



**Commissioner
Walter Lukken**

*Sino-U.S. Soybean Industry Exchange Delegation
April 10, 2006*

Commodity Futures Trading Commission (CFTC)

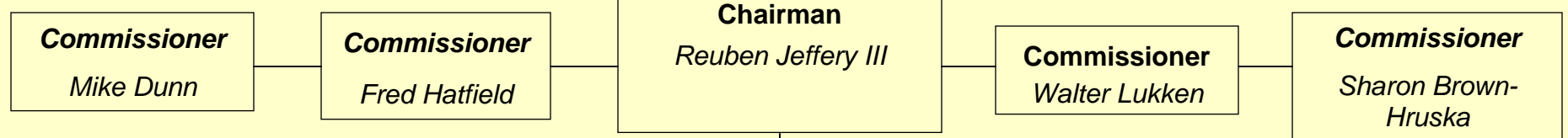
- Independent government agency created in 1974, similar to the Securities and Exchange Commission.
- Oversees U.S. commodity futures and options markets.
- Protects participants against manipulation, abusive trade practices and fraud.
- Ensures integrity of risk management markets in the U.S.

CFTC Organizational Overview

- Five Commissioners
 - One Chairman, Two Republicans, Two Democrats
 - Appointed by the President, Confirmed by the Senate
- Approximately 500 Employees
- Offices in Washington, DC (headquarters), Chicago, New York, and Kansas City
- Annual Budget ~ 100 million USD

The Commission

CFTC



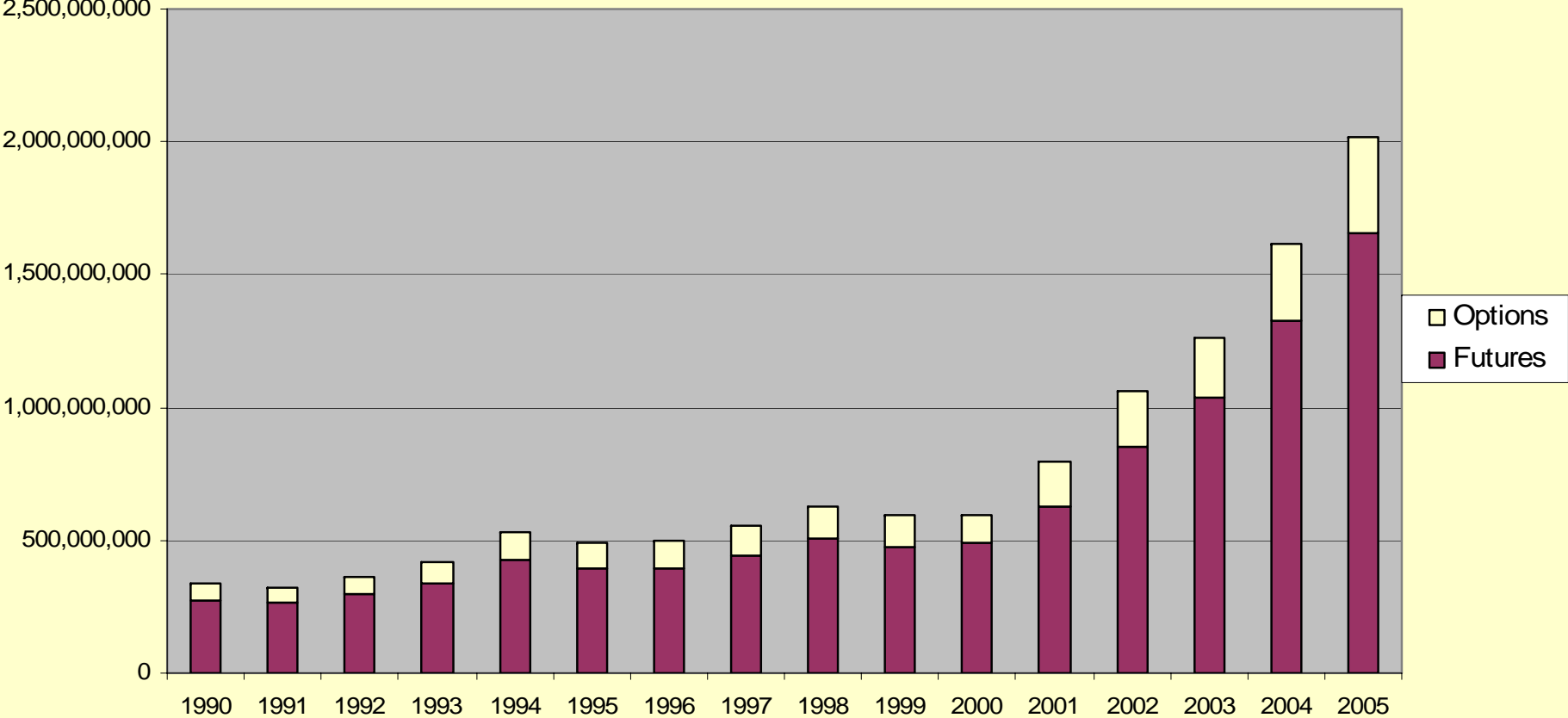
The Staff



Functions of the CFTC

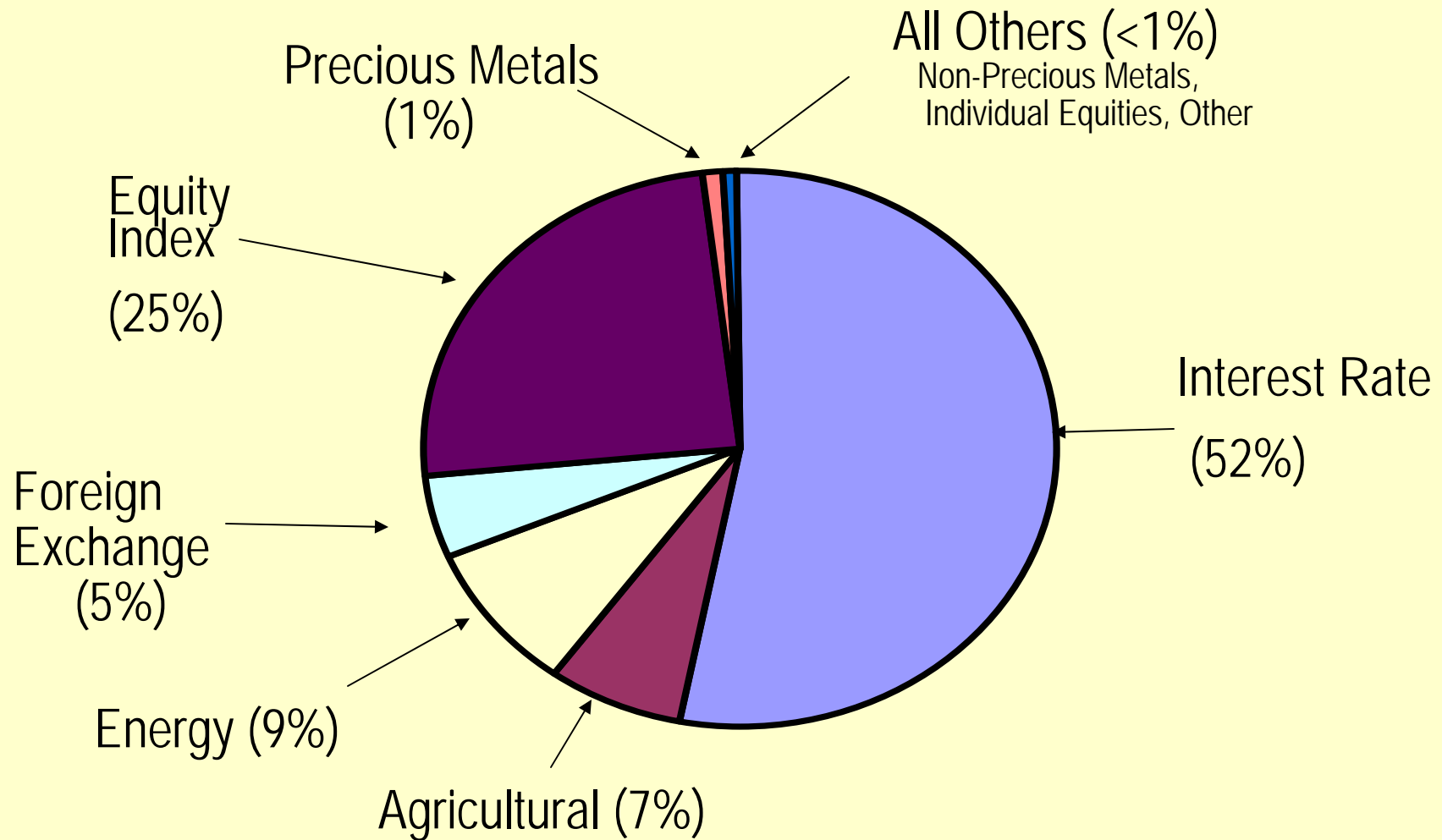
- Register exchanges, clearinghouses and market participants to ensure they meet regulatory standards.
- Audit and review exchanges, clearinghouses and participants to ensure continuing compliance and financial integrity.
- Conduct real-time surveillance of markets and firms to monitor financial risks.
- Take regulatory or civil action when violations occur.

Total U.S. Futures and Options Volume 1990 - 2005



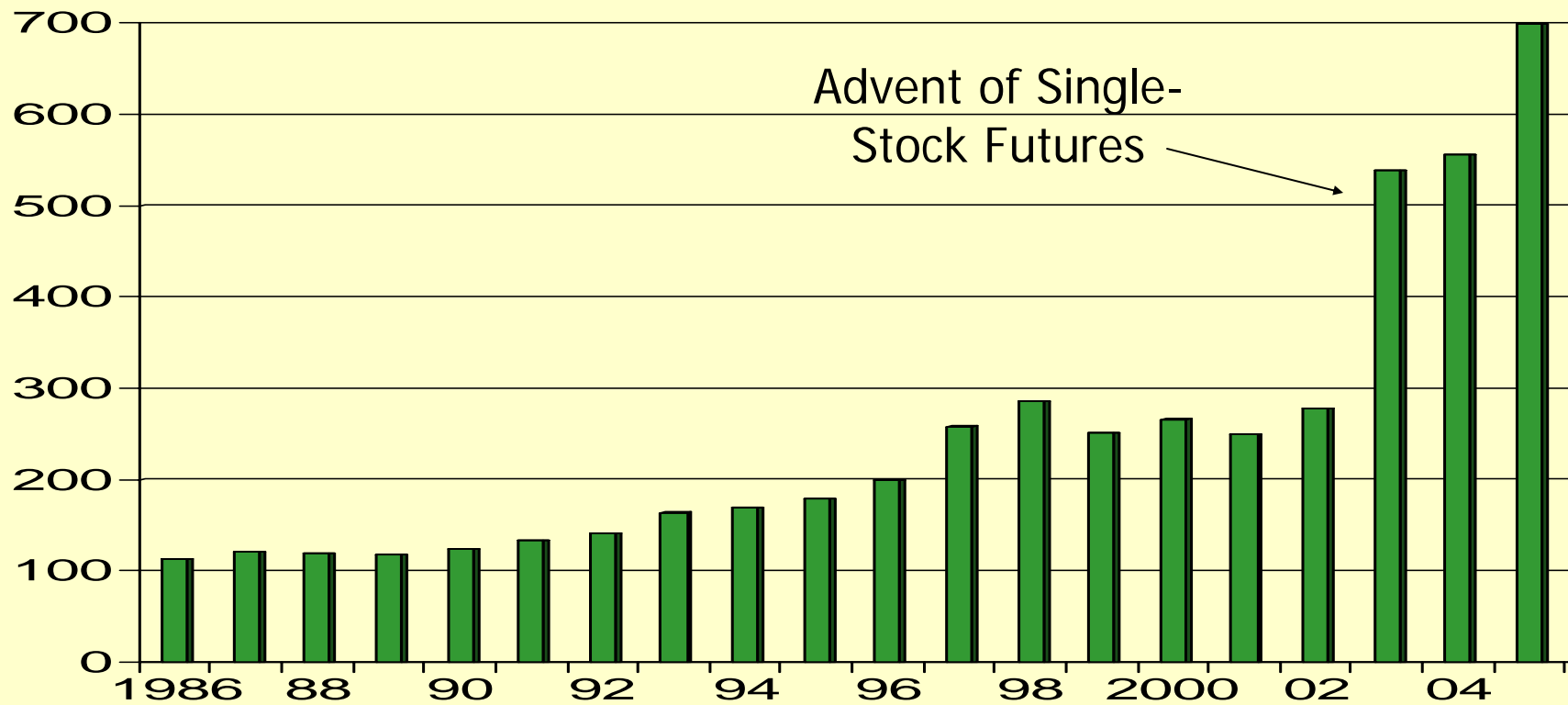
Source: Futures Industry Association

U.S. Futures Trading Volume 2005 by Type of Commodity

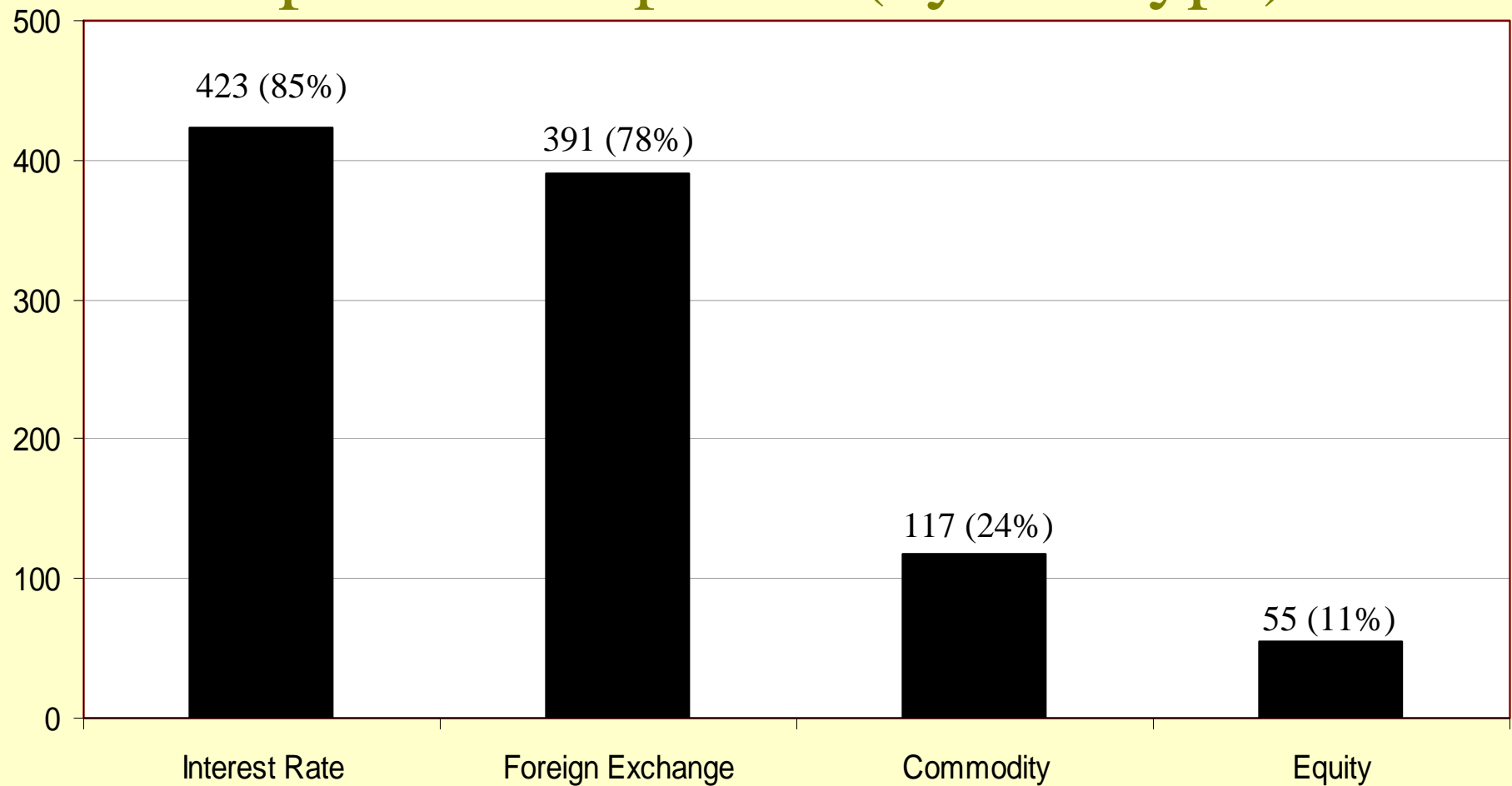


Source: Futures Industry Association [does not include options trading]

Number of Active U.S. Markets



Derivatives Usage among World's Top 500 Companies (by risk type)



Source: International Swaps and Derivatives Association, Inc. 2003

Soybeans



Soybean Meal



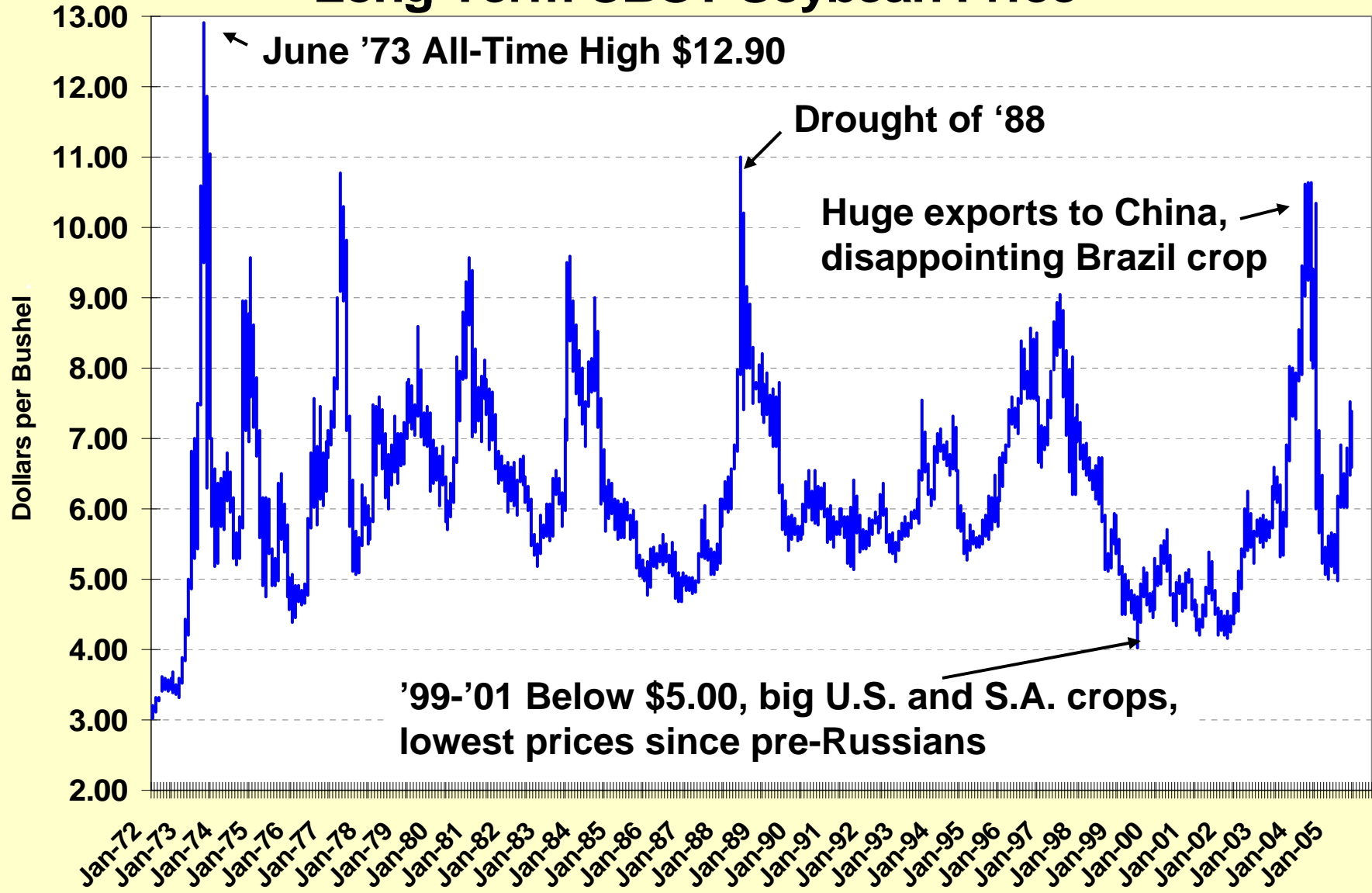
Soybean Oil



COMMITMENTS DATA for CBOT SOYBEANS

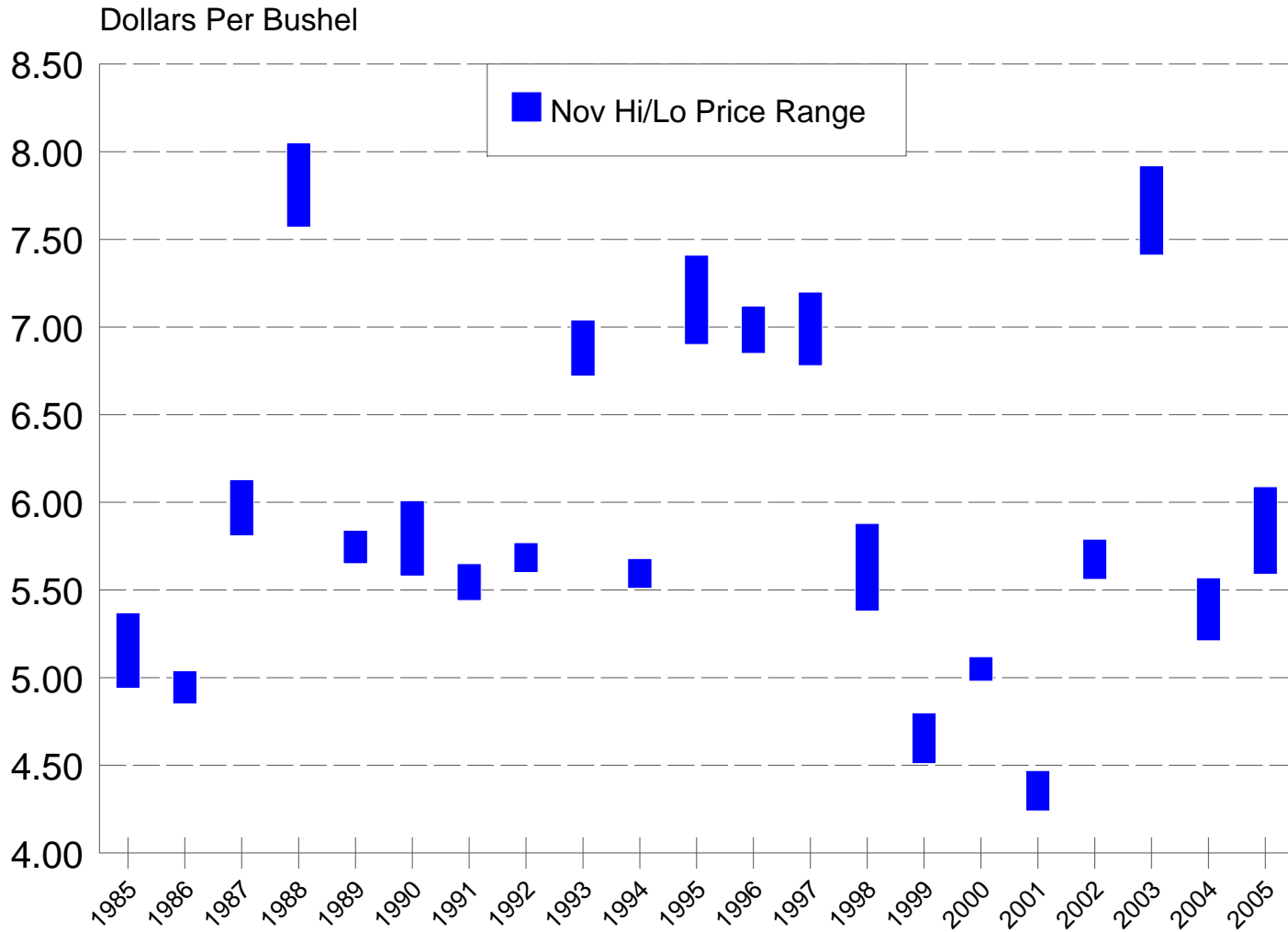
SOYBEANS -- CHICAGO BOARD OF TRADE										
OPTION AND FUTURES COMBINED POSITIONS AS OF 04/04/2006										
NONCOMMERCIAL			COMMERCIAL		TOTAL		NONREPORTABLE POSITIONS			
LONG	SHORT	SPREADS	LONG	SHORT	LONG	SHORT	LONG	SHORT		
(CONTRACTS OF 5,000 BUSHELS)				OPEN INTEREST: 459,170						
COMMITMENTS										
48,511	100,361	105,678	234,258	131,672	388,447	337,712	70,723	121,459		
CHANGES FROM 03/28/2006 CHANGE IN OPEN INTEREST: 31,352										
2,289	20,396	10,088	20,538	-6,700	32,915	23,784	-1,562	7,569		
PERCENT OF OPEN INTEREST FOR EACH CATEGORY OF TRADERS										
10.6	21.9	23.0	51.0	28.7	84.6	73.5	15.4	26.5		
NUMBER OF TRADERS IN EACH CATEGORY (TOTAL TRADERS: 421)										
107	161	165	115	106	329	350				

Long-Term CBOT Soybean Price

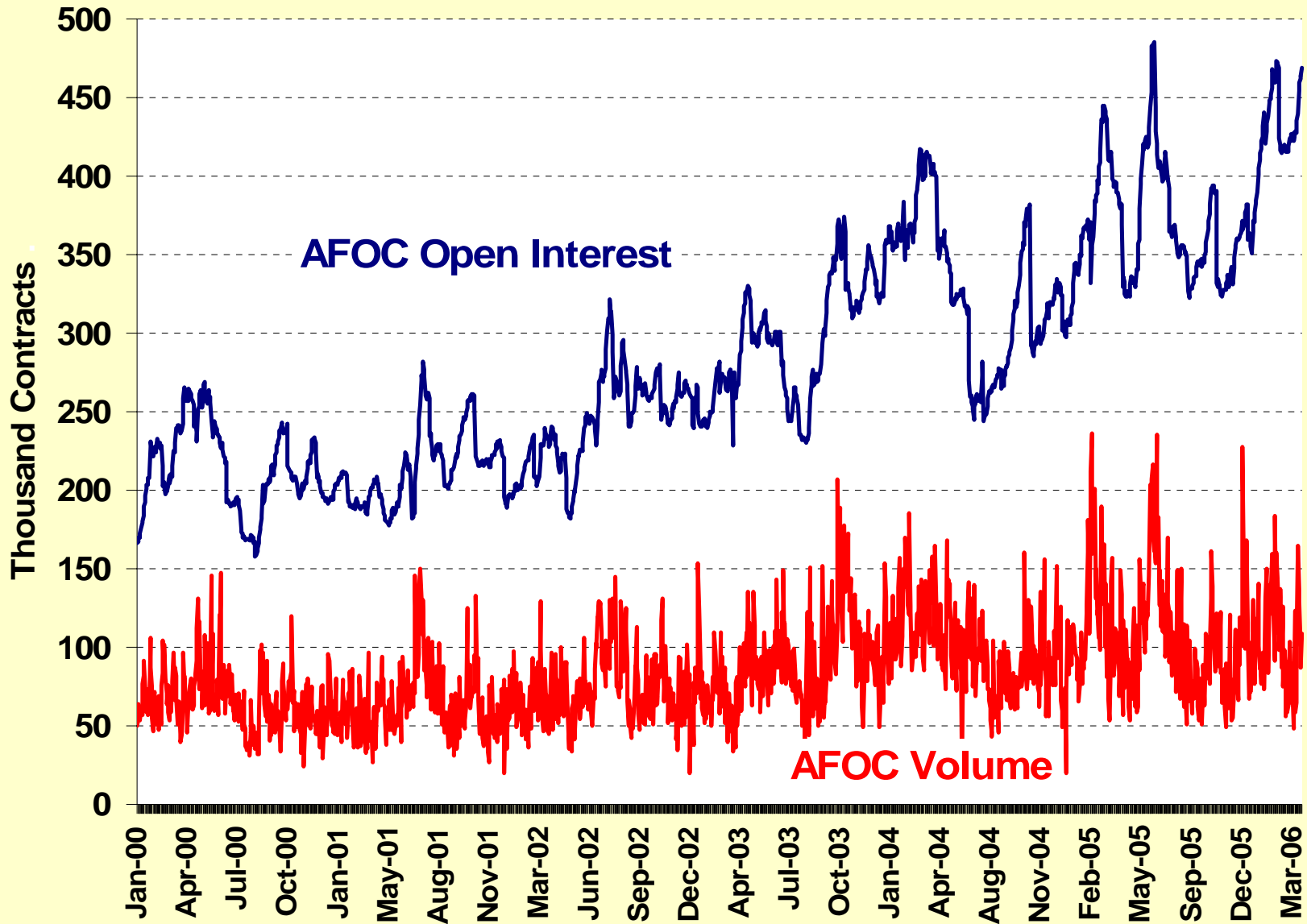


CBOT January Soybean Future Prices During the Month of December

1985-2005 November High/Low Price Range

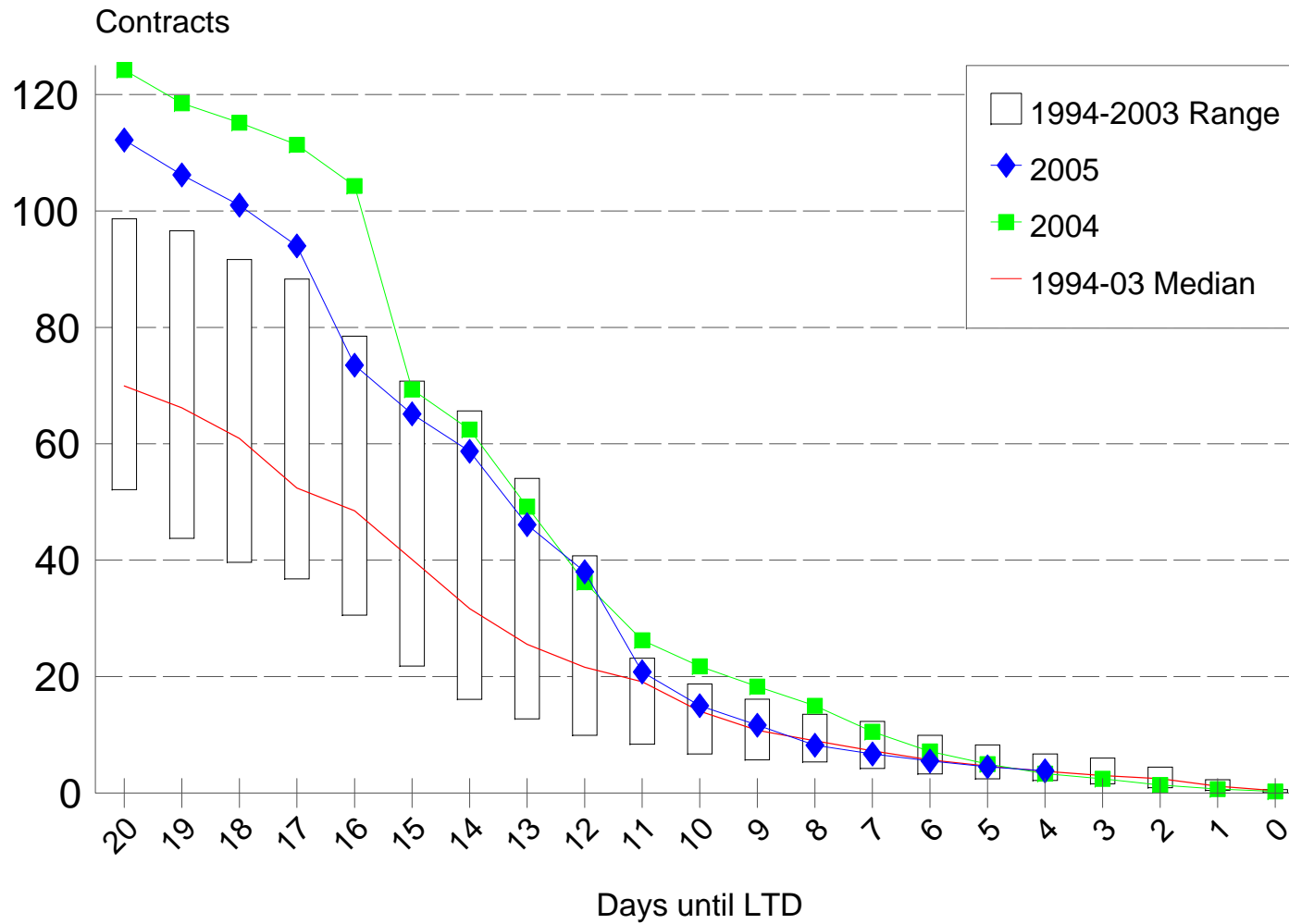


CBOT Soybean Future AFOC Open Interest and Volume



CBOT November Soybean Contract Open Interest Comparison

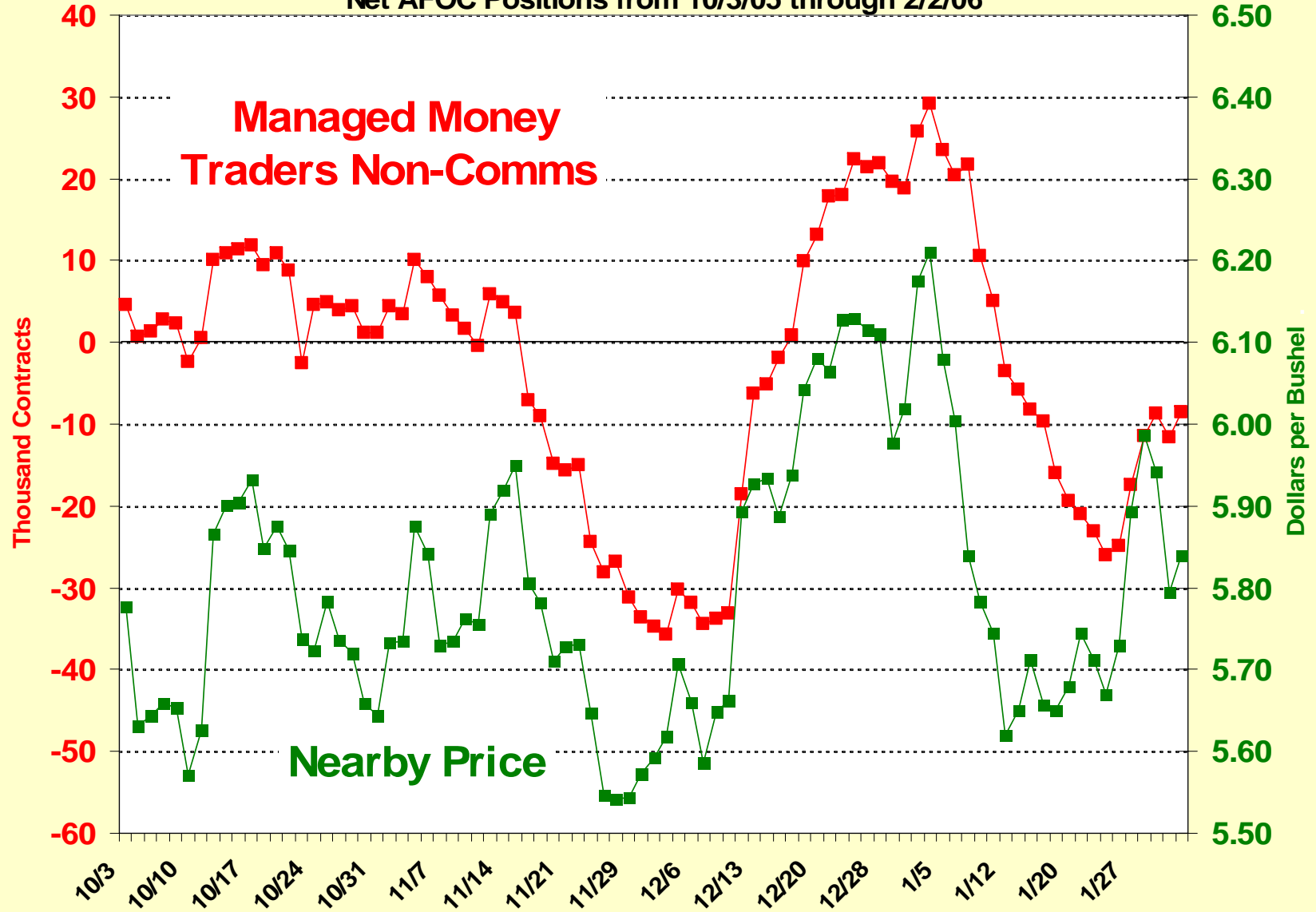
The 1994-2003 High/Low Range, 2005 & 2004 Individual Years



Source: CFTC Permanent Records

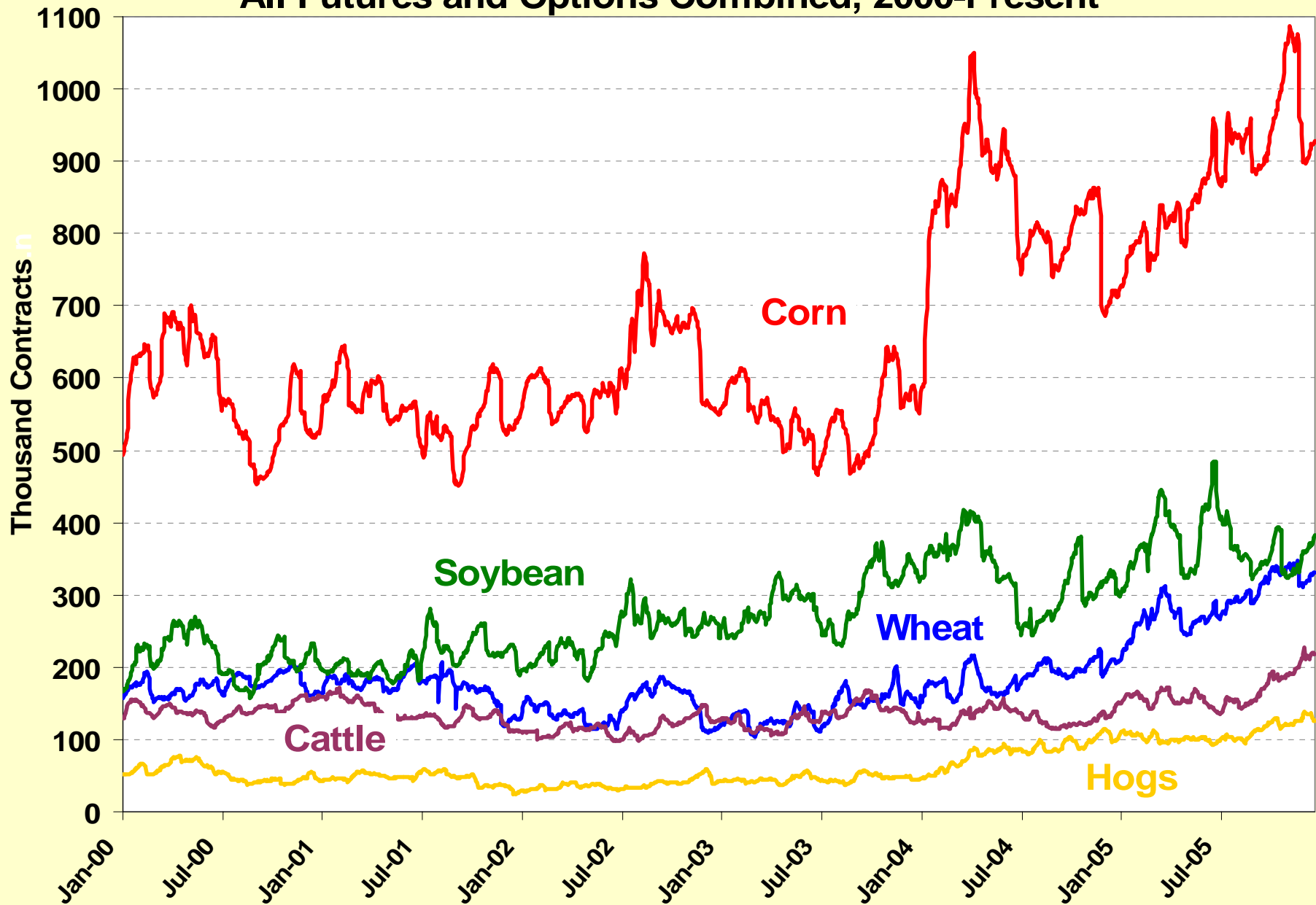
CBOT Soybean Market Fund Positions and Price

Net AFOC Positions from 10/3/05 through 2/2/06



Chicago Agricultural Futures Open Interest Comparison

All Futures and Options Combined, 2000-Present



CBT March 2006 SOYBEANS - Futures/Options As of 03/01/2006

Open Interest In: In contracts of 5,000 bushels. Priced in dollars per bushels	First Notice Day	02/28/2006
Delivery Facilities: Facilities in Chicago and on the Illinois River system.	Last Trading Day	03/14/2006
	Option Last Trading Day	02/24/2006

	(03/01/2006) THIS WEEK	(02/22/2006) LAST WEEK	(03/01/2005) LAST YEAR
OPEN INTEREST	8,131	88,331	8,335
DELIVERABLE STOCKS			

	THIS FUTURE (MAR. 06)	LAST FUTURE (JAN. 06)	LAST YEAR (MAR. 05)
DELIVERY NOTICES/ CASH SETTLEMENT	5,328	6,494	2,666

	DATE	MAR. 06	SPREAD	BASIS	VOLUME	O.I.	NOTICES	XFCS
1	02/23/2006	5.7175	-0.1300	-0.2475	40,064	79,954	N/A	6,614
2	02/24/2006	5.7725	-0.1300	-0.2525	30,569	28,918	N/A	7,223
3	02/27/2006	5.7950	-0.1350	-0.2650	30,729	18,819	N/A	4,807
4	02/28/2006	5.8025	-0.1375	-0.2575	22,226	10,430	2,771	3,289
5	03/01/2006	5.7750	-0.1350	-0.2500	12,083	8,131	2,557	491
6	03/02/2006	5.9100	-0.1300	-0.2550	8,351	6,085	2,146	204

Cash price represents truck bids at Northern Illinois River delivery locations as reported by USDA.

CBT March 2006 SOYBEANS - Futures/Options
As of 03/01/2006

FOUR LARGEST LONGS		CURRENT POSITION		LAST WEEK		% OF OPEN INTEREST		NET
	CLASS	LONG	SHORT	LONG	SHORT	CURRENT	LAST WEEK	FUTURE
1	ABC GRAIN DEALERS	1,129	0	3,464	268	13.9	3.9	1,129
2	SOY PROCESSING, INC	552	0	1,110	0	6.8	1.3	552
3	PUBLIC, JOHN Q	500	24	435	0	6.1	0.5	476
4	INTERNATIONAL TRADING	435	6	524	3,689	5.3	0.6	429
	TOTAL	2,616	30	5,533	3,957	32.1	6.3	2,586
1	MERCHANDISER, CT							
2	SOY PROCESSOR, IA							
3	CBOT MEMBER							
4	TRADING COMPANY, JAPAN							
FOUR LARGEST SHORTS		CURRENT POSITION		LAST WEEK		% OF OPEN INTEREST		NET
	CLASS	LONG	SHORT	LONG	SHORT	CURRENT	LAST WEEK	FUTURE
1	WINDY CITY GRAIN	0	414	439	6	5.1	0	-414
2	CUBS OIL & MEAL LTD	0	398	0	524	4.9	0.6	-398
3	BULLS & BEARS TRADING	0	360	613	3	4.4	0	-360
4	MIDWEST FEEDMILL	0	317	429	3	3.9	0	-317
	TOTAL	0	1,489	1,481	536	18.3	0.6	-1,489
1	GRAIN EXPORTER, IL							
2	SOY PROCESSOR, IL							
3	SPECULATIVE FUND, NY							
4	FEED COMPANY, IN							

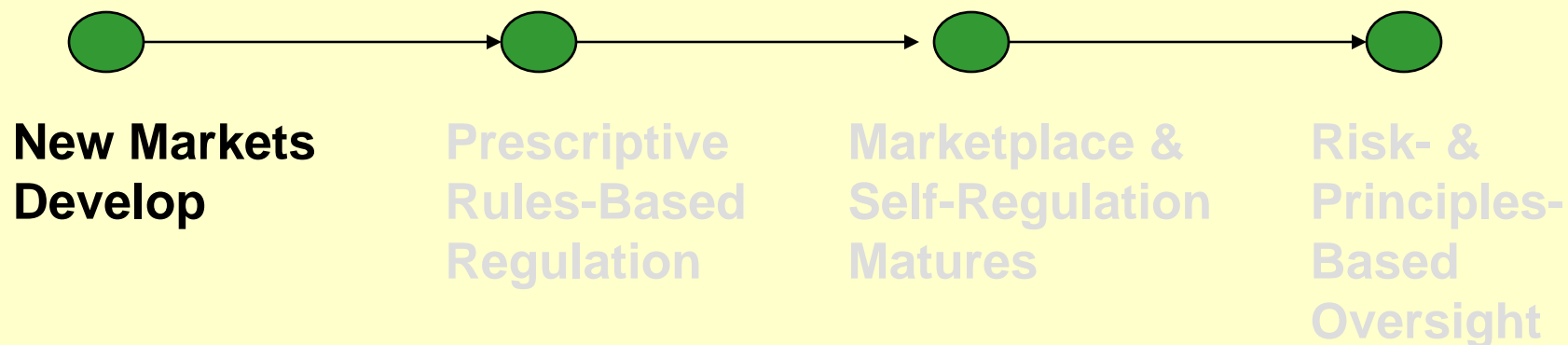
Reporting Level: 150

Speculative Limit: 600 contracts (3 mil. bu.) in the spot month, 5,000 contracts in a single month

Lifecycle of a Regulated Market

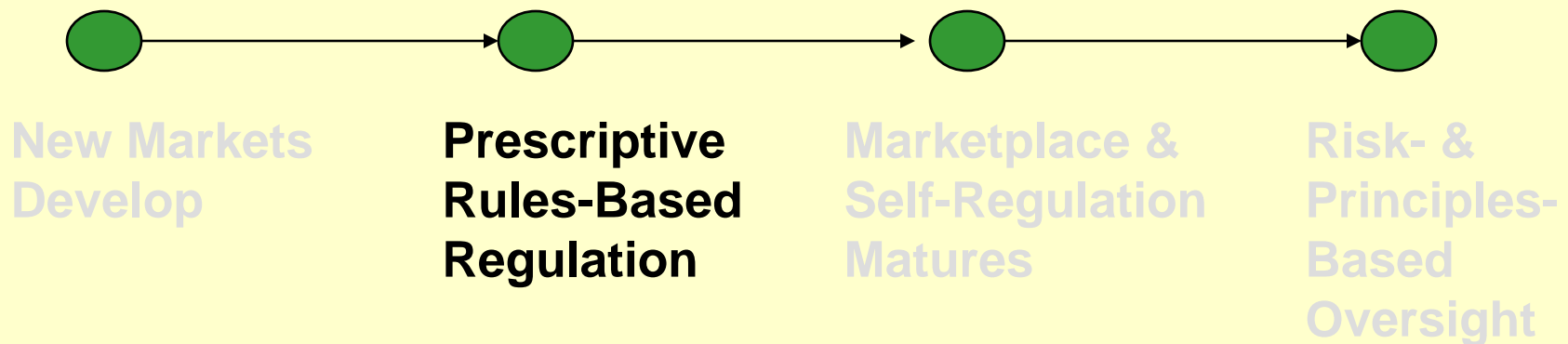


Lifecycle of a Regulated Market



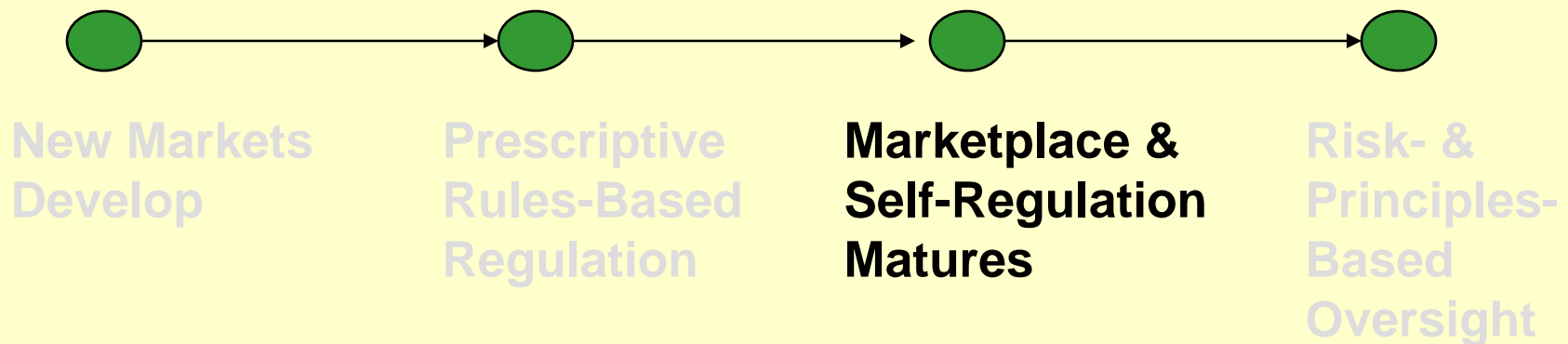
- In the 1970s, the U.S. abandoned the gold standard for the dollar and the resulting demand for risk management products led to the development of the currency derivatives market.
- Other financial products, such as interest rate and equity derivatives, followed soon after.

Lifecycle of a Regulated Market



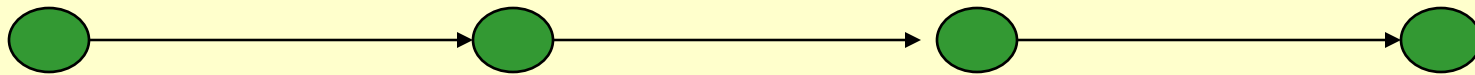
- In 1974, Congress passed the Commodity Exchange Act and created the independent CFTC.
- Required exchange rules and products be approved by regulator before implementation.
- CFTC developed detailed, prescriptive regulations.
- Limited flexibility for market participants but greater certainty for compliance.

Lifecycle of a Regulated Market



- National Futures Association (NFA), the futures industry's self-regulatory organization (SRO), formed in 1982.
- During the 1990s, electronic trading platforms decreased trading costs and lowered barriers of entry for new exchanges.
- As markets matured and became more competitive, market reputation, discipline and competition served as important additional deterrents for wrong-doing, as they do still today.

Lifecycle of a Regulated Market



New Markets
Develop

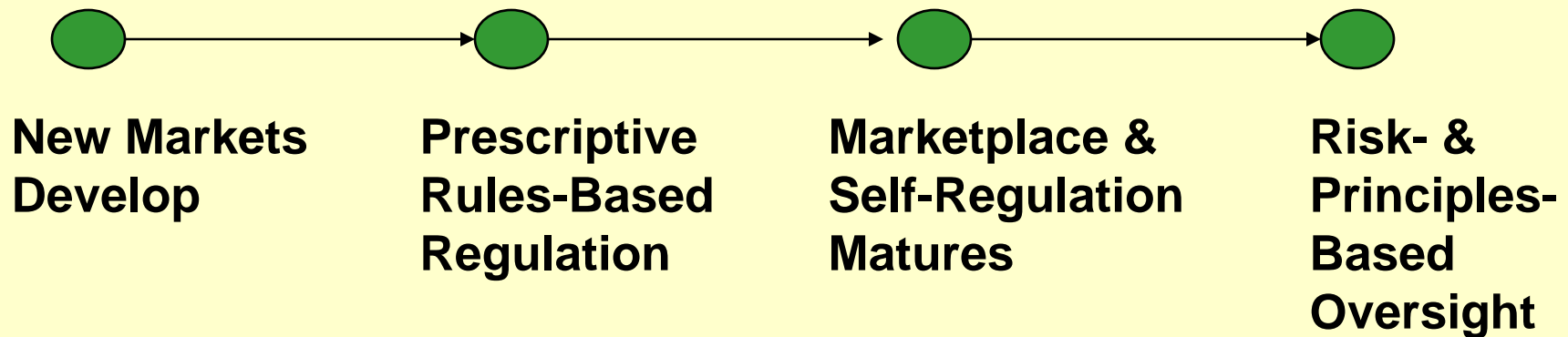
Prescriptive
Rules-Based
Regulation

Marketplace &
Self-Regulation
Matures

**Risk- &
Principles-
Based
Oversight**

- In 2000, the landmark Commodity Futures Modernization Act (CFMA) became law.
- Principles-based regulation provides flexibility while adhering to global standards.
- More frontline regulatory responsibility given to SROs.
- Sliding scale for regulation of exchanges depending on type of participant and product.
- Products and rules certified by exchange and reviewed by CFTC after implementation.
- This stage requires greater global cooperation, including IOSCO, CESR, bilateral MOUs (including with CSRC).

Lifecycle of a Regulated Market



- Where is China in this process?
- Advantage for “Second Movers”
- Incremental steps are important.

