action -- action for the short-term, such as getting our jobs-creating transportation bill up and running; action for the long-term, building a foundation for jobs and prosperity.

I have asked Congress for three years to pass a comprehensive series of growth initiatives, ranging from a

capital gains tax to banking reform; from IRA reforms to a permanent tax credit for research and development. Well, we've waited long enough. Next year, we will act. Count on it.

My Administration understands that human capital counts. That's why we have proposed a revolution in American education and an all-out assault on crime. We'll make progress in those areas next year. Count on it.

We don't have the luxury of waiting. We must prepare for a post-Cold War world -- a world of free and vigorous trade.

I'll meet later this week with Mexican President Carlos Salinas. We'll talk about negotiating and signing a North American Free Trade Agreement as soon as possible.

I'll travel later this month to Asia, and push for more open markets, especially in Korea and Japan.

The world has changed -- and so have its challenges. But together we can build an America that will prosper and grow.

Thanks for taking a few moments to listen. Before I climb down to ring the bell, let me pass on the only inside trading tip I've ever received from anybody: Buy low and sell high. \\

Good luck. Thank you. May God bless you and the United States of America.

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CBOT -- 2 minutes. POTUS speaks at 9:25 a.m. He goes up ladder (5 rung ladder to platform at top of soybean pit) and speaks from pulpit. After remarks Pres will go down ladder to floor and ring bell at 9:30 a.m. to begin trading.

Roundtable (no remarks)

Merc. -- Pres will tour trading floor (no remarks). Then a roundtable (15 business leaders). Then: Remarks in auditorium (4-500 people). [Brief remarks -- 5 to 7 recommended]

ACKNOWLEDGEMENTS

CBOT -- Billy O'Connor (Chairman) on stage with Pres. On floor will be Tom Donovan (Pres.); ~~Gov. Edgar and Mayor Daley~~; Secretary Madigan. Also on floor, 2 members of Illinois Farm Bureau -- Pres. John White and VPRES Enid ~~Schills~~ Schlipf

Merc -- Jack Sandner (Chairman), Bill Brodsky (Pres -- transplanted New Yorker and Wall Streeter; Leo Melamed [Ma-LAH-med] (Chairman Emeritus); Rep. Cardiss Collins and Dan Rostenkowski In audience will be Former Gov. Thompson and (no need to mention?) Cook County State's Attorney Jack O'Malley and U. S. Attorney Fred Foreman

Thompson - BOT (Roundtable)
Merc (in audience)

Thompson does sit on Board of
CBOT as public member.

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size of audience?



audience:
500

Illini Farm Bureau state convention

Farm 500
1200
BOT
Mer
4-500

The draft needs emphasis ~~interest~~
~~economic growth through~~

economic growth through
increased trade and through
domestic initiatives such as a capital
gain tax cut -- both enthusiastically
supported by the Farm Bureau.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

December 4, 1991

STATEMENT BY THE PRESS SECRETARY

President Bush has invited Anand Panyarachun, Prime Minister of Thailand, to meet in the Oval Office and then to attend a working lunch on December 17. They are expected to discuss regional developments, including the implementation of a Cambodia settlement, and issues relevant to the President's forthcoming trip to Asia and bilateral matters. The Prime Minister will be in the United States on a private visit.

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Mr. Keefe
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FACT CHECK COPY

(Snow/Nix)
BOT
Draft One
December 6, 1991

PRESIDENTIAL REMARKS: CHICAGO BOARD OF TRADE
CHICAGO BOARD OF TRADE
TUESDAY, DECEMBER 10, 1991
[TIME] 9:25

Advance

[INTRODUCTORY ACKNOWLEDGMENTS]

You know, I feel right at home here. Whenever I see this kind of hand-waving and shouting, I feel an overwhelming urge to call on Helen Thomas. \\

Now, Clayton Yeutter warned me not to make any sudden hand motions here. He worries that I might buy something without knowing it. Well, at least you don't sell broccoli futures. \\

I know everyone here is busy, so I'll cut to the chase. I'm in Chicago today to talk about trade, agriculture and the future. I'm here to listen to people who will shape our future -- people like you.

Our nation grew great on international trade, and Chicago, the futures capital of the world, pushes this nation toward new greatness in the 21st Century. You don't doubt America's ability to compete in the future -- you count on it.

I know many people are hurting, and that the slump in some financial instruments has affected your business. We will respond to hard times by trying to lay the foundation for growth -- jobs -- in the future.

I have asked Congress for three years to pass a comprehensive series of growth initiatives, ranging from a

Reporter
SP
Press
Transcripts

SP
Nix's

Per
Futures
list

capital gains tax -- which would free up the capital we need to build a better future -- to banking reform; from IRA reforms to a permanent tax credit for research and development. Well, we've waited long enough. Next year, we will act. Count on it.

My Administration also understands that human capital counts. That's why we have proposed a revolution in American education. That's why we have pushed to slash the hidden tax that crime imposes on working people and businesses. I first proposed a comprehensive crime package nearly three years ago -- and we have nothing. Again, we'll get action next year, even though it's an election year. Count on it.

*Crime
Legs
DPC
Leg Affairs*

Americans have had it with finger-pointing in Washington. They want action. They'll get it. I have been calling on Congress to lay down its partisan swords when it returns and to join in common cause to loosen government's grip on people like you -- workers, entrepreneurs, investors; dreamers and doers.

We don't have the luxury of waiting. We have the urgency of preparing ourselves for a post-Cold War world -- a world of free and vigorous trade.

I'll meet later this week with Mexican President Carlos Salinas. I'm sure we'll talk about negotiating and signing a North American Free Trade Agreement as soon as possible.

*This
Weekend
12/14*

I'll travel later this month to Asia, and push for more open markets, especially in Korea and Japan. And I'll work as hard as I can to see that we reach a satisfactory agreement on a new trade agreement at the Uruguay Round of the GATT talks.

Schedule

SP ok

The world has changed -- and so have the demands on our economy. You make the future happen, and you understand its challenges. Together, we can build an America that will prosper and grow.

Thanks for taking a few moments to listen. Now, I'll pass on the only inside trading tip I've ever received from anybody: Buy low and sell high. \\

Good luck. Thank you. May God bless you and the United States of America.

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Per conversation with Dave Prospero --

Pres will speak on the trading floor. It will not shut down. It's very hard to shut down the floor. They only do so on Martin Luther King's birthday -- a 1-minute moment of silence.

CEO William O'Connor will intro Pres. Pres can call him "Billy." He's a very gregarious, very Irish fellow. Pres Tom Donovan will also be on stage with Pres. Rep. Rostenkowski is a buddy of Donovan and many of the members at CBOT.

Prospero noted the most important points to make:

- Importance of free markets; international competition and relief from international trade barriers
- Acknowledge that Chicago is the futures market capitol of the world
- Acknowledge that the CBOT provides price discovery [price determination] for agricultural markets

Pres will make brief remarks [2-3 minutes] on floor and then he will go up to a roundtable meeting [remarks -- no word yet from Advance; Prospero thinks 1-minute would be more than enough]. Attending: some White Housians, two Farm Bureau reps, and members of CBOT -- including O'Connor and Donovan (total of 25 people).

The mood at CBOT: they are hurting because of the economy -- especially in the trading of T-bonds, since there is not as much risk to hedge. Seat prices have shrunk: used to be around \$375,000-400,000. In the past few months, it's been around \$300,000. They've had a record of \$550,000 twice -- once in Aug 87 and once in Aug of 88. Seats currently go for \$300,000 (as of today).

CBOT used to deal primarily in agricultural futures, now both financial and agricultural. In 1982: 75% agricultural, 25% financial. Now, 75% financial, 25% agricultural.

The major members are mostly in agriculture, not financial.

**ADDRESS TO THE
FUTURES INDUSTRY ASSOCIATION
CHICAGO DIVISION**

**UNION LEAGUE CLUB
CHICAGO, ILLINOIS
APRIL 24, 1991**

**WILLIAM F. O'CONNOR
CHAIRMAN
CHICAGO BOARD OF TRADE**

GOOD AFTERNOON. WHILE I ALWAYS ENJOY THE OPPORTUNITY TO SPEAK TO GROUPS IN OTHER PARTS OF THE COUNTRY AND DIFFERENT CORNERS OF THE WORLD, IT'S ESPECIALLY GRATIFYING TO BE HERE TODAY TO ADDRESS CHICAGOANS. FOR AS CHICAGOANS YOU HAVE A UNIQUE AWARENESS OF THE CHICAGO BOARD OF TRADE AND THE IMPORTANCE OF THE EXCHANGE TO THE WORLD TRADING COMMUNITY.

THE POSITION THAT THE BOARD OF TRADE HOLDS IS A VERY IMPORTANT ONE. FOR 143 YEARS, WE HAVE BEEN THE WORLD LEADER... IN VOLUME, IN PRODUCT INNOVATION, IN CHARTING THE COURSE FOR WORLD TRADE. LAST YEAR WE AGAIN LED ALL EXCHANGES, TRADING 154 MILLION CONTRACTS -- BREAKING OUR OWN RECORD OF 143 MILLION. THIS YEAR WE ARE EXPLORING SOME EXCITING NEW PRODUCTS -- WHICH I WILL DETAIL FOR YOU IN JUST A BIT. AND LAST WEEK, WE SAW THE SENATE APPROVAL OF THE CFTC REAUTHORIZATION BILL... A COMPROMISE BILL FOR WHICH WE FOUGHT VERY HARD, WORKING CLOSELY WITH CONGRESS TO ENSURE THAT ANY LEGISLATION ENACTED WILL BE FOR THE BEST OF ALL U.S. FUTURES MARKETS.

THAT BILL REFLECTS A MAJOR CONFIRMATION OF THE PRINCIPLES OF GREATEST IMPORTANCE IN OUR MARKETS: SELF-DETERMINATION ON MARGINS; COMPARABLE REGULATORY TREATMENT FOR SIMILAR RISK-SHIFTING INSTRUMENTS; ACCESS TO NEW PRODUCTS FOR BOARD OF TRADE MEMBERS; AND THE OPEN OUTCRY AUCTION MARKET.

THE SENATE'S APPROVAL, WHILE BUT A STEP IN A LONG PROCESS, IS NONETHELESS A VERY CRITICAL STEP. FOR PASSAGE OF THIS BILL WILL ALLOW US TO PUT SOME OLD BUSINESS BEHIND US AND LET US GET ON WITH THE NEW.

FOR THREE AND ONE-HALF YEARS, THE BOARD OF TRADE HAS BEEN DEALING WITH THE SPECTER OF THE 1987 STOCK MARKET CRASH. IT HAS DOGGED THE STEPS OF OUR FORWARD PROGRESS AS MUCH AS IT HAS CAST A SHADOW OVER THE REAUTHORIZATION OF THE

COMMODITY FUTURES TRADING COMMISSION. THE BOARD OF TRADE'S RESPONSE TO THE CRASH WAS SWIFT AND STRONG. HOWEVER, THE RESULTANT EDUCATIONAL EFFORT WE UNDERTOOK TO EDUCATE LEGISLATORS ABOUT OUR MARKETS WAS INVOLVED AND PROTRACTED.

EACH TIME IT SEEMED LIKE OUR EFFORTS WERE FRUITFUL, OUR MARKETS CAME UNDER SCRUTINY AGAIN. THE SUMMER AFTER THE CRASH WE EXPERIENCED THE DROUGHT OF 1988... WHICH FOCUSED GREAT ATTENTION ON OUR AG MARKETS. IN OCTOBER 1989, ANOTHER STOCK MARKET CRASH. AND, AGAIN, WALL STREET POINTED THE FINGER AT CHICAGO... AT THE FUTURES MARKETS... AT THE VERY MARKETS WHICH HELPED *STABILIZE* THE UNDERLYING CASH MARKETS... THE MARKETS WHICH HELP MANAGE CASH MARKET RISK.

WITH EACH OF THESE EVENTS, WE TOOK HEAT... AND WITH EACH OF THESE EVENTS, WE STOOD UP AND TOLD THE WORLD OUR STORY. BECAUSE WE HAD A GOOD STORY TO TELL. OUR MARKETS *PERFORMED*. OUR MARKETS *WORKED*. OUR MARKETS ARE THE *BEST* MARKETS IN THE WORLD.

SINCE THE 1987 CRASH, WE'VE GONE TO WASHINGTON, D.C. NEARLY 100 TIMES. TO TELL OUR STORY TO CONGRESS. TO TESTIFY BEFORE CONGRESS. SO CONGRESS WOULD PASS LEGISLATION TO HELP US *BETTER* OUR MARKETS. LEGISLATION TO REAUTHORIZE OUR REGULATOR, THE CFTC. LEGISLATION THAT WILL ALLOW US TO COMPETE FAIRLY – AND ON A LEVEL PLAYING FIELD – BOTH IN THE U.S. AND IN THE GROWING GLOBAL ARENA.

WE HAVE WORKED WITH OUR LEGISLATORS TOWARD PASSAGE OF A FAIR BILL AND HAVE SPOKEN UP TO DEFEND OUR MARKETS. BECAUSE AT THE CHICAGO BOARD OF TRADE, WE ARE NOT AFRAID TO TAKE A STAND... NO MATTER WHAT THE ISSUE MAY BE. IN RECENT YEARS, WE MAY HAVE TAKEN OUR LUMPS, BUT WE HAVE ALWAYS STOOD BY WHAT WE BELIEVE TO BE RIGHT.

*Prosper's
Reference*

*Michael
Boskin
spoke
to
CBOT*

FOR THE PAST TWO YEARS, THE FOCUS OF PUBLIC ATTENTION WAS THE FEDERAL INVESTIGATION OF OUR PITS AND RESULTING TRIALS. IN THE MIDDLE OF THAT WE HAD THE EMERGENCY ACTION IN OUR EXPIRING SOYBEAN FUTURES. ALL THIS IN ADDITION TO THE FALLOUT FROM TWO STOCK MARKET CRASHES. BUT, TO PARAPHRASE VOLTAIRE, INDIVIDUAL MISFORTUNES CONTRIBUTE TO THE GENERAL GOOD. I THINK THE BOARD OF TRADE AND THE FUTURES INDUSTRY MAY WELL PROVE THE TRUTH OF THIS. IN FACT, IN A RECENT SPEECH AT THE BOARD OF TRADE, MICHAEL BOSKIN -- CHAIRMAN OF THE WHITE HOUSE COUNCIL OF ECONOMIC ADVISERS -- PRAISED FUTURES MARKETS IN THE U.S. AS A GREAT NATIONAL ASSET. HE WENT ON TO SAY THAT THEY PROVIDE THE ECONOMY WITH A GREAT DEAL OF FLEXIBILITY TO ABSORB VARIOUS TYPES OF SHOCKS MORE EFFECTIVELY AND WITH LESS DISRUPTION. CERTAINLY THE ECONOMY AT LARGE IS BETTER OFF FOR THE WIDE RANGE OF FINANCIAL FUTURES INSTRUMENTS WE OFFER. AND THE INDUSTRY WILL BE THE BETTER FOR OUR TRIBULATIONS.

WE TAKE OUR POSITION AS WORLD LEADER VERY SERIOUSLY. THAT IS WHY WE SO CLOSELY GUARD WHAT WE HAVE... LEST IT BE TAKEN AWAY BY WELL-MEANING BUT ONEROUS LEGISLATION. WE FACE ENOUGH OF A COMPETITIVE THREAT AS IT IS FROM THE GROWING FOREIGN FUTURES MARKET. JUST IN THE LAST FIVE YEARS THE BOARD OF TRADE HAS SEEN ITS WORLD MARKET SHARE SLIP FROM 39 TO 27.5 PERCENT. AN 11 AND ONE-HALF PERCENT LOSS... DESPITE BEING THE WORLD'S LEADING EXCHANGE... DESPITE INTRODUCING AN IMPRESSIVE ARRAY OF NEW TRADING VEHICLES... DESPITE AN 84 PERCENT INCREASE IN VOLUME THROUGHOUT THE SAME FIVE-YEAR PERIOD.

SO HOW DOES AN EXCHANGE DEFEND ITS POSITION? HOW DOES THE BOARD OF TRADE MAINTAIN ITS LEADING EDGE? THROUGH INNOVATION... AND BY ALWAYS RESPONDING TO THE NEEDS OF THE MARKETPLACE.

SOME CRITICS SAY THAT NEW CONTRACTS DON'T WORK. THAT THE SUCCESS YOU CAN HOPE FOR IS MARGINAL AT BEST. THEY

OBVIOUSLY WEREN'T LOOKING AT THE CHICAGO BOARD OF TRADE. BETWEEN 1985 AND 1990, THE BOARD OF TRADE INTRODUCED 27 NEW FUTURES AND OPTIONS CONTRACTS. THIRTEEN, OR NEARLY HALF, OF THOSE CONTRACTS HAVE SUCCEEDED, WHICH CERTAINLY BEATS THE U.S. FUTURES INDUSTRY SUCCESS RATE OF 41 PERCENT. NOT EVERY ONE OF THOSE IS A T-BOND CONTRACT, WITH AN OPEN INTEREST OF 250,000. BUT EACH OF THESE SUCCESSES HAS AN OPEN INTEREST OF AT LEAST 5,000 CONTRACTS.

OTHER CRITICS SAY THAT THERE SIMPLY ARE NO NEW PRODUCTS... THAT THE FUTURES INDUSTRY REACHED THE PINNACLE OF INNOVATION IN THE '70s AND '80s WITH ITS DEVELOPMENT, REFINEMENT AND SUCCESSFUL IMPLEMENTATION OF ENERGY FUTURES, OF FINANCIAL FUTURES, OF OPTIONS ON FUTURES.

IS EVERYTHING ELSE, THEN, A COPY OR REWORKING OF AN OLD FORMULA? I DON'T THINK SO. LOOKING AHEAD IN 1991, I SEE THE BOARD OF TRADE LEADING THE INDUSTRY IN CHARTING A NUMBER OF NEW, EXCITING COURSES. TWO MONTHS FROM NOW, THE BOARD OF TRADE WILL BEGIN TRADING FUTURES ON THREE-YEAR AND FIVE-YEAR SWAPS... AND OPTIONS ON THOSE FUTURES. THE SWAPS MARKET IS A \$1 TRILLION SEA OF OPPORTUNITY. BACK IN 1980 IT WAS JUST A PUDDLE. HOWEVER, OVER THE LAST 11 YEARS, THE MARKET HAS GROWN... AND, ONCE AGAIN, THE BOARD OF TRADE IS RESPONDING TO THE NEEDS OF THE CHANGING MARKET. BY INTRODUCING AN EXCHANGE-TRADED TOOL TO MANAGE THE ENORMOUS RISK THAT SWAPS PLAYERS FACE IN THE OFF-EXCHANGE MARKET.

THAT'S NOT ALL THE BOARD OF TRADE HAS PLANNED FOR 1991. OCTOBER WILL SEE THE LAUNCH OF THE MOST INNOVATIVE NEW PRODUCT AREA SINCE WE DEVELOPED INTEREST-RATE FUTURES. I'M SPEAKING, OF COURSE, ABOUT INSURANCE FUTURES AND OPTIONS. ON OCTOBER 1 WE PLAN TO BEGIN TRADING A FUTURES AND AN OPTIONS CONTRACT ON HEALTH INSURANCE. LIKE SWAPS PLAYERS, THE MEDICAL CARE INDUSTRY CRIES OUT FOR A WORKABLE, EXCHANGE-TRADED TOOL WITH WHICH TO MANAGE

5

RISK. I AM CONFIDENT THAT HEALTH INSURANCE FUTURES WILL HELP THAT INDUSTRY HEDGE THE \$200 BILLION FINANCIAL RISK IT CARRIES.

HEALTH INSURANCE WILL BE THE FIRST PRODUCT OF WHAT WILL ACTUALLY BECOME AN ENTIRE NEW RISK-MANAGEMENT COMPLEX. AUTOMOBILE, HOMEOWNERS AND MARINE INSURANCE CONTRACTS ARE ALL BEING DEVELOPED BY THE BOARD OF TRADE.

Clean Air related
AND, I KNOW THAT MANY OF YOU ARE AWARE THAT THE EXCHANGE IS JUST BEGINNING TO EXPLORE THE POSSIBILITY OF A FUTURES CONTRACT BASED ON THE TRADABLE EMISSION RIGHTS BEING DEVELOPED AS PART OF THE CLEAN AIR ACT OF 1990.

Joke?
WHILE THE BOARD OF TRADE HAS BECOME RENOWN AS THE WORLD'S MOST INNOVATIVE FINANCIAL EXCHANGE, OUR ROOTS REMAIN IN THE AGRICULTURAL MARKETS. TO COMPLEMENT OUR AG MARKETS, WE WILL INTRODUCE THIS YEAR THE WORLD'S FIRST FUTURES CONTRACT ON FERTILIZER. THE U.S. IS THE WORLD'S LARGEST PRODUCER OF DIAMMONIUM PHOSPHATE. NINETY PERCENT OF THE CORN PLANTED IN THIS COUNTRY RECEIVES PHOSPHATE NUTRIENTS. WITH AGRICULTURAL PRICE EXPOSURE AND COST ESCALATION BEING WHAT IT IS, I THINK THE TIME HAS COME FOR FERTILIZER FUTURES. A CONTRACT ON ANHYDROUS AMMONIA - ANOTHER FERTILIZER COMPONENT - IS ALSO UNDER DEVELOPMENT.

THE DEVELOPMENT OF THESE NEW FERTILIZER FUTURES UNDERSCORES THE BOARD OF TRADE'S DEEP COMMITMENT TO THE AGRICULTURAL MARKETS. APACE WITH THAT COMMITMENT IS THE SENSE OF OBLIGATION I FEEL TO ENSURE THAT BOARD OF TRADE AG MARKETS TRULY REFLECT THE UNDERLYING CASH GRAIN MARKETS.

TWO WEEKS AGO, I SPOKE TO THE MINNEAPOLIS GRAIN SHIPPERS ASSOCIATION. I BROACHED A SENSITIVE SUBJECT WITH THEM. I ADVOCATED CHANGING THE DELIVERY REQUIREMENTS FOR THE

BOARD OF TRADE'S WHEAT, CORN AND SOYBEAN FUTURES TO STIPULATE CERTIFIED U.S. GRAIN ONLY.

ALTHOUGH ONLY ONE QUESTION WAS RAISED AT THAT MEETING, QUESTIONS AND DEBATE THE NEXT DAY GREW TO A LEVEL THAT CONFIRMED THE GREAT IMPORTANCE OF THIS MATTER. BUT NO PARTY HAS MORE AT STAKE THAN THE BOARD OF TRADE -- THE VERY INTEGRITY OF OUR WHEAT, CORN AND SOYBEAN CONTRACTS.

INFORMAL DISCUSSION OF THIS ISSUE IN THE CASH GRAIN AND FUTURES INDUSTRIES DATES TO THE SUMMER OF 1990. DISCUSSION AND DELIBERATION BY OUR AGRICULTURAL EXECUTIVE COMMITTEE BEGAN IN OCTOBER. THIS TIME FRAME CORRESPONDS TO THE FORMULATION AND PASSAGE BY CONGRESS OF THE 1990 FARM BILL.

THE LAW HAS LONG PROHIBITED THE SHIPMENT OF FOREIGN-GROWN GRAIN UNDER GOVERNMENT-SUBSIDIZED OR FINANCED EXPORT SALES. THE 1990 FARM BILL, HOWEVER, REQUIRES THE DEPARTMENT OF AGRICULTURE TO ENFORCE THESE PROVISIONS STRINGENTLY. EXPORTERS SHIPPING NON-U.S. GRAIN FACE STIFF NEW CRIMINAL PENALTIES. THEY AND THEIR SUPPLIERS MUST BE ABLE TO DOCUMENT THAT ANY GRAIN THAT WILL BE -- OR EVEN MAY BE -- SHIPPED UNDER GOVERNMENT SUBSIDIES OR LOANS IS U.S.-GROWN.

STANDING IN DIRECT CONTRADICTION TO THE FARM BILL IS THE FREE TRADE AGREEMENT WITH CANADA, WHICH HAS BEEN IN EFFECT SINCE JANUARY 1, 1989. THE FREE TRADE AGREEMENT, AS WELL AS OTHER BILATERAL AGREEMENTS AND ARRANGEMENTS, OPENS THE U.S. BORDER TO INFLOWS OF FOREIGN-GROWN GRAIN. IT REPRESENTS A DESIRABLE GROWTH OF CROSS-BORDER GRAIN TRADE AND PROMISES MUTUAL EXPANSION OF MARKETS FOR U.S. AND CANADIAN FARMERS. THE CBOT AND I PERSONALLY HAVE ALWAYS SUPPORTED AND PROMOTED FREE TRADE. BUT, LAUDABLE AS THE FREE TRADE AGREEMENT MAY BE, THE RESULTING GROWTH OF CANADIAN STOCKS IN CIRCULATION IN THE U.S. GRAIN TRADE

PLACES EXPORTING COMPANIES IN CONSIDERABLE DANGER OF VIOLATING THE LAW.

CONSIDERING THE SEVERE CONSEQUENCES, THESE COMPANIES FOUND IT NECESSARY TO REQUIRE THEIR SUPPLIERS TO CONTRACTUALLY GUARANTEE THAT GRAIN SHIPPED TO THEM BE OF U.S. ORIGIN. MANY MILLERS AND PROCESSORS WHOSE PRODUCTS MIGHT EVENTUALLY FIND THEIR WAY TO AN EXPORT POINT, HAVE ADOPTED THE SAME STANDARD FOR THEIR OWN PROTECTION. WITH THE WORDS "U.S. GRAIN ONLY" CONTAINED IN NEARLY EVERY CONTRACT, A U.S. ORIGIN GUARANTEE HAS BECOME, IN FACT, THE TRADING STANDARD IN THE MAJOR CASH MARKETS IN CORN, SOYBEANS AND WHEAT.

THE ROLE OF FEDERAL SUBSIDIES AND CREDIT PROGRAMS HAS GROWN SO THAT, FAILING A SUCCESSFUL CONCLUSION OF GATT NEGOTIATIONS TO REDUCE THE USE OF SUCH MEASURES IN INTERNATIONAL TRADE, AN INCREASING PERCENTAGE OF TOTAL EXPORTS OF CORN AND SOYBEANS WILL BE COVERED BY THE U.S. ORIGIN CLAUSE.

THE TRANSPORTATION NETWORK IN THE INTERIOR OF THE U.S., WHICH ACCESSES THE DELIVERY MARKETS IN CHICAGO AND TOLEDO IS ORIENTED TO EXPORT MARKETS. AS A RESULT OF THE RATE STRUCTURES AND VOLUME EFFICIENCIES INHERENT IN THIS NETWORK, MOST GRAIN SHIPMENTS THAT LEAVE CHICAGO OR TOLEDO ARE BOUND FOR EXPORT LOCATIONS, AND THEREFORE ARE ON THE SAME CONTRACTUAL TERMS AS OTHER EXPORT SHIPMENTS. EVEN DOMESTIC-BOUND SHIPMENTS IN TRAINS OFTEN TRADE WITH THE U.S. ORIGIN REQUIREMENT.

AS A CONSEQUENCE OF THESE CONDITIONS, THE U.S.-ORIGIN ISSUE IMPACTS DIRECTLY ON THE PERFORMANCE OF THE CBOT'S CORN, WHEAT AND SOYBEAN CONTRACTS. WHEN THE DELIVERY MARKET WAREHOUSEMAN MAKES DELIVERY AGAINST A SALE OF FUTURES CONTRACTS, THE QUALITIES AND SPECIFICATIONS OF THAT GRAIN SHOULD PARALLEL THOSE OF THE OUTLYING CASH MARKETS. TO ALLOW THE WAREHOUSEMAN TO DELIVER A COMMODITY FOR WHICH

THE TAKER HAS A LIMITED MARKET, OR NO MARKET (OTHER THAN RE-DELIVERY TO THE TENDERING WAREHOUSE), WOULD UPSET THE BALANCE NECESSARY FOR BOTH LONG HEDGERS AND SHORT HEDGERS TO CONTINUE TO USE THE MARKET. THIS CONCERN IS NOT JUST A MATTER OF HYPOTHETICAL CONJECTURE. THERE HAVE BEEN INSTANCES OF CBOT DELIVERY GRAIN BEING REFUSED AT THE GULF.

THESE CONDITIONS ARE ATTRIBUTABLE TO ACTS OF CONGRESS WHICH SIMULTANEOUSLY MADE FOREIGN GRAIN IN EXPORT CHANNELS LESS MERCHANDISABLE AND RESULTED IN THE LIKELIHOOD OF GREATER QUANTITIES OF FOREIGN GRAIN BEING PRESENT IN AVAILABLE SUPPLIES. TO MAINTAIN THE EFFICIENCY OF THE GRAINS TRANSPORT AND TRADING CHANNELS IN THE U.S., THE STANDARDS WHICH EXPORTERS MUST MEET ARE NOW THE STANDARDS FOR ALL.

IN HOPES OF MAINTAINING THE STATUS QUO IN CBOT CONTRACT DELIVERY REQUIREMENTS, WE SOUGHT FLEXIBILITY FROM THE CASH GRAIN INDUSTRY IN THE WRITING OF CASH GRAIN CONTRACTS. WE TURNED TO THE U.S. DEPARTMENT OF AGRICULTURE, REQUESTING REGULATION CHANGES OR REINTERPRETATIONS TO HELP RESOLVE THE SITUATION. THEY TOLD US THAT THE PROPER SOURCE OF RELIEF WAS CONGRESS. CONGRESSIONAL STAFFERS, IN TURN, CLAIMED THEY COULD SEE NO POLITICALLY PALATABLE SOLUTION.

WE THEN SOUGHT SOLUTIONS ON THE MIDDLE GROUND. IT WAS SUGGESTED THAT DELIVERY GRAIN'S ORIGIN BE IDENTIFIED ON RECEIPT. THE BUYER'S CHANCE OF RECEIVING FOREIGN GRAIN WOULD BE IN DIRECT PROPORTION TO THE PERCENTAGE OF FOREIGN GRAIN IN DELIVERY WAREHOUSES. THE WEAKNESS OF THIS PROPOSAL IS THAT EVENTUALLY, ONLY FOREIGN GRAIN WOULD REMAIN IN DELIVERY WAREHOUSES. ANOTHER COMPROMISE WHICH HELD MORE PROMISE WAS TO PROVIDE U.S. GRAIN FOR DELIVERY UPON REQUEST BY THE BUYER. TO PREVENT THE POSSIBILITY OF A SQUEEZE OR CORNER RELATED TO THE DELIVERY GRAIN'S ORIGIN, THE EXCHANGE WOULD REQUIRE PROOF OF A BONA FIDE NEED FOR

**U.S.-GRAIN-ONLY DELIVERY UNAVAILABLE FROM OTHER SOURCES
AT THE SAME OR LOWER PRICE.**

THE EXCHANGE'S TRADITIONAL ADHERENCE IN ITS CONTRACTS TO THE STANDARD PRACTICES OF THE CASH GRAIN TRADE IS THE FOUNDATION OF THEIR INTEGRITY. THE INTEGRITY OF THE DELIVERY PROCESS, IN TURN, IS THE GLUE WHICH HOLDS THE FUTURES MARKETS TOGETHER. BOTH SIDES OF THE HEDGING PROCESS DESERVE EQUAL CONSIDERATION AND PROTECTION.

GIVEN OUR RESPONSIBILITIES TO THE GRAIN TRADE AND TO THE INTEGRITY OF OUR MARKETS, IT BECAME APPARENT THAT WE COULD NO LONGER AWAIT ACTION BY OTHERS IN RESOLVING THIS PROBLEM. CONCERNED WITH MAINTAINING THE VIABILITY OF THE CONTRACTS, I VOICED SUPPORT FOR THE IDEA THAT ALL GRAIN DELIVERED ON OUR CONTRACTS BE U.S.-GROWN.

THROUGHOUT THE CBOT'S HISTORY, THE EXCHANGE HAS LED THE WAY IN IDENTIFYING AND RESOLVING SUCH ISSUES. BY PLACING THE MATTER BEFORE OUR BOARD OF DIRECTORS, WE HAVE ALSO PLACED IT BEFORE THE COURT OF PUBLIC AND INDUSTRY OPINION. IT HAS BEEN A PRIMARY TOPIC FROM THE LARGEST EXPORT GRAIN COMPANIES TO THE CANADIAN MINISTRY OF AGRICULTURE TO THE USDA AND CONGRESS. WE ARE WORKING NOW WITH ALL INTERESTED PARTIES TO ACHIEVE A SOLUTION WHICH I BELIEVE WILL PRESERVE THE SPIRIT OF FREE TRADE AND PROTECT THE VALUE OF THE LONG HEDGE IN OUR MARKETS.

AS WE SEEK TO FIND EQUITABLE SOLUTIONS TO PROBLEMS SUCH AS THESE, WE ARE NOT LOSING SIGHT OF WHAT IS GOING ON ALL AROUND US. THE WORLD IS CHANGING... AND THE NEEDS OF MARKET PARTICIPANTS ARE CHANGING. AND, AS THOSE NEEDS CHANGE, SO MUST WE, THE EXCHANGES. THAT IS WHY WE ARE CONSTANTLY LOOKING INTO NEW PRODUCT LINES. AND THAT IS WHY WE ARE CONSTANTLY SEARCHING FOR BETTER WAYS TO RUN OUR BUSINESS. FOR WE HAVE A LOT TO LOSE IF WE DO NOT REMAIN COMPETITIVE.

Reference
to CME, Ex.

10

ONE OF OUR NEW APPROACHES IS TO WORK MORE CLOSELY WITH THE EXCHANGE THAT HAS ALWAYS BEEN TABBED OUR FIERCEST COMPETITOR, THE CHICAGO MERCANTILE EXCHANGE. WE ARE LOOKING INTO COMBINING CERTAIN BOARD OF TRADE AND CME FUNCTIONS... FUNCTIONS SUCH AS OPERATIONS, FOREIGN MARKETING AND CLEARING.

REGARDING CLEARING, THE BOARD OF TRADE AND THE CME CURRENTLY EACH HAVE THEIR OWN CLEARING OPERATIONS. AS SUCH, MANY OF OUR MEMBER FIRMS MUST MAINTAIN CLEARING STAFFS AT EACH EXCHANGE. IN THESE DAYS OF RISING COSTS AND INCREASING COMPETITION, I LOOK AT THIS AND KNOW THAT THERE HAS TO BE A BETTER WAY... A MORE EFFICIENT WAY.

IT'S SENSELESS FOR FCMs THAT BELONG TO BOTH EXCHANGES TO HAVE TO TAKE A DOUBLE HIT ON CLEARING. NOT WHEN THERE IS A BETTER WAY. AND THERE IS A BETTER WAY. A WAY BY WHICH WE WILL BOTH SAVE MONEY... AND IMPROVE OUR COMPETITIVE EDGE.

OBVIOUSLY, WE WANT TO SAVE MONEY... AND WE WILL. MEMBER FIRMS WILL BE ABLE TO REDUCE THE STAFF AND FACILITIES NEEDED TO SUPPORT TWO SEPARATE CLEARING OPERATIONS... AND, ON A GRANDER SCALE, SO WILL EACH EXCHANGE... WHICH AGAIN WILL RESULT IN SAVINGS PASSED ON TO MEMBER FIRMS. AS THEY'VE FOUND OUT IN THE AUTOMOBILE INDUSTRY, IF YOU BURN CLEANER FUEL, YOU'RE BOUND TO GET BETTER MILEAGE.

THE "MILEAGE" WE GAIN THROUGH UNIFIED CLEARING WON'T ONLY BE MEASURED IN TERMS OF DOLLARS, HOWEVER. UNIFIED CLEARING WILL HELP US MAINTAIN OUR COMPETITIVE EDGE. UNIFIED CLEARING WILL HELP KEEP CHICAGO POSITIONED AS THE WORLD CENTER FOR FUTURES TRADING... BOTH DOMESTICALLY AND INTERNATIONALLY. IN THESE DAYS OF DECLINING MARKET SHARE, WE CANNOT AFFORD NOT TO TAKE A SERIOUS LOOK AT ANYTHING THAT WILL HELP KEEP US A STEP AHEAD OF THE PACK.

BUT UNIFIED CLEARING IS NOT JUST SOMETHING WE ARE *LOOKING* AT... IT IS SOMETHING WE ARE *MOVING* ON. FOR UNIFIED CLEARING

11

IS WHERE WE SHOULD BE AT. JUST AS WITH OUR GLOBEX JOINT VENTURE, WE WILL BE 50-50 PARTNERS WITH THE CME WHEN IT COMES TO UNIFIED CLEARING. FIFTY PERCENT EACH. WITH 100 PERCENT BENEFIT FOR OUR MEMBERSHIPS.

AS THE MARKETS CONTINUE TO EXPAND ON A GLOBAL SCALE, WE WILL CONTINUE TO INVESTIGATE NEW WAYS TO INNOVATE... NEW WAYS TO UNIFY... NEW WAYS TO REMAIN ON TOP. AND IF WE ARE SUCCESSFUL, WE WILL CREATE A BETTER MARKETPLACE FOR OUR MEMBERS... A BETTER COMPETITIVE POSITION FOR OUR EXCHANGE... AND, MOST IMPORTANTLY, WE WILL CREATE MORE EFFICIENT, MORE EFFECTIVE, AND MORE LIQUID MARKETS FOR INVESTORS THE WORLD OVER.

THANK YOU.

TRANSMISSION 1 OF 2

News

FROM THE

 Chicago Board of Trade
COMMUNICATIONS DEPARTMENT

OUR FAX NO: (312) 341-3306



PLEASE DELIVER IMMEDIATELY

DATE: December 6, 1991 TIME: _____

TO: Michelle Nix

FROM: David P. Prospero

PAGES: 12 (INCLUDING COVER PAGE)

CONTACT Florence AT (312) 435- 3629

REGARDING ANY DIFFICULTY WITH THIS TRANSMISSION.

COMMENTS:

News

FOR IMMEDIATE RELEASE

December 2, 1991

Laura T. LaBarbera

(312) 435-3649

from the  **Chicago Board of Trade**

**CBOT NOVEMBER VOLUME TOPS 12.2 MILLION CONTRACTS;
FIVE-YEAR TREASURY NOTE FUTURES SETS DAILY VOLUME RECORD**

CHICAGO, Dec. 2 -- Chicago Board of Trade (CBOT), the world's oldest and largest futures exchange, volume highlights for November 1991:

- Total exchange volume at 129,460,610 contracts year-to-date (YTD)
- Average daily volume at 614,616 for November
- Evening session volume up 10% from November 1990 at 351,355
- Total exchange month end open interest up 1.9% from November 1990 at 1,846,257

Financial Complex

- Ten-Year Treasury note futures up 15.8% from October 1991 and up 15.0% from November 1990 at 661,270; up 2.5% YTD at 5,750,001
- Ten-Year Treasury note options up 72.5% from November 1990 at 101,398
- Five-Year Treasury note futures up 44.1% from October 1991, and up 37.4% from November 1990 at 419,946; up 32.7% YTD at 3,033,075; record 55,632 contracts traded November 26, 1991, breaking a daily volume high set on February 28, 1990, when 36,470 contracts traded
- Five-Year Treasury note options up 52.0% from October 1991 and up 74.1% from November 1990 at 20,555; up 29.5% YTD at 104,702
- Two-Year Treasury note futures up 31.0% from October 1991 and up 27.8% from November 1990 at 27,520; up 154.3% YTD at 248,422
- 30-Day Interest Rate futures up 42.9% YTD at 101,864
- Municipal Bond Index futures up 25.0% from October 1991 and up 16.7% from November 1990 at 52,053
- Total financial month end open interest up 5.2% from November 1990 at 1,039,264

Agricultural Complex

- Agricultural options volume up 0.5% YTD at 4,816,213
- Wheat futures up 17.3% from November 1990 at 271,927, and up 5.3% YTD at 2,884,343
- Wheat options up 55.0% from November 1990 at 62,869, and up 27.9% YTD at 589,167
- Corn futures up 2.7% from October 1991 at 907,729
- Corn options up 7.0% from November 1990 at 153,625
- Oats futures up 70.2% from October 1991 at 34,558
- Oats options up 31.9% from October 1991 at 211
- Soybean options up 5.2% YTD at 2,081,552
- Soybean oil options up 13.5% from October 1991 at 7,387
- Diammonium phosphate futures up 33.9% from October 1991 at 4,701
- Agricultural complex month end open interest at 796,104

- more -



Chicago Board of Trade

William F. O'Connor
Chairman
Chicago Board of Trade

BIOGRAPHY

William F. O'Connor, chairman, O'Connor & Company, was elected to serve a two-year term as chairman of the Chicago Board of Trade (CBOT) in December 1990. He is also chairman of the MidAmerica Commodity Exchange, an affiliate of the CBOT. O'Connor previously served a partial term as vice chairman and then as chairman of the CBOT in 1990. He has been a member of the CBOT since 1955.

O'Connor currently serves as chairman of the Common Goals; Common Goals Steering; Executive; and Expanded Hours committees. He also serves as chairman of the Technology Subcommittee on Globex Implementation and the Worldwide Information Transmission System Subcommittee.

He previously served as chairman of the Executive and Common Goals committees, the Technology Subcommittee on Globex Implementation, the Executive Committee on Competitive Stance and the Special Committee on Expanded Trading Hours. He has also served as vice chairman of the Executive Committee and the Executive Committee on Competitive Stance, and as chairman of the Finance Committee and the Ad Hoc Committee to Evaluate Real Estate Resources.

In addition, O'Connor served as chairman of the Board of Governors of the Board of Trade Clearing Corp. (BOTCC) in 1984-1985, and was a member of the BOTCC Board of Governors from 1983 to 1989. O'Connor also was a member of the CBOT Nominating Committee in 1984 and 1985. He also served on the Ad Hoc committees on the Study of Trading Efficiency; Regulatory Policy; and to Address CBOT/LIFFE Linkage. Additionally, he was a member of the Committee for Market Efficiency.

After becoming a CBOT member, O'Connor founded O'Connor and Company in 1959 where he remains a partner. He was a principal at First Options of Chicago, Inc., when it was formed in 1973. He later became a principal at O'Connor and Associates with its formation in 1977.

April 1991



Thomas R. Donovan
President and Chief Executive Officer
Chicago Board of Trade

BIOGRAPHY

→ Thomas R. Donovan was appointed president and chief executive officer of the Chicago Board of Trade (CBOT) on August 17, 1982. The CBOT is the world's oldest and largest commodity futures exchange. Donovan is also president and chief executive officer of the MidAmerica Commodity Exchange (MidAm) an affiliate of the CBOT.

Donovan serves on the Board of Directors of the CBOT and MidAm, and is a member of the Executive Committee on Competitive Stance; CBOT, MidAm and CRCE Executive committees; and Special Office of Investigation and Audits Oversight Committee.

Prior to assuming the presidency, Donovan served as executive vice president and secretary of the exchange. Before joining the Chicago Board of Trade as secretary in May 1979, Donovan was prominent in city government and served as administrative assistant to two Chicago mayors. Starting in 1971, he served as administrative assistant to the late Mayor Richard J. Daley and continued in that post through the administration of Mayor Michael A. Bilandic. He holds a bachelor's degree in business and economics and a master's degree in public administration from the Illinois Institute of Technology in Chicago.

Donovan is a member of the boards of directors of the National Futures Association; the Chicago Association of Commerce and Industry; the Chicago Central Area Committee; the Commercial Club of Chicago; and the Illinois Leadership Council for Agricultural Education. In addition, he serves on the Chicago Association of Commerce and Industry Executive Committee and is a member of the Council on the Graduate School of Business of the University of Chicago. He is also chairman of the Agribusiness Advisory Committee of the Chicago High School for Agricultural Sciences.

August 1991

*From Annual Report***FUTURES AND FUTURES-OPTIONS TRADING VOLUME**

	1990	1989
Agricultural Futures		
Wheat	2,276,270	3,237,709
Corn	11,423,027	9,270,784
Oats	433,567	349,836
Soybeans	10,301,905	9,634,802
Soybean Meal	4,904,471	4,486,865
Soybean Oil	4,658,302	4,300,797
Agricultural Options		
Wheat	462,941	484,952
Corn	2,116,302	1,519,164
Soybeans	2,089,382	1,975,440
Soybean Meal	181,429	112,474
Soybean Oil	138,089	101,158
Oats	7,334	—
Financial Futures		
U.S. Treasury Bonds	75,499,257	70,303,195
Ten-Year Treasury Notes	6,054,222	6,109,518
Five-Year Treasury Notes	2,532,828	1,781,880
Two-Year Treasury Notes	110,789	—
Municipal Bond Index	696,861	1,068,028
30-Day Interest Rate	81,300	68,223
Japanese Government Bonds	3,062	—
Mortgage Backed	16,848	24,815
Financial Options		
U.S. Treasury Bonds	27,315,411	20,784,019
Ten-Year Treasury Notes	936,754	1,168,196
Five-Year Treasury Notes	87,440	—
Municipal Bond Index	85,613	88,591
Japanese Government Bonds	475	—
Mortgage Backed total	19,231	13,564
Stock Index Futures		
Major Market Index	951,325	1,086,550
TOPIX	230	—
CBOE 250 Index	—	13,945
Metal Futures		
1000 oz. Silver	178,801	254,713
5000 oz. Silver	2,256	2,397
Kilo Gold	36,649	27,994
100 oz. Gold	7,814	73,362
Metal Options		
1000 oz. Silver	1,398	8,346
Total	154,231,583	138,351,317
Memberships of the Chicago Board of Trade (as of Dec. 31, 1990)		
Full members		1402
Associate members		748
Commodity Options membership interests		643
Index, Debt and Energy membership interests		635
Government Instruments membership interests		215
Total		3643

FUTURES AND FUTURES-OPTIONS TRADING VOLUME

160 Graph Key:

150 Options on Futures

140 Financial Instruments

130 Metal and Stock Indices

120 Agricultural Products

110 Total Volume

100 (Contracts in Millions)

90

80

70

60

50

40

30

20

10

0

1981

1982

1983

1984

1985

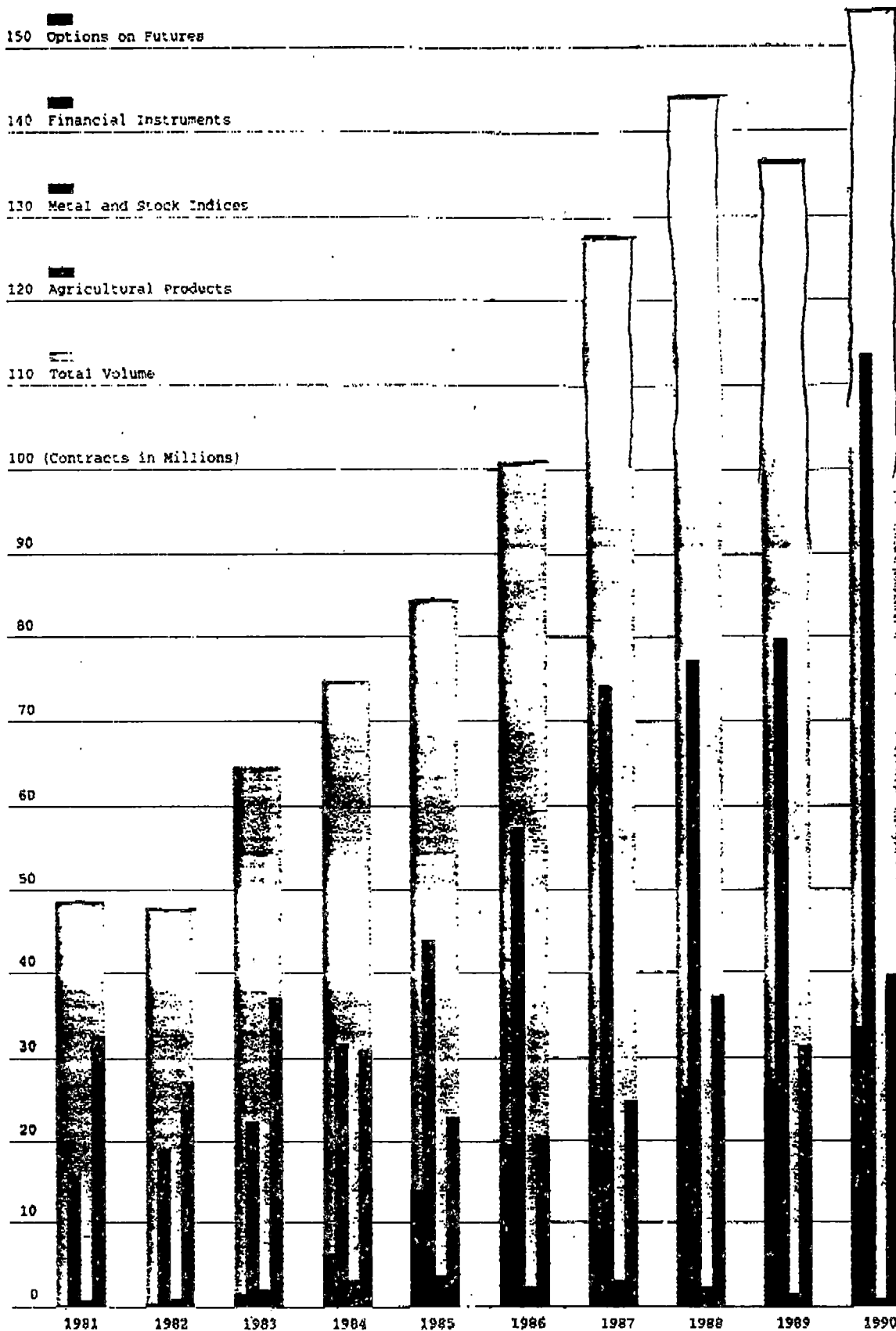
1986

1987

1988

1989

1990



FUTURES AND FUTURES-OPTIONS TRADING VOLUME

160 Graph Key:

150 Options on Futures

140 Financial Instruments

130 Metal and Stock Indices

120 Agricultural Products

110 Total Volume

100 (Contracts in Millions)

90

80

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50

40

30

20

10

0

1981

1982

1983

1984

1985

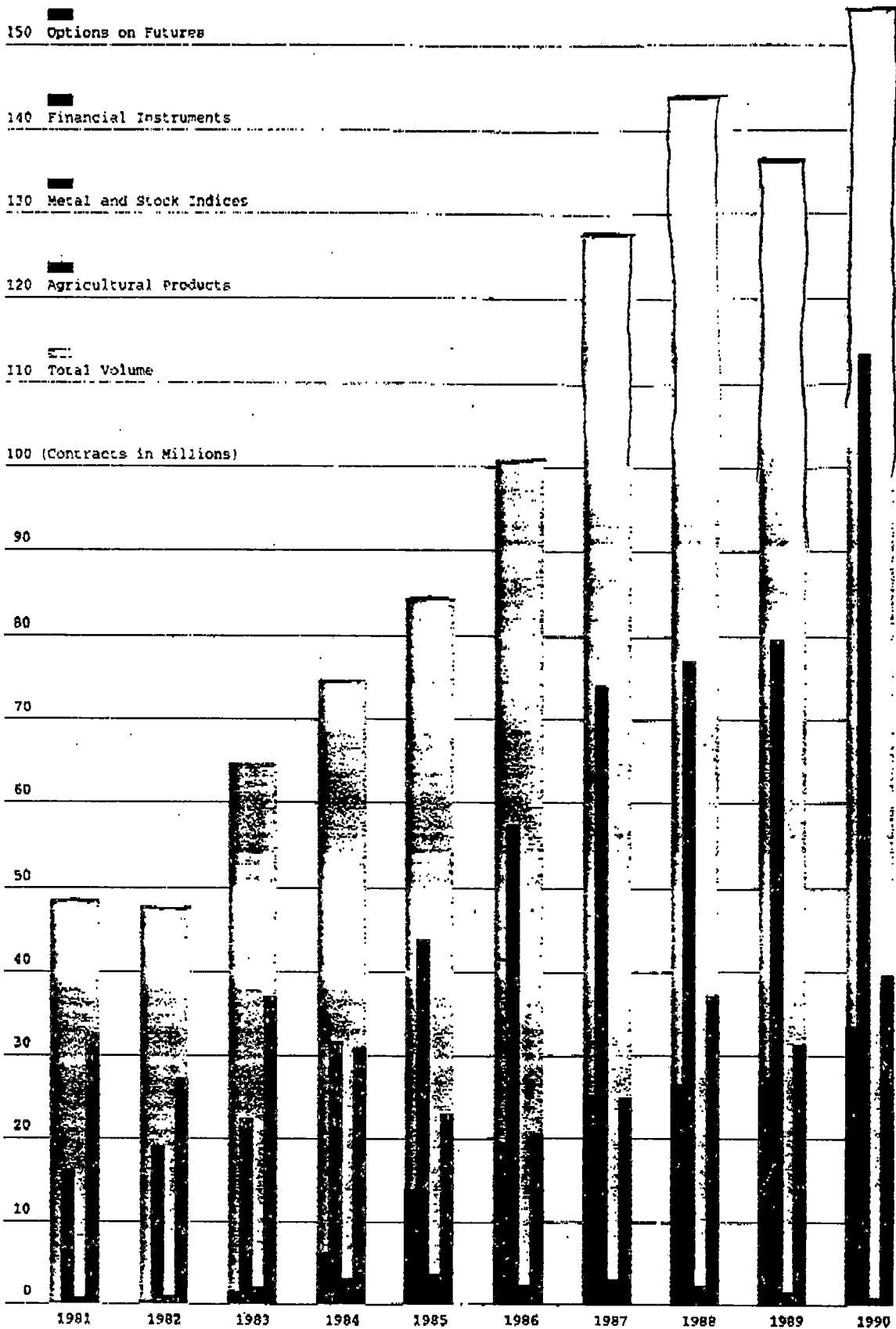
1986

1987

1988

1989

1990





CHICAGO MERCANTILE EXCHANGE®

Chicago Board of Trade**CONTACTS: ANDREW YEMMA, CHICAGO MERCANTILE EXCHANGE
(312) 930-3434****DAVID PROSPERI, CHICAGO BOARD OF TRADE
(312) 435-7174****CME, CBOT SIGN AGREEMENT TO DEVELOP
BUDAPEST COMMODITIES EXCHANGE****FOR IMMEDIATE RELEASE**

CHICAGO, September 4, 1991—The Chicago Mercantile Exchange (CME) and Chicago Board of Trade (CBOT) today announced jointly the signing of an agreement with the U.S. government to launch a three-phase project aimed at developing the Budapest (Hungary) Commodities Exchange (BCE) into a successful domestic and regional commodity market.

As outlined in a letter of agreement among the two Chicago exchanges and the U.S. State Department, a \$420,000 grant from the department's Trade and Development Program (TDP) will fund the project's first phase, which entails preparation of a feasibility study "to introduce the BCE to U.S. equipment, services and technology so that U.S. companies are well-positioned" to participate in the venture's later phases.

"Economic freedom and political freedom go hand in hand," said CME Chairman John F. Sandrier. He added, "The events that continue to unfold in the Soviet Union underscore this fundamental principle and the special significance of this project. This funding testifies to our commitment to assist these economies. We hope and expect that this project is the first of many as Chicago, the risk management capital of the world, exports its unique trading technology and expertise around the globe."

William F. O'Connor, chairman of the CBOT, said, "Budapest is well-positioned to develop important regional commodity and financial markets that can become the cornerstone of Hungary's free-market economy. We are pleased that the U.S. Trade and Development Program has agreed to help us fund this worthwhile project. By enabling us to expand our current efforts abroad, this grant will ultimately create new opportunities for CBOT members as well as the Hungarian citizenry."

The Chicago-Budapest initiative has its roots in an October 1990 visit by leaders of the two Chicago exchanges to the BCE. The Chicagoans embarked on the trip shortly after the two exchanges had formed a Common Goals committee in mid-September 1990. While in Hungary, Chicago and Budapest exchange officials signed a memorandum of understanding, whereby the Chicago exchanges would provide technical assistance to the

FOR IMMEDIATE RELEASE
July 17, 1991

News

Laura T. LaBarbera
(312) 435-3649

from the  Chicago Board of Trade

CBOT APPROVES CLEAN AIR ALLOWANCE FUTURES

CHICAGO, July 17 -- The Board of Directors of the Chicago Board of Trade (CBOT) has approved contract specifications for clean air allowance futures. The CBOT will submit the terms of the clean air allowance futures contract to the Commodity Futures Trading Commission for approval.

CBOT Chairman William F. O'Connor said, "This innovative new contract comes on the heels of the EPA's administration of a market for a sulphur dioxide emissions allowance program as provided under the 1990 Clean Air Act."

The underlying instruments for the contract are sulfur dioxide emission allowances being issued by the U.S. Environmental Protection Agency (EPA) under the 1990 amendments to the Clean Air Act. The allowances are an integral part of a market-based sulfur dioxide emissions reduction program calling for the reduction of 10 million tons of sulfur dioxide emissions by the year 2000.

If approved, the contract will be traded in units of 25 1-ton sulfur dioxide emission allowances. Minimum price fluctuations will be in multiples of one dollar per allowance.

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Fact Sheet

Under the 1990 amendments to the Clean Air Act (Act), a market-based sulfur dioxide emissions reduction program is to be implemented. The Act permits the appointment of a private entity by the U.S. Environmental Protection Agency to administer this market.

Overall sulfur dioxide emission levels will be fixed by the issuance of sulfur dioxide emission allowances for emission sources. Available allowances will be reduced over the life of the program effectively reducing overall sulfur dioxide emission levels. A \$2000 per sulfur dioxide ton penalty will be imposed on plants that exceed their held allowance.

To encourage an economically-efficient reduction of sulfur dioxide emissions, the Act requires the establishment of a market in allowances. Such a market permits sulfur dioxide emission sources that can achieve the least cost emission reduction to realize an economic gain through the disposal of excess allowances.

The Act requires the establishment of allowance auctions and a direct sale program plus support transaction services such as a pay collect system. In addition, an allowance tracking system is needed to provide information as to the effectiveness of the program.

The Chicago Board of Trade has certain objectives for this proposal:

- A. The establishment and administration of allowance transfer programs via an annual auction and a direct sale.
- B. The establishment and operation of active cash markets that ensure the ability of market participants to acquire and dispose of allowances.
- C. The establishment and operation of active futures markets that provide accurate pricing signals so that informed decisions can be made regarding emission control.
- D. The establishment of information systems that can provide data necessary to evaluate the allowance program at the least cost.

CHICAGO BOARD OF TRADE

AN AGRICULTURAL OVERVIEW

The Chicago Board of Trade (CBOT) was founded in 1848 to bring economic order to the local cash grain markets which were in much the same state of chaos as agriculture is in the former Soviet Union today. Farmers converged on Chicago at harvest to sell their grain. Farmers could not sell their grain at any price. Supply overwhelmed demand. In the spring and summer, supplies ran low. Grain prices became exorbitant. Under such conditions, merchants and farmers attempted to strike deals in advance of their needs. Parties to these contracts frequently reneged because a better price often could be found before the delivery date.

By founding the CBOT, the Chicago merchants established a central marketplace where trade conformed to binding rules and regulations. The CBOT worked in behalf of Chicago and agriculture influencing government to improve transportation in the interior of the U.S. where the agrarian society, which Thomas Jefferson envisioned when he negotiated the Louisiana Purchase, was taking shape. The CBOT established the foundation of the system of grain grading still in use.

From the early markets for immediate cash sales and contracts for future delivery evolved the futures markets. Futures contracts are legally binding agreements to make or take delivery of commodities. The contracts are standardized in their terms of quantity, quality and date and manner of delivery. The only variable to trade became price. With the establishment of the exchange's clearinghouse as guarantor of all contracts, the futures markets became a sensitive instrument to measure price as the balance between supply and demand. By buying and selling futures, market participants locked in prices for their anticipated needs at acceptable prices. The open outcry auction conducted in the trading pits assured that prices were "discovered" by competition and were thus the best price of the moment. Dissemination of the prices discovered provided a benchmark against which all prices could be evaluated. Prices were relevant elsewhere in the U.S. because most merchants used the futures to lock in the prices at which they conducted their cash business, a practice known as "hedging."

The CBOT's grain futures markets (and since 1984, options on futures) provide the same services today as they did at their conception during the Civil War--the best price discovery and price risk management at the lowest cost. CBOT prices are disseminated instantaneously around the world and printed every major newspaper. Trading volume in agricultural futures has grown with the production of American farmers. Futures are traded on that production every time it changes ownership, protecting each part of marketing chain. While only a small percentage of farmers trade directly in the CBOT's markets, but every bushel they sell to their local elevators has been hedged by the elevator operator using futures or options. The grain is hedged in turn by every other merchant whether the grain is headed for export or domestic use. Much of the grain produced elsewhere in the world is hedged at the CBOT as well.

For example, U.S. farmers grew 7.9 billion bushels of corn in 1990. That crop, and to a great extent corn grown in Canada, South Africa or Argentina, translated into futures representing 50.5 billion bushels being traded on the CBOT, many times actual production.

The CBOT has advanced in lock-step with American agriculture. As American farmers came to supply the world with food, so the CBOT became the world's grain futures market. Because of the success of the application of futures markets to financial instruments, also an innovation of Chicago, futures exchanges exist in most major international financial centers. Because the international grain trade has become so competitive and distorted by trade barriers and tariffs, other foreign exchanges see opportunities to compete with the CBOT in agricultural trade. Japan is establishing futures markets for agricultural commodities which will be demand-driven. France is starting a futures market for wheat within the closed confines of the European Community. The CBOT welcomes competition, confident it can provide the best price at the lowest cost provided the international regulatory playing field is level.

TRANSMISSION 3 OF 3

News

FROM THE

 Chicago Board of Trade
COMMUNICATIONS DEPARTMENT

OUR FAX NO: (312) 341-3306



PLEASE DELIVER IMMEDIATELY

DATE: 12-6 TIME: _____

TO: Michelle Nix

FROM: David P. Prospero

PAGES: 5 (INCLUDING COVER PAGE)

CONTACT Florence AT (312) 435- 3629

REGARDING ANY DIFFICULTY WITH THIS TRANSMISSION.

COMMENTS:

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- D. The establishment of information systems that can provide data necessary to evaluate the allowance program at the least cost.

TRANSMISSION 2 OF 2

News

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COMMUNICATIONS DEPARTMENT
OUR FAX NO: (312) 341-3306

 **PLEASE DELIVER IMMEDIATELY**

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TO: Michelle Nix

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PAGES: 13 (INCLUDING COVER PAGE)

CONTACT Florence AT (312) 435- 3629
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COMMENTS:

MEMBERSHIP PRICING

CLASS	LAST SALE
FULL	300,000 12/6
ASSOC	194,000 11/22
AM 1/2	135,000 5/22
COM	39,000 12/5
IDEM	6,800 12/4

Florence Marc Pratt Fax (603) 456-6218
435-7137

(312) 435-3500

Dave Prospero

Event

CEO William F O'Connor
Pres. Thomas Donovan

Marc Pratt

- Trade volumes
- Seat prices
- How has recession affected you guys
- Copies of recent speeches

Agricultural
Fina

- by CEO
- Bios of officers
- Local color
- Building
- Inside jokes

Volume
T Ag
30 Billion
a day

Committee

- Ag - full members
- T-bonds
- Ag ^{gr} financial & agricultures

Contact 5,000 ag bushels

Financ T-bonds \$100,000

1981 75% ag 191 75% fina
25% 28% ag

Ag has continued to grow

~~At~~ • T-bonds hunting
because not
as much risk
to hedge

• Geat gives shrink
375 - 400 ↓

300,000 past few
months

550,000 twice Aug 87

Aug 88

— Geat
current 300,000 as of Dec 6

~~1400~~ 1402 full member

Ⓢ