

March 16-18



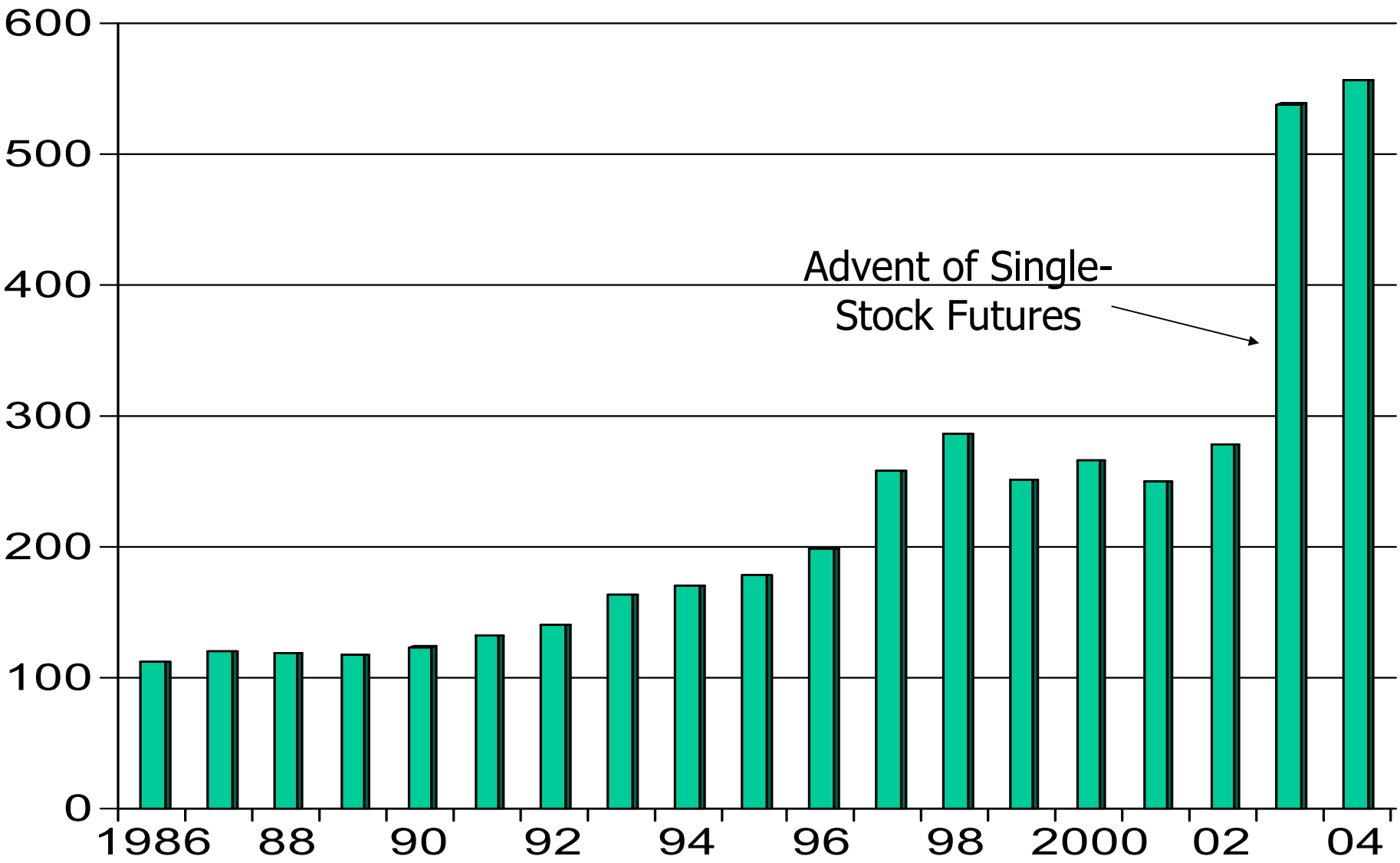
David Kass, Senior Economist
Division of Market Oversight
CFTC Website: www.cftc.gov

HISTORY

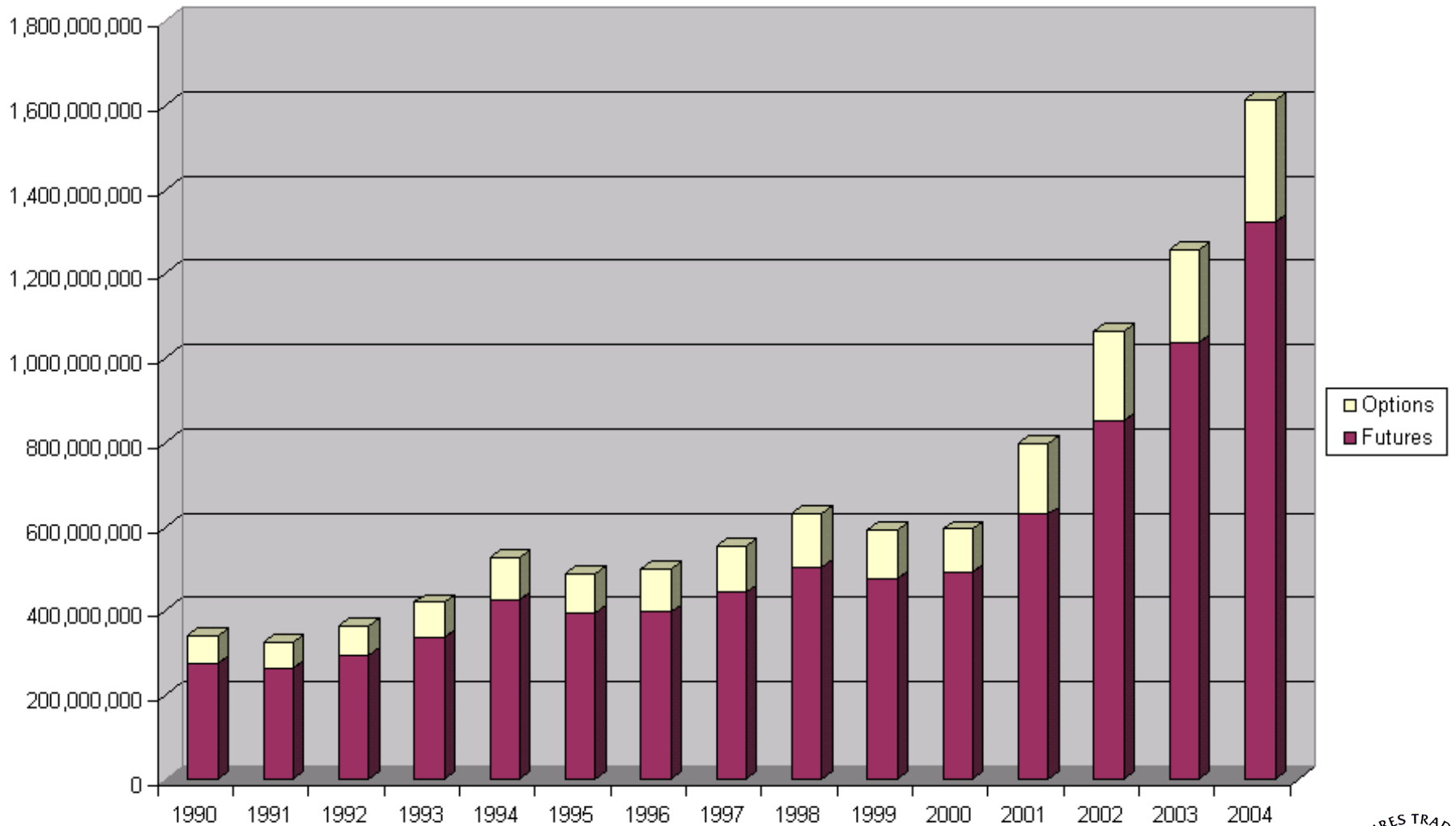
- Futures contracts for agricultural commodities have been traded in the U.S. for more than 100 years. They have been under Federal regulation since the 1920's when the first Grain Futures Act was passed.
- In recent years, futures trading has expanded rapidly into many new markets beyond the domain of traditional physical and agricultural commodities.
- Futures and option contracts are now offered on a vast array of financial instruments, including foreign currencies, U.S. and foreign government securities, U.S. and foreign stock indices, and single stocks and narrow-based stock indices. The latest non-traditional markets: weather, SO₂emissions, and economic events.



Number of Active U.S. Markets



Total Futures and Options Volume 1990 - 2004



Growth of the U.S. Futures Industry

Futures and option volume 3.8 times larger than 10 years ago

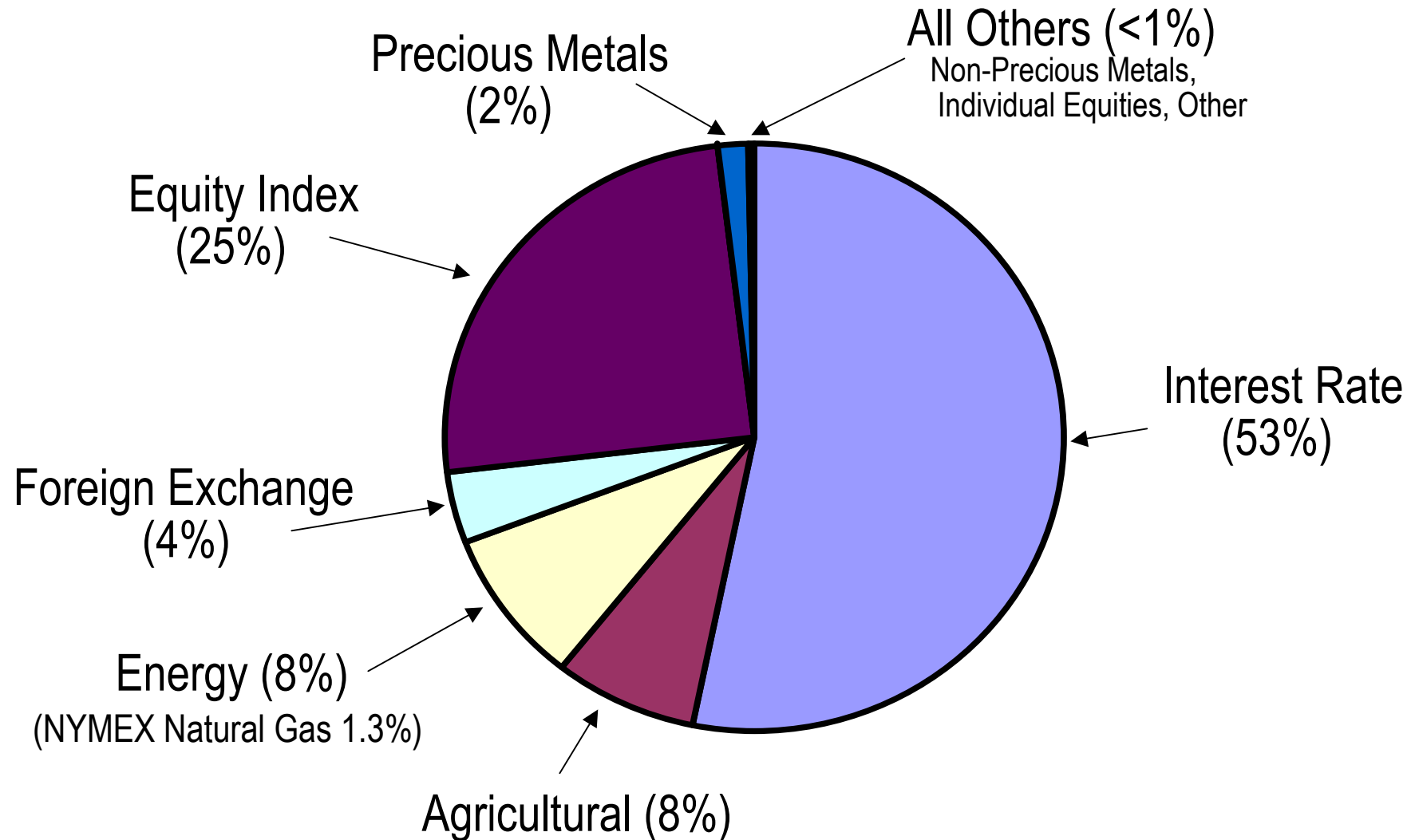
(Millions of Contracts)

	1974	1984	1994	2004
Futures	28	149	426	1,324
Options on Futures	0	10	101	289
Totals	28	159	427	1,613

(CFTC was created in 1974 to replace the Commodity Exchange Authority, USDA).



U.S. Futures Trading Volume 2004 by Type of Commodity



Source: Futures Industry Association [does not include options trading]



FEDERAL REGULATION

- In 1974, Congress established the CFTC as an independent regulatory agency. Regulation of futures was moved from the U.S. Dept. of Agriculture to the CFTC, an independent Commission. CFTC has exclusive jurisdiction over futures.
- Congress overhauled the Commission's statutory mandate, when it enacted the Commodity Futures Modernization Act of 2000.
- The CFTC has 5 Commissioners 1 of which serves as the Chairman. They are appointed by the President and confirmed by the Senate to serve staggered 5-year terms.
- No more than 3 Commissioners may be from the same political party.



CFTC Mission

The Commodity Futures Trading Commission (CFTC) was created by Congress in 1974 as an independent agency with the mandate to regulate commodity futures and option markets in the United States. The agency protects market participants against manipulation, abusive trade practices and fraud. Through effective regulation and oversight, the CFTC enables the markets to serve better their important functions in the nation's economy – providing a mechanism for price discovery and a means of offsetting price risk.



Futures Industry Regulation



DIRECT REGULATION

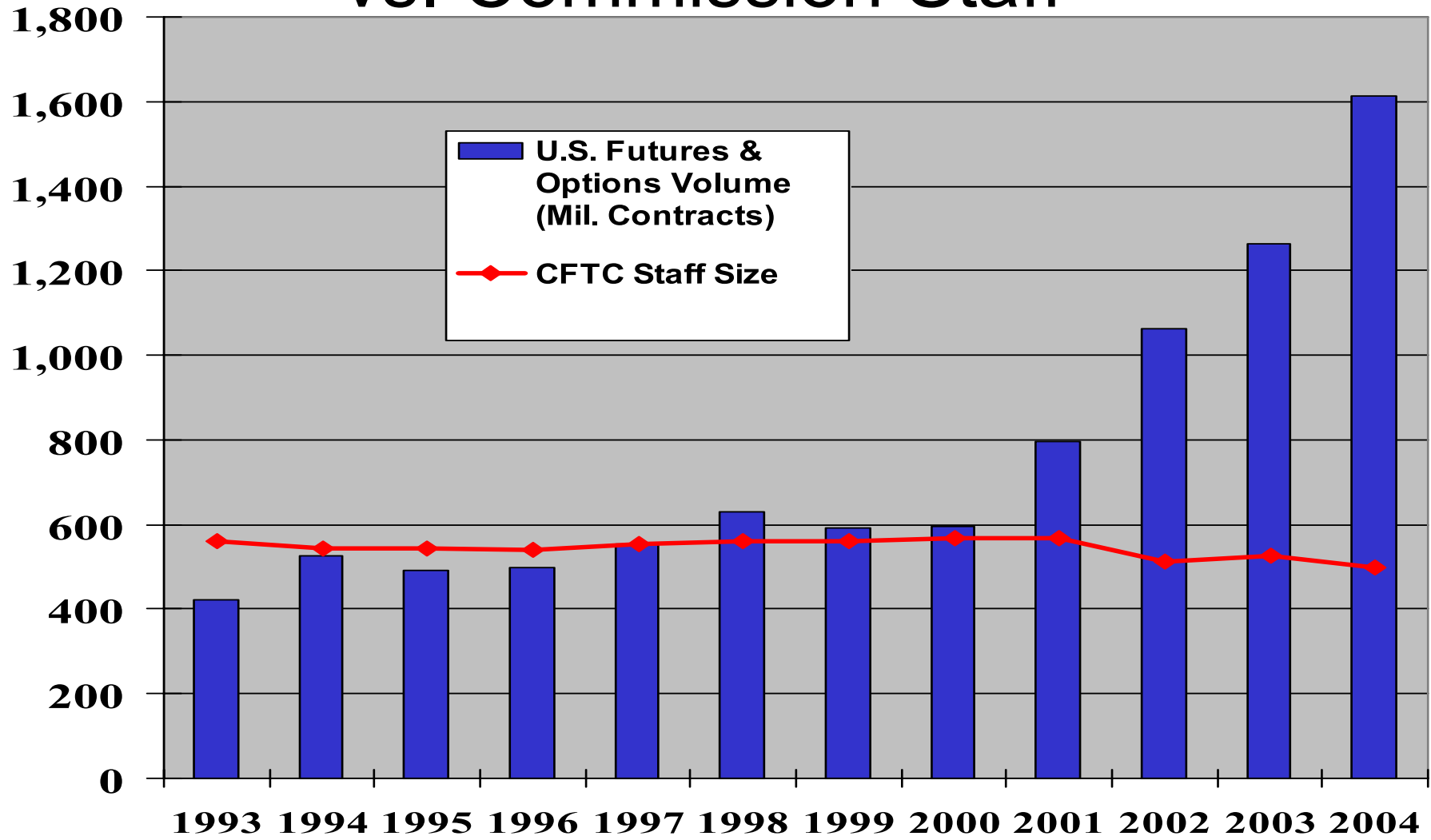
OVERSIGHT REGULATION

Exchanges

National Futures Association



Growth in Volume vs. Commission Staff



DMO: Market Surveillance

Monitors markets to detect and deter manipulation with no price bias

- Large-trader reporting
- Positions, deliverable supply, price relationships, and other information
- Weekly surveillance meetings
- Problems may lead to jawboning, warning letters, emergency actions, referrals to Division of Enforcement



COMMITMENTS DATA for NATURAL GAS

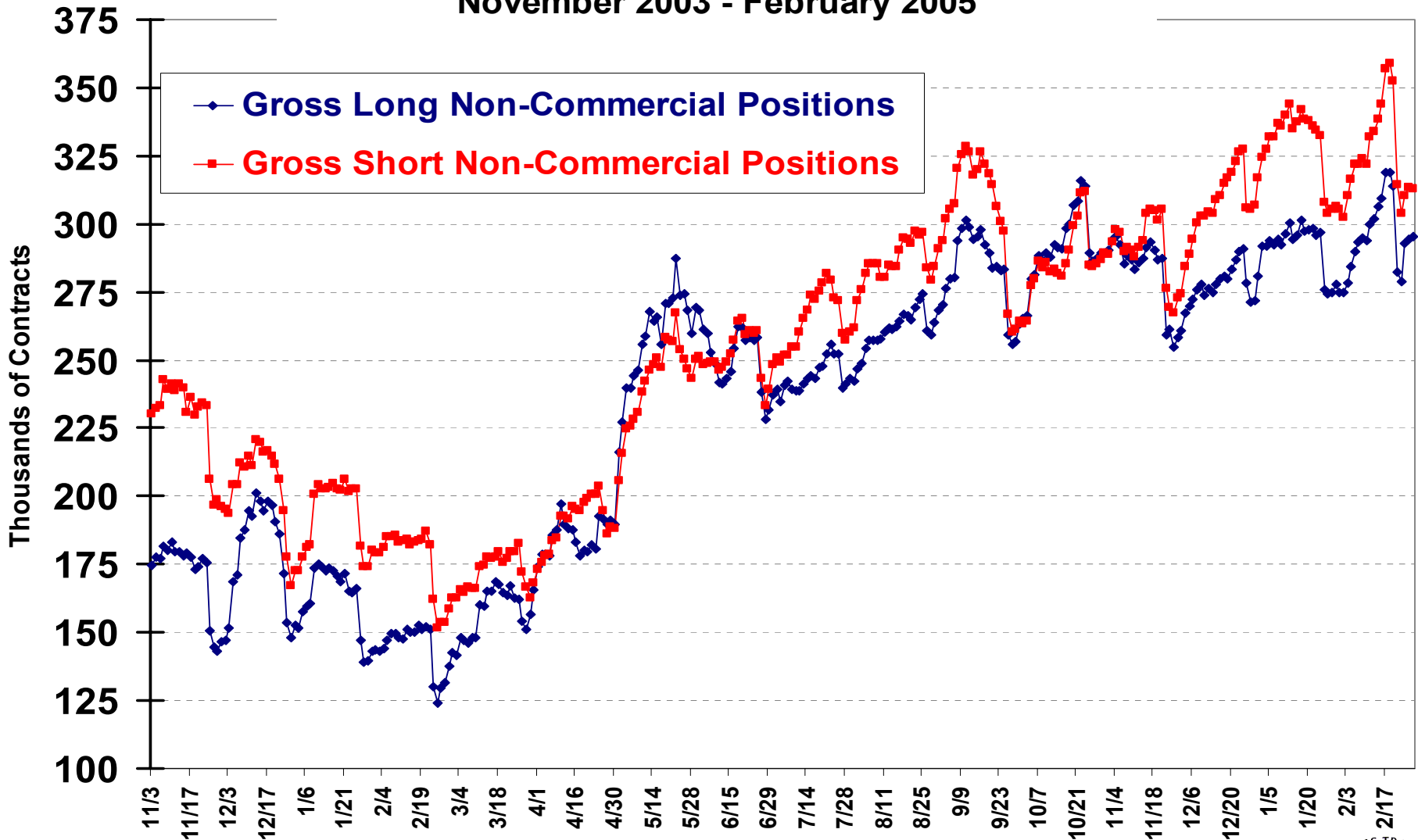
NATURAL GAS -- NEW YORK MERCANTILE EXCHANGE											
OPTION AND FUTURES COMBINED POSITIONS AS OF 02/01/2005											
NONCOMMERCIAL			COMMERCIAL		TOTAL		NONREPORTABLE POSITIONS				
LONG	SHORT	SPREADS	LONG	SHORT	LONG	SHORT	LONG	SHORT			
(CONTRACTS OF 10,000 MMBTU'S)			OPEN INTEREST: 641,111								
COMMITMENTS											
26,319	52,897	244,896	298,181	305,768	569,396	603,561	71,715	37,550			
CHANGES FROM 01/25/2005 CHANGE IN OPEN INTEREST: -50,091											
24	-7,003	-23,386	-28,366	-21,089	-51,727	-51,478	1,637	1,387			
PERCENT OF OPEN INTEREST FOR EACH CATEGORY OF TRADERS											
4.1	8.3	38.2	46.5	47.7	88.8	94.1	11.2	5.9			
NUMBER OF TRADERS IN EACH CATEGORY (TOTAL TRADERS: 193)											
47	51	75	90	82	172	176					



NYMEX Natural Gas

Non-Commercial Gross Futures Positions*

November 2003 - February 2005



Source: CFTC Large-Trader data

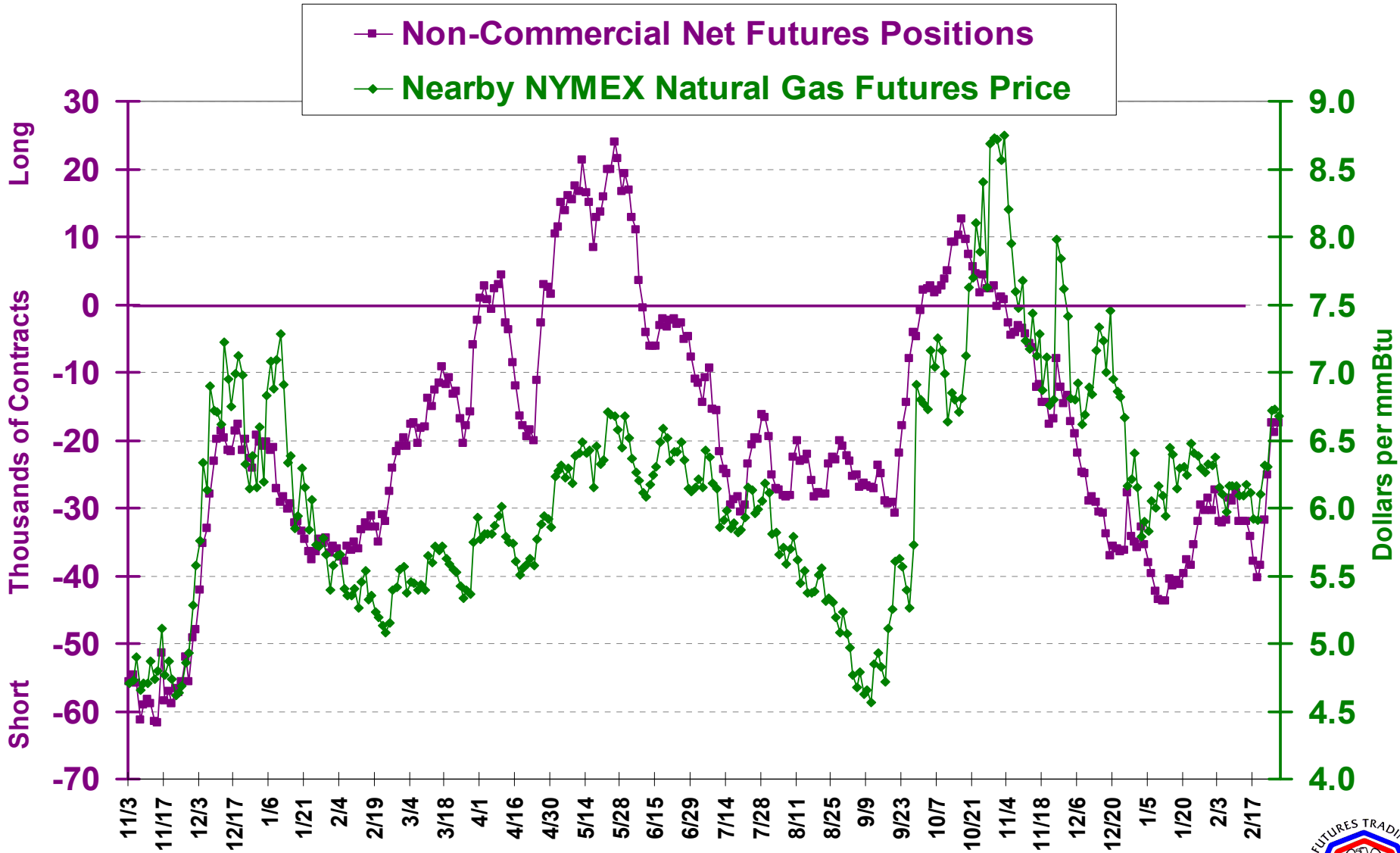
* Includes Options on a Delta-Adjusted Basis



NYMEX Natural Gas

Non-Commercial Net Futures Positions* and NYMEX Price

November 2003 - February 2005



Sources: CFTC Large-Trader data and FutureSource data service

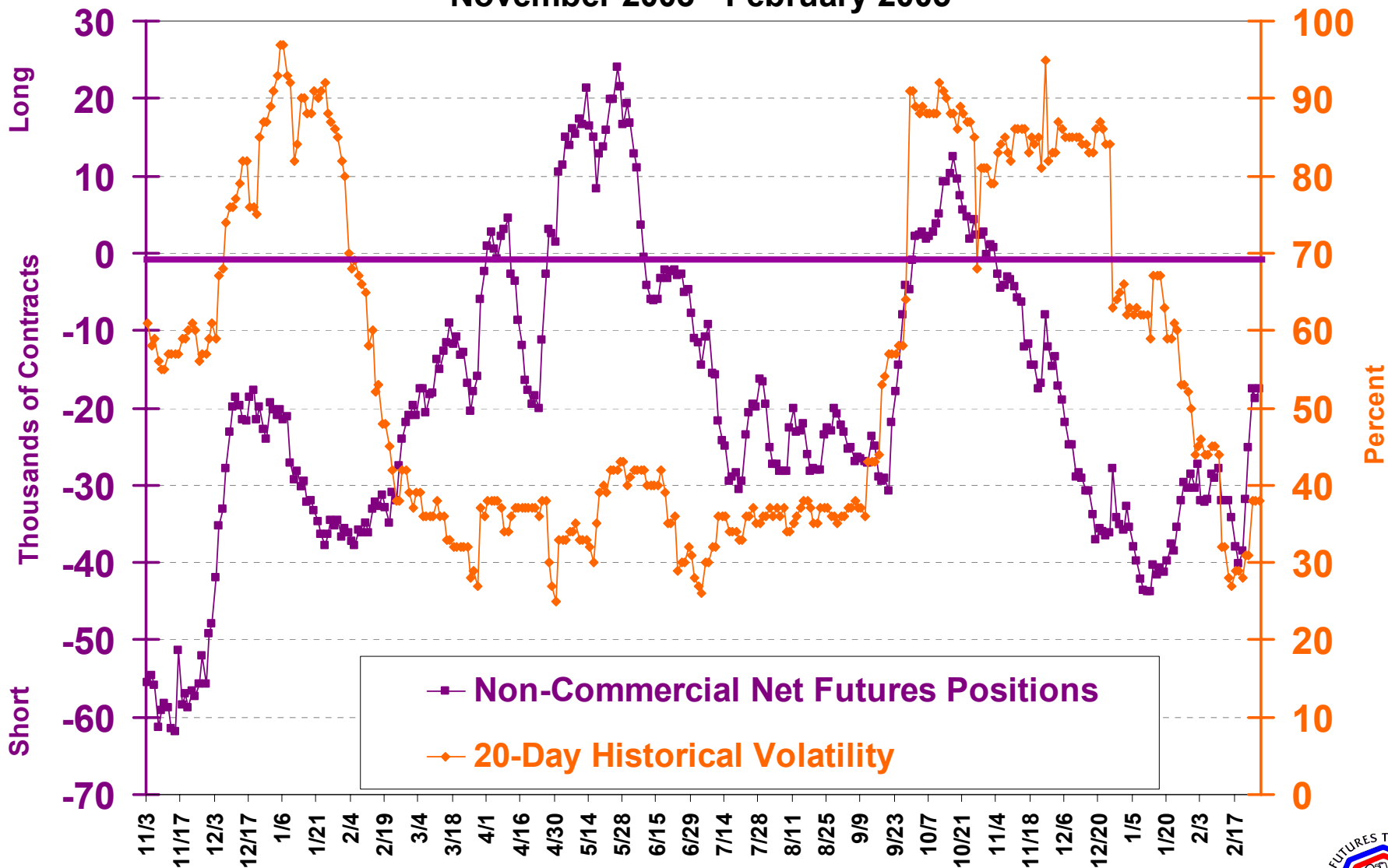
* Includes Options on a Delta-Adjusted Basis



NYMEX Natural Gas

Non-Commercial Net Futures Positions* and Historical Volatility

November 2003 - February 2005



Sources: CFTC Large-Trader data and FutureSource data service

* Includes Options on a Delta-Adjusted Basis



Behind the Published COT Data

NYMEX NATURAL GAS

Large-Trader Positions in Option and Futures combined on 02/01/2005
 In Contracts of 10,000 MMBTU's Total Open Contracts: 641,111

For All 101 Noncommercial Traders:

	LONG			SHORT			SPREADING		
	Position	Percent	No.Trdrs	Position	Percent	No.Trdrs	Position	Percent	No.Trdrs
Gross	271,215	42.3%	82	297,793	46.4%	94			
Net*	26,319	4.1%	47	52,897	8.3%	51	244,896	38.2%	75

For All 54 Money Managers (Funds, CTA's, CPO's,...):

	LONG			SHORT			SPREADING		
	Position	Percent	No.Trdrs	Position	Percent	No.Trdrs	Position	Percent	No.Trdrs
Gross	148,437	23.2%	39	175,431	27.4%	49			
Net*	15,582	2.4%	18	42,576	6.6%	35	132,855	20.7%	34

For 10 Largest Money Managers:

	LONG			SHORT			SPREADING		
	Position	Percent	No.Trdrs	Position	Percent	No.Trdrs	Position	Percent	No.Trdrs
Gross	120,184	18.7%	9	140,870	22.0%	10			
Net*	7,449	1.2%	2	28,135	4.4%	8	112,735	17.6%	9

*Net: After offsetting future-to-future, option-to-option, and future-to-option spreads



CPOs/CTAs affiliated with 18 of the top 25 Hedge Funds on the 2004 Institutional Investor List

Rank	Hedge Fund	Funds under management (billions)	Commodity Pool Operator Name
1	Caxton Associates (NY, NY)	\$11,500	CAXTON ASSOCIATES LLC
3	Citigroup Alternative Investments (NY, NY)	\$9,500	CITIGROUP ALTERNATIVE INVESTMENTS
5	Citadel Investment Group (Chicago, IL)	\$9,500	CITADEL LIMITED PARTNERSHIP
7	Vega Asset Mgmt (Dublin, Ireland)	\$8,500	VEGA ASSET MANAGEMENT USA
8	Soros Fund Mgmt (NY, NY)	\$8,300	SOROS FUND MANAGEMENT LLC
10	Bridgewater Associates (Westport, CT)	\$8,061	BRIDGEWATER ASSOCIATES INC
11	Och-Ziff Capital Mgmt Group (NY, NY)	\$8,000	OCH-ZIFF ASSOCIATES LLC*
12	Tudor Investment Corp. (Greenwich, CT)	\$7,800	TUDOR INVESTMENT CORPORATION*
14	Man Investments (London, UK)	\$7,400	MAN AHL USA CORP*
15	Maverick Capital (Dallas, TX)	\$7,200	MAVERICK CAPITAL LTD*
16	Barclays Global Investors (San Francisco, CA)	\$6,900	BARCLAYS GLOBAL INVESTORS NA**
17	Highbridge Capital Corp. (NY, NY)	\$6,600	HIGHBRIDGE CAPITAL MANAGEMENT LLC
19	Moore Capital Mgmt (NY, NY)	\$6,100	MOORE CAPITAL ADVISORS LLC*
20	Perry Capital (NY, NY)	\$6,087	PERRY CORP*
21	Campbell & Co. (Towson, MD)	\$6,062	CAMPBELL & CO. INC*
22	Lone Pine Capital (Greenwich, CT)	\$6,000	LONE PINE ASSOCIATES LLC*
22	D.E. Shaw Group (NY, NY)	\$6,000	DE SHAW & CO LP*
25	AQR Capital Mgmt (NY, NY)	\$5,500	AQR CAPITAL MANAGEMENT II LLC*

*One of multiple CPOs probably affiliated with listed hedge fund

** Commodity Trading Advisor's name is listed. There is no registered CPO associated with this hedge fund.



Of the top 100 Hedge Funds in 2004, 63 had funds that were sponsored, operated, or advised by CFTC registrants

