



CFTC Market Surveillance Program

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CFTC

DMO: Market Surveillance

Purpose: Monitor markets to detect and deter manipulation

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

Large Trader Reporting System (LTRS)

- Daily reports from FCMs (brokers) for all customers with positions above certain reporting levels.
- Reporting levels vary by market.
 - from as low as 25 contracts for small markets.
 - to as high as 3,000 contracts for large markets.
- LTRS provides
 - all the largest positions in the market.
 - coverage of 70 to 90 percent of both the long and short-side open interest.

Trader Classification

- **Commercials** – traders engaged in business activity hedged by use of futures.
 - e.g., producer, manufacturer, dealer/merchant, swaps/derivatives dealer.
- **Non-commercials** – speculators
 - Includes managed money traders (MMTs) – CTAs, CPOs, Hedge Funds, APs.

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 | | | |

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 |

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

Surveillance Experience With MMTs

- Positions of individual traders are usually not extremely large.
- Net aggregate position of the group tends to change in the direction of price trends.
- MMT positions are usually not carried into the spot month of futures contracts.
- MMT trading has not been a problem with regard to manipulation.