

CFTC v. Optiver US, LLC, et al.

Transcripts of Audio Files Attached as Exhibit A*

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**Transcripts prepared by CFTC staff.*

Transcript of 128190.wav

Description: Call from Gerben Gooijers to Ferhad Mekic

Date: 3/5/2007

Parties: Ferhad Mekic; Gerben Gooijers

Mekic: Hello, Ferhad speaking

Gooijers: Gerben

Mekic: Hey Gerben, how's it going?

Gooijers: Hey Ferhad. Yeah. Not bad. How's it going with you?

Mekic: Oh, it's alright.

Gooijers: Okay.

Mekic: Not too busy today, but I've got a bunch of stuff going on.

Gooijers: Yeah, same here.

Mekic: How's, um. You're doing the spread features over there?

Gooijers: Yeah, and the EPF.

Mekic: Oh, okay. Are they working?

Gooijers: Yeah, yeah. Both of them are working pretty well. I think we're on 100,000 today.

Mekic: Wow, that's good volatility.

Gooijers: I was calling about the TAS's.

Mekic: Yeah.

Gooijers: Cause I got an e-mail from Mark saying that we aren't first anymore.

Mekic: Uh, yeah.

Gooijers: Um, so I want to look into, yeah, increasing the frequency of sending orders.

Mekic: Yeah.

Gooijers: But what has been happening lately? How many of our orders have gotten in and are we uh just always late or whatever?

Mekic: We (unintelligible) hammer seven, and then uh, four orders get in, and then over the last week we haven't been first once.

Gooijers: Okay. But, okay, it's good to know that still a number of orders get in, so it's really increasing the frequency that will, uh, that should do the trick.

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Parties: Ferhad Mekic; Gerben Gooijers

Mekic: Yeah, I think that's what other people are doing.

Gooijers: Yeah.

Mekic: And, uh, yeah, so - but first it was like we were in all the time, then it was like 90%, 80%, then quickly down to 0 times, number of times, that we were first.

Gooijers: Yeah, it was to be expected I think.

Mekic: Yeah, exactly. If they just not use excel. (laughter).

Gooijers: Yeah.

Mekic: They'd improve very quickly.

Gooijers: Yeah.

Mekic: So, um, but we've done recently well in those anyway.

Gooijers: Okay -

Mekic: In the TAS's. And, uh, we're getting better at hedging them off.

Gooijers: Okay, good. Sounds good.

Mekic: Yeah.

Gooijers: Yah, I tried to put a close here, so I uh -

Mekic: Okay.

Gooijers: I have to do some other stuff now, but I'll look into uh, improving the Hammer tool tomorrow so that we can uh, do this with a finer frequency, so that should give us a better chance of being up front again.

Mekic:

Gooijers:

Mekic:

Gooijers:

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Mekic:

Gooijers:

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Mekic:

Gooijers:

Mekic:

Gooijers:

Mekic:

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Mekic:

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Gooijers:

Mekic: Alright, if you want to speak after the close, give me a ring.

Gooijers: Uh, yeah.

Mekic: I'll tell you what's going on here.

Gooijers: Um, yeah not today because I have to hurry today but I'll talk to you tomorrow.

Mekic: Ok. Sounds good.

Gooijers: Ok.

Mekic: Good luck and uh.

Gooijers: Yeah, you too. And I'll talk to you tomorrow.

Mekic: uh bye.

Gooijers: ok.

Transcript of 128190.wav

Description: Call from Gerben Gooijers to Ferhad Mekic

Date: 3/5/2007

Parties: Ferhad Mekic; Gerben Gooijers

END

Transcript of 1281X1.wav

Description: Call from Edwin van der Kruk to Christopher Dowson

Date: 3/5/07

Parties: Edwin van der Kruk; Christopher Dowson

Allison Optiver, this is Allison.

van der Kruk Yes, hello. This is Edwin speaking from Amsterdam.

Allison Hi.

van der Kruk Hi, how are you doing?

Allison Good.

van der Kruk Ah, can I speak to Chris please?

Allison To, sorry, Chris Dowson?

van der Kruk To Chris, yes.

Allison Sure, just a minute please.

van der Kruk Ok, thank you. Bye. (On hold).

van der Kruk (Dutch). Hello? (Dutch). (On hold).

van der Kruk Hello? (Phone Ringing)

Dowson Yup?

van der Kruk Hi Chris, how are you doing?

Dowson I'm alright, thanks. How are you doing?

van der Kruk Yeah, fine, fine. It's hard work, hard work these days.

Dowson Yeah, you're very busy?

van der Kruk Yeah. We've had some two men these days last week.

Dowson Yeah, making some cash?

van der Kruk Yeah, we made two million on Thursday, day trading eh day trading. With positions 2.2 I think. And Friday we made 1.2 million. Today we made probably 400. Somewhere between 4-500. Day trading.

Dowson Yeah, I got an email from Matt that said he made half a million or something.

van der Kruk Yeah, the (inaudible) was absolutely brilliant. We didn't anticipate on it but we just waited till the moment. We had small positions. And then out of the close we just took like uh some positions. And in light of them, really fast, so we were within a day we were waiting for

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position due to losses. And I think we made in total something like one half million from it.

Dowson Oh, that's nice.

van der Kruk So that's really good. I was actually pretty happy that we didn't prepare anything but still we made like good profit on it. Well, we prepared some things but not really.

Dowson Not as thorough as normal.

van der Kruk Yeah, we don't. I don't think it would be like ah so good. Although I said, well, I expected that this time there wouldn't be so much anticipation because people were way too busy with it. But yeah, you never know. On the other end you don't want to distract your traders when the trading is so brilliant. But I think like a big delta position. So, you don't do it yourself as well so then you yeah you like get ridiculous closes but still we anticipate that it's pretty low and we made quite some money there and furthermore the trading is good. But um, so, yeah, that's going pretty well. Of course, the systems and the programs yeah they are helpful pretty well on Thursday and Friday. On Wednesday I had quite some problems but Friday afternoon again we had some problems. Did you have also on Friday the problems?

Dowson We weren't too bad. I mean apart from (inaudible) which just has not been virtually not working at all, they at times have been reasonably stable, so.

van der Kruk Ah, ok.

Dowson It's been ok.

van der Kruk So you've made good money last week?

Dowson Yeah, we had a decent week. We're now up to, we're almost the same as what we made last year.

van der Kruk Oh ok. That's good.

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Description: Call from Edwin van der Kruk to Christopher Dowson

Date: 3/5/07

Parties: Edwin van der Kruk; Christopher Dowson

Dowson We're almost 12 million now basically.

van der Kruk So that's really going well then. So you've got like. So you're six million a month and improving through the year.

Dowson Yeah, exactly. We've had no technological improvements really. We had the one thing from the feed for the uh.

van der Kruk Yeah, exactly. The one thing, how does it look with those guys?

Dowson Well now, it seems it's all gonna be done through Australia. Maxwell is going to Australia for a couple months. We're also looking to recruit some uh some new developers here. We've got the recruitment things from Australia. They will also go to Australia for some time. I'm uh I'm pretty happy with the current status of it.

van der Kruk Ah, ok, so you're gonna (inaudible) your support done more or less by Australia.

Dowson Yeah, actually in Australia they're just gonna train some people for us. Then probably 1 or 2 of Australian guys will come over here with the guys we've got from America and we'll be supported like that.

van der Kruk Then they will be really good.

Dowson Yeah, I'm pretty happy about it. It should be good.

van der Kruk Yeah, that's really good. And will those Australians stay working in America?

Dowson Yeah, probably 1 or 2 of them yeah.

van der Kruk Ah, yeah that's brilliant. That's brilliant.

Dowson Yeah so that's good.

van der Kruk And when do they expect to deliver the first phase?

Dowson I'm not so sure. They're still writing up the plan now. But I don't think it's going to take too long.

van der Kruk

Dowson **REDACTED**

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van der Kruk

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Dowson

van der Kruk

Dowson

van der Kruk

Dowson

van der Kruk Yah, so ok, yeah.

Dowson Hey is Randal in work today?

van der Kruk Yeah, he's in but I think he's left already.

Dowson: Nah. I don't want to speak to him now. I was just curious. Do you want to know what happened in the TASes on Friday?

van der Kruk: I heard you made like a killing there.

Dowson: Did you hear what they did in Amsterdam?

van der Kruk: They made also good money.

Dowson: Did you hear how?

van der Kruk: Yah, basically they front-run you.

Dowson: Yeah. (laughter) Who have you been talking to about it? (laughter).

Transcript of 1281X1.wav

Description: Call from Edwin van der Kruk to Christopher Dowson

Date: 3/5/07

Parties: Edwin van der Kruk; Christopher Dowson

van der Kruk: I heard it from Nick and a bit from Randal.

Dowson: Yeah.

van der Kruk: Yeah. What do you think about it?

Dowson: I think, ah, I don't really blame Nick for it. If I was in his position, I might have done the same thing, but I think it's not a way that we should be trading.

van der Kruk: No. Yeah, that's like that's the thing. It's just leaning a bit on your thing. But, lets first of all, it's going really well.

Dowson: Yeah. That's a good thing so. We made like 180 grand or something.

van der Kruk: How much are you now for the year in the TAS trading?

Dowson: Like 450 or something.

van der Kruk: Whoa! Is it really good?

Dowson: After that, Ferhad and I were just talking about it a little bit and we just said look, we basically just want to have a position, we pretty much want a position every day. So we're just, we're just 99 and 101 now for 500 and then, we can also, what we thought then, we can probably disguise it a bit better as well.

van der Kruk: How do you mean?

Dowson: Yeah well, it's not as obvious if people are like 107 or 108 bid everyone knows that there's going to be something coming, whereas if it trades normally like close to one, yeah, you can hack sometimes, you can be aggressive, pushing it other times, you can even do it a bit the other way around, uh sometimes.

van der Kruk: Yeah, ok. It's a bit like, I don't know if it's getting pushed to 107 how much they trade because -.

Dowson: No, no the volumes already went up.

van der Kruk: They weren't that high?

Dowson: No.

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Parties: Edwin van der Kruk; Christopher Dowson

van der Kruk: Okay, it can be 99 -101 and one bid at 101 and everything (inaudible) and in the oil, are we getting in front?

Dowson: No, we keep being behind it. We've been behind consistently for more than a week now, so.

van der Kruk: Okay, that's a pity, eh -.

Dowson: It's pretty annoying. But Gerban's been looking into it. Today, I believe uh-.

van der Kruk: Yeah he's just back from holiday.

Dowson: Yea, exactly, so.

van der Kruk: So uh, yea that's good, so, uh any, some other developments, new things or-.

Dowson: No not really, the um, for the rest things go quite okay here, it's really nice to first have Paul and (inaudible)----- been cleaning up in the NASDAQ so.

van der Kruk: Yeah.

Dowson: Really yea. Basically all our money from last week just all came from NASDAQ and RUSSELL , nothing else, literally two spots we made all our money.

van der Kruk: Okay Tuck wasn't there?

Dowson: No, Tuck was back in Amsterdam.

van der Kruk: Ok, are there your other human resources in the stocks? How did they do?

Dowson: Nothing, just nothing and also in the treasuries Jordan made a minus last week.

van der Kruk: So is there some hacking going to be happening?

Dowson: We'll have to see, Jordan also changed some marc and they were pretty bad last week in fact very bad.

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Parties: Edwin van der Kruk; Christopher Dowson

van der Kruk: So you will be sitting down there on your arm then?

Dowson: (Laughter) Exactly. That's a bit of your problem. It's like, where the fuck do you start? Linbach is still off sick.

van der Kruk:

Dowson:

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Parties: Edwin van der Kruk; Christopher Dowson

van der Kruk: Ok. On a different note we're gonna be like, I see we are getting a bit short in people in Australia we lost quite some traders. We are losing some people to Australia, you need some people there, I need some people, we need to fill up so it's gonna be like for this year already filling up the spots that are going to be empty. We already need find some people. Probably and maybe some people are going to be leaving I don't know especially from Australia. I think big chance that some people will leave there, just like to settle the deal and watch for their bonus. Because already three guys just headed off there, did they tell you?

Dowson: No.

van der Kruk: Some of them didn't even take bonus.

Dowson: Yeah?

van der Kruk: They went straight ahead to the other three competitor.

Dowson: When was that?

van der Kruk: It's already like at the end of the year. They took the chance of not getting a bonus and everything. They must have been promised quite a good deal there.

Dowson: Exactly.

van der Kruk: Probably need some people there. You need some people.

Dowson: Yeah.

van der Kruk: Let's hope we'll get good ones.

Dowson: Well, someone's got to train them. (hehe)

van der Kruk: That's like, yea that helped last time. (inaudible) If you think about it it's a pretty big if you (inaudible) would and you basically would have to find out that we didn't take enough time for them and it's pretty shit.

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Description: Call from Edwin van der Kruk to Christopher Dowson

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- Dowson:** I said my suggestion and it was ignored. I think we should just get someone that's, pay a teacher to be like up looking after them properly.
- van der Kruk:** Or maybe even, get like a reasonable trader who is just sitting there with them trading them like (inaudible) ball and uh furthermore teaching them. It may be a bit more expensive one but it may be a better solution. Because what are you going to get if you get a teacher? You also don't know. (Inaudible).
- Dowson:** They can be nice.
- van der Kruk:** But ok, you're really positive about working together with the Australians to get that going? (Inaudible).
- Dowson:** Yeah, I think that's gonna go pretty well.
- van der Kruk:** I think that's gonna go really brilliant. I don't know. These (inaudible) it looks pretty fast. That's what I could see. I've traded myself with it. The functionalities that are in it are pretty good and it's doing the job properly. The only thing is it has a lot of and burkes and caches but they're working on it to get it stable.
- Dowson:** Sounds good.
- van der Kruk:** That's how they are. And for the future trading they expect to deliver something in three months.
- Dowson:** That's just building the gateways and getting them connected right?
- van der Kruk:** Yeah, but now we'll see.
- Dowson:** I presume we're gonna build the gateways completely new. (Laughter).
- van der Kruk:** Yeah, something like this, I don't know. Oh shit I (inaudible), I'll call him later. Maybe later on this week we should have (inaudible) a more if its maybe a bit later (inaudible) talk.
- Dowson:** Yeah, exactly.

Transcript of 1281X1.wav

Description: Call from Edwin van der Kruk to Christopher Dowson

Date: 3/5/07

Parties: Edwin van der Kruk; Christopher Dowson

- van der Kruk:** What are the other things we need, you need. That's what the marker said. If you look at the paper that got out. If you roll in F1. There's like a lot of things are gonna be almost no really big things you need for Amsterdam then.
- Dowson:** Yeah exactly, that's what I think as well. It's basically getting sort of a future trader is the key thing.
- van der Kruk:** Yeah, then it's basically then it comes down to, we have to on this side make like, get the OET working properly and get the futures behind it and see how good it is.
- Dowson:** Yeah, exactly.
- van der Kruk:** Ok. So, now well good work and we will maybe talk later this week then. I'm going home.
- Dowson:** Yep. Alright, take it easy.
- van der Kruk:** I'm having a busy day, busy day. I'm trading myself.
- Dowson:** Wow, that's been the first for awhile, huh?
- van der Kruk:** Yeah, yeah, yeah. I was just sitting there. (inaudible) And it's not so hard.
- Dowson:** Not so hard. You can trade some monkeys, today eh?
- van der Kruk:** On the other hand, I do think, that if you just you have those spots making so much money if you've got someone smart sitting behind it. And he does for whatever reason 10% better, or 20% better, its already full trading spots. But I could imagine that if you, to make it properly, that you just may need less people. Because that's, yeah anyhow, we'll see-.
- Dowson:** I got a book last week for me to read. James J. Kramer. "Confessions of a Street Addict."
- van der Kruk:** Oh, ok. I didn't read that one. I read, "New Money." Good one.
- Dowson:** This is his autobiography.

Transcript of 1281X1.wav

Description: Call from Edwin van der Kruk to Christopher Dowson

Date: 3/5/07

Parties: Edwin van der Kruk; Christopher Dowson

van der Kruk: Ok ok, yeah yeah yeah. I find him pretty cool. I should get him on television Holland as well.

Dowson: Yeah exactly.

van der Kruk: Yeah, we'll see. I, because maybe I'm a probably a first (inaudible) to Stanley as well. It see a bit of planning and see when I can come over.

Dowson: Yeah.

van der Kruk: And you bought a speed boat already?

Dowson: It's on the way, it's on the way (laughter).

van der Kruk: It's on the way?

Dowson: Yeah with these profits, might have to get a bigger one, huh?
(laughter)

van der Kruk: It's gonna be, if things go on like this, why not?

Dowson: One last thing (inaudible), did you see the advert from the Australian office?

van der Kruk: Yeah. I also didn't find it in line with his.

Dowson: Yeah, that's what I thought as well. I wonder if Cathy knows about it or.

van der Kruk: (Inaudible).

Dowson: I don't fucking care about it but it seems pretty strange so. (laughter).

van der Kruk: Yeah, I think it's uh. Did you hear we're sponsoring the Dutch national cricket team?

Dowson: No, I didn't hear that.

van der Kruk: We're sponsoring. It's going to the World Cup.

Dowson: Oh yeah?

van der Kruk: I think this is brilliant. We're paying 25,000 Euro for it. And we're shirt sponsor of the Dutch national cricket team.

Dowson: Oh that's good.

van der Kruk: Who are going to play India and Australia?

Transcript of 1281X1.wav

Description: Call from Edwin van der Kruk to Christopher Dowson

Date: 3/5/07

Parties: Edwin van der Kruk; Christopher Dowson

Dowson: Yeah.

van der Kruk: No, S. Africa. You've heard of the two best countries in the world?

Dowson: England?

van der Kruk: No. I think it was Australia and S. Africa.

Dowson: Yeah, Australia is definitely the best but I don't know. That's really good.

van der Kruk: But even all of this. Of the second level ones, Holland is still like favored to come to this thing but I don't count on it.

Dowson: I know, that's good.

van der Kruk: I heard like 2.2 billion people are watching it. And in India for this amount of money it's brilliant.

Dowson: Yeah.

van der Kruk: I don't understand the Dutch companies that they didn't step into it.

Dowson: There was a, who's idea was that?

van der Kruk: Rashit came over and I was sitting together with Randal. And he was telling yeah they didn't have a shirt sponsor and they were going to this and blahdy blahdy blah. And then Randal and I were a bit like, no, no (inaudible). I don't understand. And Randal was a bit like I think you should do it. And Randal said yeah just go to Yella (ph.) maybe this can be good for us. And then it was arranged within a few days. But they didn't have like a sponsor up to now so they were really under pressure to get it, any kind of money they could get, they would do it. So now basically we're the official sponsor on all the shirts there. I think all the English guys here in the office, they love it. And I think the Australians, if they see it, they're gonna love it as well.

Dowson: Yeah, it's pretty cool. It's good.

Transcript of 1281X1.wav

Description: Call from Edwin van der Kruk to Christopher Dowson

Date: 3/5/07

Parties: Edwin van der Kruk; Christopher Dowson

van der Kruk: Yeah, I think it's good for them. Yella (ph.) really really pushed them. Because they asked for \$250,000 Euro which is normal and then they basically said yeah whatever you'll pay us. And then it went down to 50 or 25. And then we went in for 25. And we had to pay 1,000 Euros to get the things printed on the shirts and then we were there. That's awesome. Yeah, I think it's a really good idea.

Dowson: It's nice.

van der Kruk: So, yeah. It's not gonna make us millions, but.

Dowson: No.

van der Kruk: But it's starting.

Dowson: So we all have to get cricket shirts now.

van der Kruk: Yeah, exactly. Hey uh, good luck there. I'm curious to hear, how long is (inaudible) going to stay there?

Dowson: He's staying another couple of weeks.

van der Kruk: And Paul?

Dowson: Paul's uh, back next week.

van der Kruk: Ah, ok. I've been thinking also maybe of those two, Paul and Kip, I was thinking maybe its good, because Marcell is always pretty sharp and everything, to swap Marcell with one of those guys, with Kip or Paul. What would you suggest?

Dowson: What do you mean to swap them?

van der Kruk: No, I think-.

Dowson: For permanently or for?

van der Kruk: What say?

Dowson: Permanently or for temporary?

van der Kruk: No, just for a few weeks.

Transcript of 1281X1.wav

Description: Call from Edwin van der Kruk to Christopher Dowson

Date: 3/5/07

Parties: Edwin van der Kruk; Christopher Dowson

- Dowson:** Yeah, basically, actually might have been smarter is, was yeah to do the other way around. Because you wouldn't want. It's so chaotic here. There are so many difficulties with the administration and small details and things, you don't want Kip there on his own.
- van der Kruk:** No.
- Dowson:** But, um. You could swap Marcell and Paul for a short time. But of course Paul is just really valuable so you want him wherever you can, everybody wants him.
- van der Kruk:** Yeah, but I think maybe it's better to swap him off with Kip then. Now then, uh.
- Dowson:** You could put Kip to just come and visit like for a bit or even just come and work here.
- van der Kruk:** Yeah that would be good. They've been making lots of shit loads lately, like half a million.
- Dowson:** I bet. I spoke to Hunter. He said they had a bit of a, some shit thing with positions that cost them.
- van der Kruk:** Today, yeah.
- Dowson:** Yeah.
- van der Kruk:** He told me as well.
- Dowson:** A mistake.
- van der Kruk:** Before that they were a bit lucky he said. They had deltas and all.
- Dowson:** Yeah, these things happen when it gets a bit more chaotic huh? Sometimes it's not as ah neat and tidy as you would like it to be.

Transcript of 1281X1.wav

Description: Call from Edwin van der Kruk to Christopher Dowson

Date: 3/5/07

Parties: Edwin van der Kruk; Christopher Dowson

van der Kruk: As long as you keep on doing well, you should go big for the big monies. But they might be (inaudible) that everybody stays pretty calm and just keeps on trading. But you have to work on that. And in the end yeah if you then, yeah ok sometimes you let something fall but you just keep on trading. You keep marching and just check everything properly then you can make good money.

Dowson: Yeah.

van der Kruk: But good luck there. Say hi to everybody.

Dowson: I will do.

van der Kruk: I'm looking forward to my next visit to the Capitol Grill and to what was that bar?

Dowson: I'll have the speedboat ready for you that time.

van der Kruk: The speedboat. Alright.

Dowson: Alright, take it easy.

van der Kruk: I'm looking forward to it.

Dowson: Ok, bye.

van der Kruk: Ok, see you. Bye.

END

Transcript of 128XCP.wav

Description: Call from Christopher Dowson to Randal Meijer

Date: 3/8/07

Parties: Christopher Dowson; Randal Meijer

Meijer: [This is] Randal

Dowson: Hey Randal, it's Chris.

Meijer: Hey.

Dowson: Got a minute to call you.

Meijer: Yah, I wanted to know how you exactly get the TAS contracts because we get one in the, there's also this, what's it called, the Brent, have you seen that one?

Dowson: Yeah, yeah, we quote in that as well.

Meijer: Yah, but is it a minute marker?

Dowson: Oh yeah, okay, the minute marker, so essentially that trades - it only can trade at even, basically -

Meijer: Yah, we trade it at zero because I wanted to see how powerful you, you actually have it, how powerful your position is when you want to beat the VWAP -- or, well actually not even beat it, or just -- yah, if you can move the market. So we did the thousand that were out there, it was just a bid for a thousand, and no counterparties. (Inaudible). I was just wondering how you guys traded it?

Dowson: How we make the money you mean?

Meijer: Yah, what exactly you trade - we now bought half of it, 3 minutes before hand, and the other 500 - it's a one minute one, this one - so the other 500 during the minute. And it went up a little bit but I got a feeling it was more the market than we did anything (laughter).

Transcript of 128XCP.wav

Description: Call from Christopher Dowson to Randal Meijer

Date: 3/8/07

Parties: Christopher Dowson; Randal Meijer

Dowson: Yeah, exactly, I mean basically it depends on the product actually and for us for the oil, for the WTI, we've really not been trying to bully it. Normally you don't have some like big counter party there is enough liquidity there that basically the worse thing that can possibly happen to you is that you try to bully it and you run out of power.

Meijer: (laughter) and then the market just moves, I mean, apart from what you were doing. Of course, a thousand futures is at least something during your 3rd period but it's not like anything huge.

Dowson: So basically for us - if you compare that to the WTI, what we do with that, we never try and really pummel it anywhere. We never really try and push it, and so that's not the one where - where we're sort of using our scheme and what we do do, is this: we do a little bit - lets say we do less than 20% before hand when we do WTI, and we do it over the 2 minutes in a trajectory, so basically the remaining 80%, you do two-thirds of that 80% after 1 minute - and this is for a couple of reasons, 1) it mirrors most accurately the volume that trades over that time and secondly, you've got more or less 3 things that can happen : either it goes with you; also if you have to buy it going up or if you have to buy and it's going down; or nothing is happening. So these are your three essential things

Dowson: If you have to buy and you see that there's big sellers in, actually that can be nice for you, you just layer your bids in things are mainly trading above you and you just get hit on the way down and you normally make a bit better than VWAP.

Transcript of 128XCP.wav

Description: Call from Christopher Dowson to Randal Meijer

Date: 3/8/07

Parties: Christopher Dowson; Randal Meijer

Meijer: Yah exactly, then you've gotta beat VWAP, but of course in the end you try to make money. I mean the scalping beforehand and beating VWAP is quite nice but the most money you make when you can really -- of course, when you just have more than the liquidity available at the moment, let's say.

Dowson: But that's not for us; that's not been something that we've done in the WTI.

Meijer: Yah, I don't know how much trading (inaudible) done because in the Brent, only like 900 futures trading at normally 300 per minute or so and like 700 or 800 in that minute.

Dowson: Exactly.

Meijer: But is that a lot compared to Crude [oil contract] because it didn't seem too much? I mean, if you need to do a 1000, the it's -

Dowson: This is the whole thing, I mean probably if you have like 2000 Crudes to do, you already -- you've got a bit of power - and the other thing that you have to remember, let's say people are paying one over - in the Crude, then you're not the only one, so you can also anticipate that other people will have to buy during that time as well.

Meijer: Yah, that's a bit funny (inaudible) at zero? (chuckles)

Transcript of 128XCP.wav

Description: Call from Christopher Dowson to Randal Meijer

Date: 3/8/07

Parties: Christopher Dowson; Randal Meijer

Dowson: Exactly, that's the whole point that - in the crude we have more or less just looked at that as an indicator, and yes in general there's market bidders or something like this. But we've really not tried to push that because although - you then basically start to risk big amounts of money and when there is definitely going to be a time when there are people who just want to do a lot, for example, in the opposite direction and then you can really just get hammered from it. When we really made our good money it's come from in the products where - then you're talking about normal trading during those 2 minutes is 300 futures or 400 futures, something like that. If you have a thousand to do then you (inaudible).

Meijer: We could have done more on this one. It seems also like genuine volume. I mean, when we hit the bids, in this case at least. It was also multiple counterparties. I don't even understand because sometimes you see three lot or eleven lot. What kind of orders are that?

Dowson: Yeah exactly.

Meijer: What the fuck do they want? (laughter)

Dowson: Why would anyone want to trade this and not just buy futures?

Meijer: Yah exactly, I just didn't get it, but anyway, so okay, say you have to be very careful with this one actually?

Dowson: The more likely that there can be a counterparty, the more wary I am on it. We definitely are a lot less aggressive in the Crude than we are in the -

Meijer: Than in the other ones.

Dowson: But I still think - this is the other thing as well, it's actually nicer to have a position of 800 than a position of 200. A position of 200 in the gasoline for example is probably the worst you can have because you've got -

Transcript of 128XCP.wav

Description: Call from Christopher Dowson to Randal Meijer

Date: 3/8/07

Parties: Christopher Dowson; Randal Meijer

- Meijer:** You really don't know what to do. You cannot move anything.
- Dowson:** You have to trade a big amount during the time, but you don't dare to bully anybody, so that's probably the worse position that you can have.
- Meijer:** Yeah, I want to see how it works a little bit because it's really interesting if there is bullying, let's say it's possible at a certain stage - - it's definitely not risk free and this 32 doesn't mean anything, but I'll maybe try again tomorrow and see what --
- Dowson:** This is a bit of a thing I also have over here as well - what I like being the -- sort of 99 bid at 101 as well at least is that you got a good uh -- I mean I suppose even if you sell even you could still say -- look we think we can get edge and trade in the same sector, it doesn't matter -- I was just thinking more about if people come to you with stories about why you manipulated the market and things like this.
- Meijer:** Yeah, okay, then you can still say yeah because we can still make some from scalping -- but you actually don't really manipulate because you actually have an order that you just need to close your position -
- Dowson:** We just, we can execute better than VWAP, that's why we do it.
- Meijer:** Exactly, that's what we think at least (chuckling).

Transcript of 128XCP.wav

Description: Call from Christopher Dowson to Randal Meijer

Date: 3/8/07

Parties: Christopher Dowson; Randal Meijer

Dowson: That's a fairy story. But I have the same over here that I do want to basically get some experience from it and I want to try to have a couple of days positions in the product close to a thousand seeing if we can just consistently beat it. I think also what we have here - it's pretty interesting seeing what direction they're in at both times. We have a few types of tricks and slightly different strategies depending on, let say. The other day we had to buy all three. And so then they were really bidding in the oil. We sold our limit and then we also went short on the others, so we knew we were bidding all three so you expect some bidding pressure in the oil anyway. We were pretty aggressive beforehand then, but then you have another thing when let's say you have the oil opposite to one of your products.

Meijer: They all expire at 8:30?

Dowson: Yeah exactly, they all have the same -

Meijer: Yah, the nice one of this is that it's just 5:30 and there is nothing else expiring at that time.

Dowson: Yeah, you can watch it and -

Meijer: (Laughter) Yah, we'll try again tomorrow and see when we start bleeding.

Dowson: Yeah, exactly. What you might want to do just as a tip for tomorrow - do the pushing as much as you can in the minute before the marker.

Meijer: Yah, I already thought three minutes was a bit long.

Transcript of 128XCP.wav

Description: Call from Christopher Dowson to Randal Meijer

Date: 3/8/07

Parties: Christopher Dowson; Randal Meijer

Dowson: So don't try and - especially because it's more liquid you should just do this - basically, let's say you have a 1000 to do tomorrow, even just 30 seconds before the minute marker starts, just do 500 then, let's say you have to buy, and really try and push it up as much as you can, and then in the minute don't try and push it too much harder, just try and defend it let's say. The thing that's nice about that - the minute, the idea of it is to attract the liquidity, so you have more chance to sort of bully in the minute before where -- that's the 300 minute as opposed to an 800 minute -- so that's one of the things we've tried as well. But the other thing to remember is that the worst thing that can happen is running out of power. So if you see somebody against you -

Meijer: Then you have to be careful and put your bids in. I mean, the risk is not so much doing it a bit worse than VWAP. It's actually not the big risk. The big risk is the (inaudible) you take on from actually doing pre-buying or pre-selling and then suddenly something happening. And you just (inaudible) off for 300 futures.

Dowson: If you see someone big against you just accept that you gonna take a small loss on that day and just go defensive and just scale in your bids as much as possible.

Meijer: Yah, exactly, try to get VWAP or a bit worse but that's not so bad. Okay, we'll try again tomorrow.

Dowson: It's a fun game though, huh?

Meijer: Yep (laughter), it's a nice game. It's fun anyway, but if the flow is genuine - it's also in this one, although the product is funny, I can see that you can definitely make good money from it, so especially if you do it in all commodities, or any product actually in general.

Transcript of 128XCP.wav

Description: Call from Christopher Dowson to Randal Meijer

Date: 3/8/07

Parties: Christopher Dowson; Randal Meijer

Dowson: The soft commodities, they start next week. But we have to see if there is enough volume in the electronic underlyings and things like that.

Meijer: Okay, we'll see. Enjoy your day.

Dowson: Have a good day.

Miejer: Thank you. Bye.

Transcript of 1293QN.wav

Description: Call from Optiver, Netherlands to Optiver, Chicago

Date: 3/9/07

Parties: Bastiaan van Kempen and Christopher (Chicago); Randal Meijer, Jan Marten Visser and Johann Kaemingk (Amsterdam)

[Speaker [Dutch spoken]

Unknown]

[Speaker Have you (inaudible) payment on him?

Unknown]

[Speaker [Dutch spoken]

Unknown]

[Speaker (inaudible) Did you have a different get his IP address now

Unknown]

[Speaker (inaudible) call us

Unknown]

Transcript of 1293QN.wav

Description: Call from Optiver, Netherlands to Optiver, Chicago

Date: 3/9/07

Parties: Bastiaan van Kempen and Christopher (Chicago); Randal Meijer, Jan Marten Visser and Johann Kaemingk (Amsterdam)

[Speaker [Dutch spoken]

Unknown]

00:38 Dowson The number that you're trying to call, which one is it?

[Speaker What the - IP address? 10.51.10.30

Unknown]

[Speaker Yeah, that should be good.

Unknown]

[Speaker Is that the same as you were trying?

Unknown]

[Speaker No, that's not (inaudible)

Unknown]

[Speaker At least it's yours, you mean?

Unknown]

[Speaker Yeah.

Unknown]

[Speaker Yeah, But the speed is only 512 kilobits.

Unknown]

[Speaker (laughter) (inaudible)

Unknown]

[Speaker I know, but it doesn't connect. Do you get the same error

Unknown] message, disconnecting call?

Transcript of 1293QN.wav

Description: Call from Optiver, Netherlands to Optiver, Chicago

Date: 3/9/07

Parties: Bastiaan van Kempen and Christopher (Chicago); Randal Meijer, Jan Marten Visser and Johann Kaemingk (Amsterdam)

[Speaker Yeah.

[Unknown]

[Speaker Oh, great. Then we need some help, probably, from

[Unknown] somebody.

[Speaker (inaudible)

[Unknown]

[Speaker I'll put you on speaker, we can already start by phone then.

[Unknown]

[Dowson Are you asking for help?

[Speaker Yeah, Jan asking for help.

[Unknown]

[Speaker Ok

[Unknown]

[Speaker Shall we –

[Unknown]

[Visser (inaudible)

[Speaker One minute –

[Unknown]

[Speaker (inaudible)

[Unknown]

[Speaker Shall we start with everyone?

Transcript of 1293QN.wav

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Parties: Bastiaan van Kempen and Christopher (Chicago); Randal Meijer, Jan Marten Visser and Johann Kaemingk (Amsterdam)

Unknown]

[Speaker Yeah

Unknown]

[Speaker yeah

Unknown]

[Speaker Get the weekly update. Yeah, from your end then.

Unknown]

van Kempen Me? It's em, we still have - Most of our questions we already discussed last week have been answered. So far on the development side, I don't know, if you see the Maxwell is going to Sydney to help with the development. (inaudible) is gonna lead to the development of the market links, in Sydney. The total development time, they described in the document; I have it compiled into one main document that it looks somewhere 6 months from today until implementation. On the infrastructure side, Bas made some recommendations regarding infrastructure also regarding people into time to implementation he expected in total would be right about, for the York infrastructure, 2-4 weeks, but the total, other infrastructure would be around like 2 months. On top of that, he suggested certain skill sets related to certain people, but

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we're still trying to figure out how many people exactly that would be, and Jan is conferencing that with Michael and Bas.

Visser I did this morning

[Speaker Ok

Unknown]

Visser And, he will be updated on Monday. But what we will need is three unix guys, with slightly different expertises. Let's say, (inaudible) units (inaudible) But, a lot in about three with unix expertise. That's what you need for support. Of course, that's not including the support that's delivered by the developers.

[Speaker Uh, yeah.

Unknown]

Visser So we will need, that's the estimate currently, at least a team of 3 developers to keep it up and running here and three support guys. I will detail the expertises together with Michael on Monday morning and send it over to Kevin so Kevin can can match it to what he already has and what he thinks he can use or whether he thinks he will need three brand new hires.

Dowson Yeah maybe he can send some people (inaudible) but that's

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up to Kevin to decide.

van Kempen

Yah for the three developers, outside Maxwell we've discussed it with Charles, and Charles and Jessica have set out a recruitment plan and that's just started getting in motion as of probably 3:30 yesterday. So based upon, Australian specs the job description's been sent out and it'll go through recruitment as they do it through, through Australian standards.

Visser

Ok. There's one other thing that I would like and that's, that's, let's say to formalize the project structure.

Visser

I talked about this with Michael and what I had in mind was not too heavy, not too top heavy but that you would be the overall project leader.

van Kempen

Yeah.

Visser

That Michael would have the deliveries, so the development,

van Kempen

Yeah.

Visser

That Kevin, but I told you that, that Kevin would have, and it's an important part of the project, the let's say the, the managing and setting up the, at one, support, in Chicago of course with a lot of aid of Bas over in Australia and, and the

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developers that will visit, will visit Chicago; but that Kevin would take that responsibility say.

[Speaker [inaudible]

Unknown]

[Speaker If he has the time for it of course because he has a lot of

Unknown] responsibilities too. But I think you should have someone in

the lead to, implement the support structure over there

van Kempen yeah, that's, uh, that's correct

[Speaker Ok, so how would you feel about it so that the day's project

Unknown] team, project leading would be in principle Bastiaan and you,

Michael and, uh, Kevin probably, and when needed, Charles

could attend for in depth technical questions. Does it make

sense to you?

van Kempen Yeah, that makes, that makes sense to me. Like, right now,

Bas has been quite involved in describing the infrastructure

but I think it makes most sense if Kevin takes the lead on this

on this end because he actually has to implement it.

Visser Ok, and then yeah basically -

van Kempen (Inaudible) into that, because that's a question that I asked

you before. You said this would be somewhat like a steering

committee.

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Unknown] describes all the potential issues we could see (inaudible)

[Speaker Gor experienced people like you.

Unknown]

Dowson Sorry, I didn't get that. Can you say that again?

Kaemingk Oh, I just made a joke. I said and how is it for experienced people, experienced project managers?

van Kempen Oh, Ok. I, I don't know. (chuckles) You should ask an experienced project manager.

Kaemingk That's you.

van Kempen No this is a first timer.

[Speaker No, you're skilled in, an experienced project manager.

Unknown]

van Kempen Ah, ok.

[Speaker I won't do with anything less.

Unknown]

[Speaker Chris, you make sure he delivers on time.

Unknown]

Dowson Oh don't worry about that.

[Speaker Alright, thank you. That's what I like to hear

Unknown]

van Kempen We're trying to put the deadline like at the end of 2009 right

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now.

Visser? Very good. Very good. Ok. So that's the project organization. We have, let's say, two reasonably short term deliverables. The first one is, let's say, to sign off the requirements so there's agreement on that?

[Speaker Uh huh.

Unknown]

Visser The second one will have to come from Michael, he's already preparing that, make a, let's say enough detailed project, development scheme that there are milestones on which you can get reports and, and steer a bit and to check whether everything's ok.

[Speaker Sure.

Unknown]

Visser Ok, that's all. For me, that's all with regard to the to that one project right now.

van Kempen I think the other issues can be discussed at a later time.

Visser On more or less related - when Michael was going over to Australia he said he was very was fond of the idea but first he has to finish the NASDAQ reactor feed, feed scripts.

[Speaker Yeah, you've spoken to him?

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Unknown]

Visser I did not. You were supposed to speak to him.

van Kempen I spoke to him. He's fond of the idea. I've also heard from Jessica that there is no visa requirement so that he could leave relatively soon like on a travel visa and, Australia would be no problem. I'm not really sure yet how long the NASDAQ reactor project will take and hopefully he'll get back with a time line on that.

Visser I'm thinking in terms of a few weeks, to be polished.

[Speaker Yeah.

Unknown]

Visser Ok, you do to?

van Kempen I'll contact Charles and maybe Yung just to make sure that if you're building it to a specific protocol at least make sure you're building it to a similar protocol that they're using right now in Australia.

Dowson One comment while we're on this subject. I didn't mention it in my emails this week to Randal because I was on, I just had a day off at the time. But, we Arwin had an incident where his ROX feed froze just before figures this week and, we lost like a quarter of a million on it.

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Meijer Ok.

[Speaker What?

Unknown]

We, um, Arwin, Arwin's proj--, this project of Maxwell that we're trying to replace. Or the thing that we're trying to replace that we don't trust and we think it's unreliable proved those suspicions correct this week by breaking down, during some oil figures, and to quite the cost of like a quarter million. What we've done is we've looked, the IT guys are still looking into it with ROX to see what exactly the issue was. It seems pretty clear it wasn't on, on our server side. And we've gone through again and checked our safety settings. They could have been a little bit better I have to say, but, even if we'd have had them exactly how we think they should be it wouldn't have made so much difference, it would have maybe saved a quarter of the cost, something like that. but that was pretty nasty.

Kaemingk But, what happened to the feed he normally got?

[Speaker (inaudible) it goes too wide

Unknown]

[Speaker -it goes, you see it going wide or being completely -

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Unknown]

[Speaker Zero market.

Unknown]

Dowson - completely zero market or completely the wrong price or something like this. In which case we have safety settings that pull our market but in this case more or less it just stopped. and we do have a safety setting that says after so many seconds if no updates then pull, but what happened here was that it just stopped working about 10 seconds before oil figures and um -

van Kempen We were already expecting the numbers coming out of course and they were quoting wider because of it and the exposure in general is large because you're quoting independent exchanges and those safety settings aren't set as a group but they're set by the exchange, the safety settings were triggered and they did work but the total exposure is still very great.

Dowson So, that's um, this is of course something we know about it and something we knew was a risk, it's just quite unfortunate that it happened the day before Maxwell was about to start on this project.

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Meijer And Maxwell has got his NASDAQ feed but do you also still rely on NYSE feed for your (inaudible) option trading.

Dowson Well, I mean, for Arwin, the preference would probably be for him to have NYSE feed but, he can get away with, he can get away with the NASDAQ feed and it would be preferable to the current situation.

Meijer So if Maxwell has built NASDAQ reactor you don't need ROX anymore?

Dowson No.

Meijer At least not for feed purposes?

Meijer You still need it for hedging purposes?

Dowson Yeah, but it's satisfactory for that.

Meijer Yah. Ok. Alright, then the third IT thing is the short sell investigation.

Dowson What exactly, what exactly was the question on this?

Meijer It's been there a while of course and everyone keeps asking me what the hell do we want with this. My question is it still necessary. of course we left it long ago and Bastiaan made one comment about a rumor that it would be abolished at a certain stage. Is it now, yah, is it a request, does IT have to do anything about this, uh, short sell, do we have to implement it

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other than we use at the moment?

van Kempen

I mean it's still a rule, it's still being reviewed by the other departments. We did get audited on it last August by the PHLX and they did write up that we had some violations. They did notify us that they recommended the letter without action, so no real sanctions based on those violations. The SEC, or some people within the SEC, had still commented that this part of the (inaudible) should be abolished but the timeline is normally – it's been regulated, it could be a year where right now we, go the individual instances that it happens and just give good education of the traders and with the systems that we currently have in place, we, we seem to be ok and if it becomes more of an epidemic that we have more and more violations then we should address it at that time. Right now I don't think we need to address anything in specific.

Meijer

Well, you couldn't make me happier, so we can remove it from the list.

van Kempen]

I would say so, yeah.

Meijer

OK, excellent. So now then we'll inform (inaudible).

van Kempen

I thought you had a short sale investigation (inaudible)?

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Meijer Yah, but that's also the one or two, nobody's pushing me to do anything about it over here.

van Kempen I mean, if there are changes in the regulatory spectrum, I'll let you know.

Meijer Yah, ask them to hurry up.

J (laughter)

Meijer Because, yah, we know that in time it will be likely at least that we have more issues, at least run the risk of more issues.

Meijer Do you guys have any other IT? These were the three things I had.

Visser I have one. I notice that still there's a bit of tension, more or less, between support over there and support over here about what authorizations Chicago should have and what authorizations Amsterdam should keep. It's a bit irritating every once in a while but I will address them together with (inaudible) and Kevin in one meeting the following week.

van Kempen Kevin has written down all the authorizations he would like to have for the Chicago office.

Visser Yeah, I gave them to (inaudible) and to Kevin in every respect, but he will, we will, I will have a meeting with the two of them and I'm sure we will have a sane division there.

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van Kempen One thing I'd like to mention for the daylight saving s time, which happens this weekend, it's normal. Kevin has requested a couple of services from Amsterdam that need to be performed on our servers. I'm not sure how that's going but that actually needs to be addressed because otherwise there might be some issues on Monday. And there might be issues on your end as well, but I don't know what the impact is of that.

Visser I think (inaudible) is already taking care of that, but I will check it right after this meeting.

van Kempen Okay, thanks.

Visser Okay, that's all from me on the IT side.

Meijer Anything from you?

Visser No.

Meijer Okay, then we can dismiss Jan Marten.

Visser Thank you sir. [Chuckles]

Meijer Then, the other trading please?

[Inaudible.]

Meijer First the TASEs.

Dowson The TASE? ---Okay.

Meijer The TASEs, trading at settlement, from uh, starting from a

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risk point of view, I could see - or, at least I see three different uh situations, uh, one is being that the position we have traded *before* the expiration begins. That's like [unintelligible] involves a risk that we cannot trade anymore, let's say, so-

[Speaker Yeah, that the exchange is closed or whatever.

Unknown]

Dowson Yep.

Meijer How, how have you solved this?

Dowson Tthat the exchange is closed, then we would be in, um yeah, quite some problems, I believe [inaudible]. Then I would want to know how they are going to do the settlement thing, so yeah, we can look into that if, if we have technical problems then we have the brokers to, and good traders, to trade futures for us on the floor.

Meijer Okay, and you have the numbers of those brokers, you know who to call and uh what to do then already.

Dowson And, and with regards to our systems we also have backup systems, so we have the TT as an alternative to the Eccoware.

Meijer Yeah. But the products only trade, only on the CME at the

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time eh?

Dowson: Uh -

[Speaker -on Globex-

Unknown]

Dowson Yeah.

Meijer Yeah, we have, at least we have if the ICE expiration then we'll always have the CME as a backup, let's say.

Dowson Uh, well not in the Brent.

Meijer No, not the Brent, but they trade the crude I mean, if it -

Dowson - the first, the first, the Crudes basically, the Crudes expire at the same time as each of those, so you have the two exchanges as a backup for each other for the crude let's say.

Meijer Yah, okay, I see so that already helps. But I definitely think we should, uh, look into, uh, I mean I could see the brokers, if we cannot trade, we have the brokers. But if the exchange closes you definitely need to know what the rules are.

Dowson Yeah, exactly.

Meijer Yeah, maybe it's just an opening print of the next day, but it's very important you know what to do with your, possibly 100 to 200 million that you have left.

Dowson Yeah.

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[Speaker Unkown] Yep.

Meijer Uh, then the second and third positions I see just before -, well we have the position we pre-buy or pre-sell before the expiration begins.

Dowson Yeah.

Meijer And then we have the position going into the expiration.

Dowson Yeah.

Meijer And to, and to begin with uh, the latter one, yeah I don't see that as such a big risk because even if there is a market movement or we have a opposite party-

Dowson Yeah.

Meijer We still, yeah, we're just going for VWAP and yah, I'm sure we, we, yeah, we try to be on bids or offers and it might be a bit messy, but the worst thing you will do is a couple of ticks worse than VWAP.

Dowson Yeah, exactly.

Meijer Yah, and that's ya, of course with a big enough position it can hurt you, but it's not a huge risk or anything, I think.

Dowson I think if you, if you look for risk management purposes or something if you said you missed it by uh 30 ticks, that's, huge.

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Meijer Yah, that's huge and, and, then you should fire the trader doing it.

Dowson Exactly (laughter).

Meijer Yah, it's then, it's just, I don't know what he has been doing then. And even if, so, so that makes also if you see funny things happening just - up till the expiration, you can still decide not to pre-buy or pre-sell.

Dowson Exactly.

Meijer Yah, so, actually, the biggest concern next to who is the part, we have pre bought or sold.

Dowson Yeah.

Meijer And so that's, actually-, I was happy with that because that's actually, that's where we can set the limits for.

Dowson Yeah.

Meijer So actually the limits I gave you - Yah and maybe now they're a bit big, but I don't have - I think that's the uh amount we should limit to maybe 40 or 50 million for an on the line.

Dowson So the amount that we can do beforehand?

Meijer Yah, exactly, so I don't have a problem if you buy, if you have already traded - and Johann should step in when he

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doesn't agree – for example, 5,000 futures, but you should limit to pre-buy or pre-sell, probably only 500.

Dowson Yah, exactly. Now I also think -

[Speaker 500,000 mill

Unknown]

Meijer Yeah 500 , but I - let's say, let's say 50 million. They can pre-buy or pre-sell 50 million, and then pretty close, but that's what we want anyway, pretty close before, so you're talking a couple of minutes before that it happens.

Dowson Exactly.

Meijer And pre-buy or pre-sell 50 million, depending on, per commodity. And then, whatever you, yah, of course you, but they might have maybe 300 million during the period.

Dowson Now does - Bas just wrote it down exactly as I was thinking,...

Meijer Yah.

Dowson There is a difference though, for example, let's say I'm gonna buy, -, I'm gonna buy oils and I'm gonna sell gasolines. The amount that you're be willing to do beforehand in that spread -

Meijer Yeah.

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Dowson - is bigger than the amount if you were just doing them both in the same direction.

Kaemingk I agree with that.

Meijer Yeah, because they spread out a little bit anyway.

Dowson But, now well, let -
[Inaudible]

Dowson Let, okay, let's say, you do this, the risk that you have just described -

Meijer Yah.

Dowson - let's say I just had one product, and I did 500 of them beforehand.

Meijer Yah.

Dowson And then there's a big market move or the exchange falls down or whatever -

Meijer Yeah.

Kaemingk _ but 500 is 30 million -

Meijer No, let's say, let's just stop at 550 million.

Dowson Yeah.

Meijer Yah, in Crude, it's 30 million, that's right but yah -.

Dowson Yeah, okay.

Meijer 30 million, alright.

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Dowson Okay. So if I have a position of about 30 million deltas -

Meijer Yeah.

Dowson - just in one thing, or I had bought 30 million in crude
beforehand and I sold 30 million, in gasoline, yeah, this is
just, uh, way lower risk of course.

Meijer Yep.

Dowson So.

Kaemingk So, yes, but I assume you know yah, it can be manipulated
let's say by major oil companies or whatever with one
percent.

Dowson Now, yeah, oh definitely, so I don't... listen, I don't say it's
no risk... (laughter).

Kaemingk Oh, I see, yah.

Dowson It will be for the, I'm talking for the sort of disaster scenarios.

Kaemingk Yah.

Dowson I see that as being being a lower risk, so -

Kaemingk But, but uh, because now I'm alert because normally, then
certainly Tuesday or Wednesday I think have we thought on
that, so I have to be now very careful. Um, now first of all,
Yung - is he completely aware of - Bastiaan? Cause Yung
is also at least partly your responsibility.

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van Kempen Yeah, uh, I spoke to Yung about the TAS contracts themselves. There is an issue in that he can't really see them properly in the systems.

[Speaker Unknown] Yep.

Kaemingk But, does he, does he understand it and does he -?

van Kempen He understands it I mean I went through the basics how it works and what we exactly do and he understands that part of it. But I, I, - during the day, like right now, he can't really assess the risk. At the end of the day everything settles and there's no future contract so he can't really see what we've done during the day.

Kaemingk Yah, this -, okay, his first priority is to check all positions once a day, alright? But um, um there's also little bit, um can he, can he understand it and everything? Basically -

van Kempen Actually the scenario is -

Kaemingk I, , I tend to agree with all the products have cash settlements.

van Kempen No, they all settle in the physical future but if the future doesn't have a delta until you get to settlement price?

[Speaker Yep.

Unknown]

Kaemingk Yeah, alright, but let's - but the physical, you then have then

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to deliver something or have to buy something?

Meijer You agree to sell or buy at the VWAP a certain amount of futures.

[Speaker Yeah.

Unknown]

Kaemingk Yeah right, and then you have to -

Meijer and during the one or two minute period you, uh, get it back.

Kaemingk Yeah um ok.

Dowson So we intend to have a zero position at the end of every -
um, at 1:31 every day we intend to have a zero position.

Meijer Yeah, but as I describe it now Chris, as I can see it you an
have a bigger limit than, but because what we normally said
was a thousand or we had said that was for having a position.

Dowson Yah.

Meijer But like I'm suggesting now, you can , okay, you can, can --
I want to suggest you can have 250 million underlying.

Dowson Yah.

Meijer In position, but only pre-buy 50 million.

Dowson Well, I -

Meijer And if you have a combination of positions then I'd like to
see you schedule. What position you can pre-buy.

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Dowson Exactly. Yeah, I'll ask Ferhad to do that, uh for you.

Kaemingk Yes, , because I like to have a second thought because now -, because the numbers are getting quite -,

Meijer Yeah, I can get those numbers from the AEX expiration.

Kaemingk Yeah, but for me a little bit you know, with uh .. I-I'd like to have some additional information about - yeah, about the size of the market and so on. Because when you're talking about, let's say S&P futures, AEX or whatever you're talking about an underlying basket of 4 or 500 billion.

Meijer Oh we'd' like it to be little, eh?

Dowson That's how, that's how, we make our money from.

Meijer Oh, because my next sentence was going to be, exactly, this goes until. This is all built on the idea that we can control the VWAP. Yeah, as soon as we get indication that we can't we're not going to do it anymore actually or not like this at least.

Dowson Exactly. And that's why we're also more cautious in the way -more cautious in the crude oil, than we are in the products.

Meijer So illiquidity is a good thing to come back to Johann's theme.

Meijer Yah.

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Meijer Because you will -[unintelligible]

[Speaker - come forward.

Unknown]

Meijer Yeah.

Dowson Well, to be honest, this is what I expect. I expect that at a certain stage, other people to uh, let's say spot it, which is why we want to disguise as much as possible and keep it, you know -

Kaemingk Exactly, you know -very good, yah. Talk with nobody about it, although I think that quite a lot of people are aware of it already.

Dowson We don't want to be pushing up the futures and the expiration. I Actually don't want that big [of] a position. Let's say I want, let's say I'm gonna do 500 beforehand, my ideal, let's say in the gasoline for example -

Yeah

Dowson I think my ideal position is going be around a thousand because then I do 500 beforehand and I have 500 to push, I get, I, I can definitely push it, I'm very unlikely to go the other way. But I'm also not doing it so dramatically that it - we're talking about it on CNBC and things like this.

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Really.

Kaemingk

Exactly. And Bastiaan is getting all the uh possible compliance risks, eh?

van Kempen

It's Steve from our conversation last week, I think it was on Thursday. I mean, I believe that we are only hedging ourselves because no manipulation in the -uhh - market manipulation.

Kaemingk

Oh, I agree completely with you. I don't consider this as being manipulation, but I know all of this discussions until the last day uh actually uh --actually and, uh I am not aware of all of the details at this time - for example the London Stock exchange is really checking whether you won't sell anything more than you actually need to sell.

Dowson

Yeah, exactly that's one thing I talked to Ferhad about already. And that's - uh, we already had that discussion because what we noticed is actually, um and this comes right back to the genuine flow part, that what we notice is that, let's say we're going to buy things and make it go higher, if even, you might expect because this is sort of artificial and pushing it up, that it comes back down afterwards. But what we've seen is, if anything it tends to continue the same way.

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In other words, there seems to be genuine flow or a buying pressure.

Kaemingk Oh, okay, now let's leave it that way as long as possible.

van Kempen I, asked, Steven to look into it on an anonymous basis. To, uh, just to see if there could be a potential --

Dowson But what you could do then is of course, buy extra during the time to get it even higher and then sell them out at the end. But we've discussed that this is something that we see is, uh potentially could be seen as market manipulation, so we decided to uh, to stay away from that.

Kaemingk Okay, agreed?

Dowson Yep.

Meijer Okay so go in with 50 and the 250?

Dowson Well, uh, uh, I'm uh, I think that's uh, yeah that's a good suggestion from you. I'm gonna come, also I've got Ferhad to write down about if we have opposing things type to what you see as a difference in risk and then come with a proposal for you.

[Speaker Yep.

Unknown]

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Kaemingk And about what Randal calls the 50 and 250, I'd like to have some sort of indication about the total size of the market.

Dowson Yep. OK. I'm just gonna, uh, excuse me for 20 seconds, Ferhad's got about 600 gasolines in his position, I'm just gonna make sure he's not hacking them too much...

(Laughter)

van Kempen Is there any way else that we can ask Doug to uh make some kind of tool as to better estimate the volume during that time period so you can better see what kind of effect that it will have - on the market. Is that correct?

van Kempen Can we ask Doug to make some time tool to see what effect this have on the market?

Dowson Oh, we've, we've, been uh, now we've, but we've been running analysis on um, yeah, because we are trying, umm to improve how we make the VWAP as much as possible, we've been running analysis on the volumes traded over the, yeah, uh the minutes before, the minutes during and how it goes, and, um, and yeah, so we can better approach the VWAP apart from anything. But, uhh... we should... uh, I'm quite sure we should be able to get some of the

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information you want I think.

Meijer

Yeah, what I would like to get is like a daily because it's quite big, so I'd like to get the volume straight as to what we traded in the strategy that we followed et cetera.

Dowson

Uh huh.

Meijer

Because your, your and and then, you'll all trade the products that is crude, the heating oil and everything. I'd like the minute marker to be done over here for the moment, so that I can have, get a feel for exactly how it's going.

Dowson

Yeah, okay.

Meijer

Is that alright?

Dowson

Yep.

Meijer

Okay, then if we're really done, and of course we'll move them again if it's profitable, but that speaks for itself.

Dowson

Okay.

Meijer

Meijer

Dowson

REDACTED

Meijer

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Dowson

Meijer

Dowson

Meijer

Dowson

REDACTED

Meijer

Dowson

unknown

van Kempen?

unknown

van Kempen

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Dowson

unknown

Dowson

REDACTED

Kaemingk

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Meijer

Dowson

van Kempen

REDACTED

Meijer

Dowson

Meijer Yeah, actually, the biggest hurdle for me probably would be who's going to take over his role, so that's something you have to answer

Dowson Yeah, exactly.

Meijer I think of - if you have time to think about it or to work on an alternative maybe.

Ok, it's the news on the move of the building

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van Kempen

I discussed with Ari and Jan Marten how we going transfer the feel and look from the Amsterdam office to the Chicago office regarding engineering and all the installations and check the infrastructure. We are going to have a US engineer write up all the plans and have it checked by ADT.

Meijer

Yeah

van Kempen?

Yesterday we interviewed architects and engineers and I'll show to Ari which one I would prefer to pick and show him the pricing and give him the comments regarding to that. The most important of this interviewing of the technical consultant who is building the shared room and laying out the infrastructure; that will be done hopefully by the end of next week. With regards to the building, uh, general pricing on the lease, I think we're pretty much eh, we've seen the bottom on it but right now we're working on the base building work letter, how's the building going to deliver the space how would they, uh we first wanted them to do a lot of work on it, well we still want them to do work on the (inaudible), there's of course costs involved with that. We're negotiating that

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back and forth and making sure we get all the right access to put our infrastructure up there. One of the bigger things that we always have out there is Chris and I discussed it with uh, whether or not we would want to input the generator into the building. I believe that's in flux as well, whether or not they're going to do that in Amsterdam. So, we actually think, given my experience over here so far, power distribution has been good and set by two power plants at least.

Meijer Yeah.

van Kempen So the actual failures have been minimal.

Meijer Yeah.

van Kempen So, having our own generator right now doesn't seem like a necessity. Because it also requires - setting up completely entire own cooling infrastructure into the building, and then powering it yourself.

Meijer But you already have two power plants, you say.

van Kempen I mean -

Meijer We only use one I think, right?

van Kempen The building is fed by two separate power grids. So if one

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fails, the other one picks it up.

Meijer Also by two different companies then. Or just the company runs different grids?

van Kempen It's pretty much all one company. But it's - it's so if one grid fails, then the other one would take over.

Dowson Let me add one extra thing- Yeah, in that the rewards if you stay in when there's a crash should be smaller here as well. So the rewards that the thing that you (inaudible if everything breaks down in Chicago -

Meijer Yeah.

Dowson It's umm, you miss a day's trading, or half a day's trading.

Meijer Yeah.

Dowson Where as in Amsterdam, if there's a huge power failure in Amsterdam, with all the other trading companies being there - yeah, you miss a day's trading where nobody else is in the market.

Meijer Yeah.

Dowson It's probably -. a little bit more valuable.

Meijer Well look, I don't have a problem with it. I mean, I've never been a great big (inaudible) fan at all, so, but if you, yeah, if the two of you agree it's not necessary, especially with a

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double grid then.

van Kempen No, no, we do put the UPS in there, which would give us like 45 minutes more on all places on all systems -

[Unknown speaker] Only for the (inaudible).

van Kempen No, for everything.

Dowson But just not the generator that will keep you open all day if something strange happens.

Meijer Oh okay.

van Kempen So we'll have back-up power for up to 45 minutes for all systems and then, yeah, just get by to be enough to put a generator in there but you still have to (inaudible) with the building, if we ever want to do it.

Meijer Ok, anything else on the building?

van Kempen Yeah, I mean pretty much until receiving all the (inaudible)... we've got a contractor there, I'd prefer to (inaudible) a project that I'm - I got the pricing from other contractors and I got a (inaudible) down on the price... he's been pretty good in the selection process of the building and managing this entire process, so I would like to keep him on board, just gotta work with him on his pricing.

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Meijer Okay.

van Kempen Then, it's pretty much it. I mean, we are talking to all three buildings. But our primary focus is on (inaudible).

Meijer Yeah, the Prudential one.

van Kempen Yeah.

Meijer Okay. Yeah, if it looks fine also, you should send it over here, but we should be able to sign it that really quickly then, I think.

van Kempen Yeah, once we get the actual documents, this Steve of course, is going to be highly involved in making sure the language is correct.

Meijer Okay, is- any other issues?

[unknown] I don't think so really.

van Kempen Look, I mean, I'm actually happy with what Jan Marten said this morning because at certain point it's (inaudible) at one project that's being led by two different people. (Inaudible). Jan Marten was highly involved as well.

Miejer Yeah.

van Kempen (Inaudible) I think this works out.

[unknown] Okay.

van Kempen Yeah, I just got some things with [Ari regarding this

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temporary fix for moving stock over to Fortis. And we get positions in a CSV and we offload those other (inaudible) to (inaudible).

[unknown]

Yeah.

van Kempen

Just need to get more details on that if that is probably possible. Ari didn't seem negative about trying that, but I mean, it is of course, you add an extra point of failure into your entire system.

Meijer

Yeah, and for all - yeah, of course it's been postponed all the time, but I hope it will only take another two months or so before you finally can move, right?

van Kempen

I hope so too.

Dowson

Fingers crossed.

van Kempen

I mean, I'm actually pretty - because I was getting kind of worried that going developments, what I've heard for (inaudible) - lot of people going away. Two people in the database team.

van Kempen

Yeah.

Meijer

(Inaudible). decent backup.

van Kempen

Well, at least we're looking for it, or it's already available, yeah.

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Meijer (Inaudible)... that there was any specific added delay on top of -

[Unknown Speaker] (inaudible) Jan Martenhe keeps on naming the same (inaudible), let's say.

Meijer Yeah, that's your (inaudible).

[Unknown Speaker] End of March, yeah.

Meijer And then, (inaudible) first month, we'll do the Chicago (inaudible).

van Kempen Yeah. Exactly.

Meijer And if that's really still -

van Kempen - that's the case, then I wouldn't -

Meijer - it's not that much added value in -

van Kempen - and I wouldn't start working on a work-around and have people involved again and that for just one month of work of value.

Meijer Yeah.

Kaemingk And by the way, I don't know whether I'm connected on the right spot, but just we spoke with (inaudible - name) and I don't know whether it affects you, but his proposal is that, when in the morning the import isn't working correctly, we

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don't override our position, we just continue working with what we had in ORC from the day before, where we left it.

van Kempen If it works correctly or if it doesn't work correctly?

Kaemingk? If it doesn't is correct. If we are not going, when the import arrives later --

[Unknown] Yup.

Kaemingk it is not going to follow the procedure during the day.

van Kempen OK. I agree that's usually what happens.

Kaemingk But I don't know if it affects you.

van Kempen If our imports arrives on time I would imagine that we would still want to upload it in there.

Kaemingk Yeah when it arrives [unintelligible] in time. I don't know exactly - I can't always see that. Because I see it more as operational thing. It would look logical for me -- you know let's say -- we're here in Holland when the import isn't correctly implemented or whatever before 8 o'clock or uh whatever some cut-off time, then we won't import it for that day. And we still, they still, check the position but in another way and then they just override it the next day.

van Kempen That makes the most sense. I think, I mean that's what's been happening over the last couple weeks when we were

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missing imports.

Kaemingk Yeah, but then when the import wasn't being correct we started importing at 12 o'clock during the day.

van Kempen Uhhh, I don't think that happened on the U.S. side

Kaemingk All right, okay, okay, so maybe my uhhh remarks are (inaudible) in Holland.

Dowson I have a question.

Kaemingk Yeah?

Dowson It's about the request, the emails, uhh, from Yung.

Kaemingk Yeah?

Dowson There's something that I just, ummm, I don't know, it's something that just doesn't feel right to me but I'm not exactly sure what it is. That is, I can understand that you wanted to know information about what's going on --

Kaemingk Yeah?

Dowson I understand that you might want it from a risk perspective, either from a risk perspective or from a trading perspective, ummm, but how it seems to be planned for you to get it seems a little bit strange to me because what's gonna happen now is that, ummm, essentially the traders will do a report through Yung and then he then will, yeah he's gonna put

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that together and forward it to you.

Kaemingk

No, that's not the idea.

Dowson

But, because that's how it was at least --

Kaemingk

He has to gather the information himself --

Dowson

Yeah but he has to gather the information and he wants the traders to email him what happened and then he will tell you it which seems to me -- I mean I can just CC you on what happened if you want.

Kaemingk

You know how Willco works (inaudible) and then he's working around and then he's getting an indication so basically that's happening the same.

Dowson

Ummm.

Kaemingk

I wouldn't have some sort of a formal process, what he's processing through. I achieve two things. When he thinks at least he has to write something down so normally you write down what you think is worth mentioning and otherwise you'll forget it. And now he's in fact more or less obliged to have some sort of highlights from every day. Secondly, is what you're reporting to Randal. I want, in fact, risk should, let's say, have a separate line.

Dowson

Yeah, that's what I saw as well but the way it was going to

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be implemented was essentially --

Kaemingk OK, I think it's a good remark. But I think that, uhh uhh, Bastiaan, he has to make sure that he can check --

Meijer And Yung is independent actually.

Kaemingk Yung is independent and can check all the details and so on.

van Kempen The problem for Yung right now is that he's very busy with, uhh, making sure the risk is right and that the positions are right and giving like color on what happened in the market is kind of difficult for him to do that at the same time. So the only way he can give color on the activities is if he asks the traders and you get similar --

Kaemingk I'll talk with him. I've been maybe too [inaudible] Maybe the Australian, basically what he should mention is let's say, the net [inaudible] this and this and this, and these results and what he is doing already with a day delay. Australian tech makes two reports, and secondly, yeah he can say that we have a big risk in this position or in that position or everything is within limits and no risky positions.

van Kempen OK, that would make sense. I mean, the P&Ls he can grab from what the traders estimate and what was actually in the sheet in the morning and then just do a risk assessment and

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let you know what the actual violations or the risks are.

Kaemingk Yeah, but basically --

van Kempen The e-mail that you actually forwarded with it was more (inaudible) the market, what happened -- vols went down, vols went up, if you want him to do that --

Kaemingk No he cannot quote when he has a vague supposition of volatility went down so many points, I think that's also worth mentioning towards me because I now more or less see what's happening, we discussed with Willem as well. In fact we have two sides of risk, Willem is really concentrating on improving the processing and we have to improve this and this and this, but on the other hand I want to have risk managers who are on top of the position. In fact, I involved, yeah the Dutch word is [Dutch spoken], which is happening with the trading and they want to know this position and not like next time I want to process it better so that I can see it easier. I just want to check the position whether it's correct and that people stay within their limits.

van Kempen I mean that's, of course, it's undesirable everyone would like to go to right now. But now, Yung probably does not have enough time in his day to build a reconciliation --

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Kaemingk Yeah, but I think he must be able to --

Dowson He has the skills yet--

Kaemingk If I ask him, he can write it in three minutes. He musn't make a too big thing of it, it's not getting to the Dutch Central Bank or whatever. It's just for internal reports. Secondly, for example, net I mean, liquidity, or whatever we got it irregular or not on time, or -- what I hated also a little bit was, first, Mark rated it and now it's being handed over to on who's working with Bob?

van Kempen Derek.

Kaemingk Derek. And nobody looks. I still -- in my opinion, when I do the risk assessments, I also follow all the results and look better to have strange results in it. And certainly, yeah yeah, it's done by Derek. It's not used as a tool to check whether there might be something not correct.

van Kempen I mean, that's not completely -- Derek pretty much does the processing of the mark to market feeds and comes up with the mark to market net liquidity.

Kaemingk But to me it's still an input to check.

van Kempen No, traders still input their theoretical [*inaudible*] although they had some problems over the last --

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Kaemingk Yeah, but I think that should be done and it should also be visible for risk, and risk should also check that with, and not only risk maybe also the traders and Derek, maybe also you. People should compare whether everything is, how do you call it, is correct and logical.

van Kempen I mean, there, Johann, there is a check on that, and even Yung can see the check and he can determine whether or not that risk is, has there is too much of a closing difference or something like that. Over the last couple of weeks, the theoretical valuations have been relatively up compared to the mark to market, but now things quiet down a little bit I think that can be better under control again. But the risk definitely a check between what people say they get and what actually comes into the (inaudible).

Kaemingk Yes, and one thing, it looks a little bit – what I've learned in and certainly in bigger organizations is, I don't want to have all paper loads and being reported, but some key things, even when I wouldn't look at it, by forcing him to report it to me, it made sure he has looked, or there's something like fraud or whatever

van Kempen But Johann I am not arguing whether he should report it to it

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you. I think it's very good if he reports it to you. If he shows you the totals per group says this is what they theoretically estimated, this (inaudible), it's different because of this and this, and whether you look at the description, that's would be you, and that's also probably where he can add his skills as a risk manager.

Kaemingk

And, where, also, in the longer term I see it also as already implementing, let's say, preparing for growth, for example, where you have such a Blackberry or whatever as Jelle has, you know, you are sitting in – Yeah, because I think the distance between Chris and Yung is quite big, you know. So, when he makes his reports or whatever, and you are with, with whoever, with Jelle or for yourself whatever, negotiating some sort of deal in California, you still have the Blackberry and you can contact Chris what's happening with this position.

van Kempen

Un hmm.

Kaemingk

But also in the longer term, I see it also as already implementing let's say we are preparing for growth. For example, when you have such a Blackberry or whatever as (inaudible) has. You know you are sitting in eh – yeah

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because I think the distance between Chris and Yung is quite big, you know. So when he makes his report or whatever and you with whoever (inaudible) yourself or whatever negotiating some sort of deal in California , you still have the Blackberry and you can contact Chris, what's happening with his position.

Unknown

Uhu

Kaemingk

Because, I I yeah I see when we continue and you are not sitting there with 10 or 15 people or 20 people anymore, you know you have just two reporting lines and the reporting line is from Chris is to Randall. And concerning on risk, it's Yung to you and to me, but given you know the time differences, (inaudible) as well. I think. yeah when you don't agree with it or whatever, its as the situation is now. I am not saying its all three years As long as you are also responsible for risk in the United States it means also that you have to agree with every position more or less.

Unknown

Uhu

Kaemingk

At least, when and also when yeah Chris wants to go above a certain position, now, you can't always rely on me. It's first of all, he should get your eh eh yeah green light.

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Yep, I mean we yeah , I mean right now it's---

Kaemingk So the whole line, when you report, it's not only what I want but also what you want. And, and of course we can change it a little bit. And I definitely agree with Chris that when he would implement some informal screen where there is some sort of a transferent meeting or two to through me without any feasibility that he checked actually those figures.

Unknown Yeah

Kaemingk It's the same report basically what maybe Chris sends to Randal. I don't want that.

Unknown No, no that makes, makes absolute sense--- Whatever we will get it in the right format and then we will be (inaudible) evaluate for the next couple of week and then we can discuss (inaudible).

Dowson I think we all want pretty much the same thing. We want two lines. We want independent checks.

Unknown Yeah

Dowson Yeah, okay that's good. Hey, I have one other thing. (Inaudible) and I just discussed yesterday. That was about ah,, ah we were planning to do our half-year talks pretty

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soon. I am going on holiday the week after expiration. And, so we were planning to do it the week after that, but we were also curious about when ah ah people would be hearing their bonuses and when we would be discussing that.

Unknown The last week of March eh everybody gets to hear their bonuses so yeah the week after expiration would be more or less when I would be showing you the list I have, of course, for all your people.

Dowson So, it's another postponed holiday for me.

Unknown Yah, no (inaudible) we can probably Monday or Tuesday (inaudible). Maybe I have something to show you early next week.

Kaemingk To be more precise, yeah, I want to discuss some issues with (inaudible) and then Randal can discuss everything with you. Okay?

Dowson Randal, just so you know, I've not booked a holiday yet. I was just planning to visit a friend. But, I've not booked anything yet. So if you---

Unknown Yeah, but (inaudible) the idea. Doesn't have to take too long. You got a proposal for your (inaudible.) You see the entire

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list make you can make some adjustments or have questions
and I do the same with the others.

Dowson Okay

Unknown And yeah before yeah next week probably, eh the five of you
get your thing. So then that is out of the way. You know
your own thing. You can look, look to the others.

Dowson Okay

Unknown Hey Mr. partners over here. Do you want to be involved
with the half-year talks with them?

Unknown Half-year talks? It's March.

Unknown End of the year talks.

Unknown (Laughing) Um- yeah the partner's end of the year, I do with
Johan as well.

Dowson Basically, the last time we spoke to everyone was while you
were here of course.

Kaemingk Yeah, well I wouldn't mind or actually like to. Yeah, have a
video conference with the two of you and the partner on that
end and Johan and me listening in.

Dowson Okay.

Unknown So, if you can schedule it (inaudible) in with Iris. Because
it's only four anyway, right?

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Dowson If you include Marcel, Marcel, Richard (inaudible)

Unknown Richard is not here.

Dowson No?

Unknown (inaudible)

Unknown Doesn't matter. Just schedule it (inaudible) for yeah for whenever there is room.

Dowson Yeah, All right.

Unknown Yeah. And (inaudible) one thing, the new limits. You tell to (inaudible) okay?

Dowson I will let (inaudible) do it.

Unknown Okay Yeah, of course, he's risky (laughter

Dowson I will let you know how it goes today.

Yeah, please do.

Unknown Bye, Bye

Unknown Bye

END

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Description: Call from Optiver, Amsterdam to Optiver, Chicago

Date: 3/14/07

Parties: Christopher Dowson (Chicago); Randal Meijer (Amsterdam)

Receptionist: Optiver. This is Allison.

Meijer Hi Allison, Randal Speaking.

Receptionist: Hi!

Meijer Hi, can I talk to Chris Dowson please.

Receptionist: Sure, let me find him for you.

Meijer: Yah, thanks.

Silence

Dowson: Chris Speaking.

Meijer Hey Chris, Randal.

Dowson: Hi Randal.

Meijer Hi, good morning. I don't know quite what your positions were. How is it going?

Dowson: Umm, quite what the positions were? Which ones?

Meijer No, I mean in gammas and thetas etc.

Dowson: Oh, okay Yeah, um, we still have a long skew position. That's our main position, lets say.

Meijer okay

Dowson And it's nowhere near as big as it was before. We have a slope – we had a slope risk of something like 40,000 I believe.

Meijer: okay

Dowson: So, um, we reduced it a lot, from you know, the first week. And we had spreads against each other in Russell and NASDAQ which were pretty ugly actually. That's mainly in Aprils and it's about Russell two points over and we had about think 150,000 vegas against each other.

Meijer: okay, but is it losing money now, or is it -

Dowson: Um, yeah today its, um, not so much -not so bad, but yesterday it was pretty ugly, lets say.

Meijer: In the end I urged the people to re-buy gammas because I ... I am not

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sure whether its going to work, but it was only up by half a point or one point -

Dowson: Oh, it all got hammered-

Meijer: Very close to the end, yeah. And I think the trade of it is just too good, I mean. It might be a snowball thing. And with the mortgages and the the housing in America, maybe nothing happens, but I think that the odds are just too good, let's say.

Dowson: This has actually gone pretty ugly for us today, to be honest with you. This morning when we opened because the slopes in Europe are so much higher than over here, the European VOLs and because they had been bid up loads before we opened – they were really higher than ours. So we talked to Paul, but he was a little bit short and we bought some and both – it really worked I think. Paul must have made decent money on it because his really got hammered.

Meijer: Well I think that Paul lost some money because he is using the wrong spread -

Dowson: yeah, but that specific trade-

Meijer: yeah, it might have made money yeah – (chuckling)

Dowson: No, but that specific trade after about 20 Minutes was really good. It cost us quite a bit here, and then we talked about it – that we were going to no longer have it against him, and so we are a bit hacked out of some of that premium. And uh-

Meijer: It's gone up again.

Dowson: It went down as we were hacking – Ugly. And then we would get short as it comes back up. So it has been a pretty – its not been an exciting day today so -

Meijer: yeah, okay, it's not really loss making

Dowson: No, no, we should be in the plus. I am pretty sure of that.

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Parties: Christopher Dowson (Chicago); Randal Meijer (Amsterdam)

Meijer: okay my message is just that we've got enough already. They were quite aggressive in the end. So I think we (inaudible) 800,000 (inaudible)

Dowson: That is quite a lot yeah. (Laughter)

Meijer: I don't mind for the last two days to pay four or five hundred a day. I don't mind, but they uh, I think we topped that.

Dowson: That is okay – they get a little excited (laughter)

Meijer: It is a bit better because we were short and had a risk on the downside, which is just normal.

Dowson: No, I definitely don't want to -

Meijer: Yeah, so you can spread – I would be on the long side for you as well, but at least we have some

Dowson: Yeah, I know that you have a lot so I can.

Meijer: You can relax, but don't go short again or anything.

Dowson: No - okay

Meijer: Yeah?

Dowson: And um for the other things, yeah, the uhm RBOBs we have a reasonable size position now, we have 1400 long, something like that.

Meijer: okay, yeah.

Dowson: So, uhm, Ferhad has been desperate to get that he can sell some RBOBs (laughter) our position is just killing us

Meijer: (laughter)

Dowson: and the TASes (inaudible) or positions is just killing us and uhm, that's about all is exciting. We're also trying to do some uhm, sell some crudes against it let's say -

Meijer: Yeah

Dowson: So, we can have it, again like I said to you, so we doing two things in opposite directions and we try to push the spread more than just the market.

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Meijer Yeah, exactly.

Dowson: And in which case, uhm, if we, depending on how big the RBOB position is, but let's say we have 3000 RBOB's or something -

Meijer Yeah

Dowson: Then I will, we talked about the 50 million, if it's set beforehand. -

Meijer Yeah

Dowson: But I think we can do, yeah, 50 million just on their own, and 50 against the crudes beforehand .

Meijer The RBOB's are the heating oils eh?

Dowson: The RBOB's is the gasoline.

Meijer Oh, the gasoline, the gasoline and the crudes are uh -- paying pretty well

Dowson 86% or something.

Meijer: But it doesn't make sense actually to have then an opposite position in things that are correlated.

Dowson: Um, well you're actually, the way I see it is this, you just it's um potentially less profitable.

Meijer: Yah.

Dowson: Certainly, um but that you could argue about but, it is certainly less risky; because if you look at it like this ok, um if you do them both in the same direction, you just got more power essentially.

Meijer: Yah, exactly because if you look at the example more simple that you have a hundred percent let's say ah for the same product for just two months.

Dowson: Yeah.

Meijer: I mean, yeah of course the role is just yeah, you build your own um resistance by doing it against each other of course.

Dowson: That's right.

Meijer: But.

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- Dowson:** So that's exactly correct. And that's why you don't want the time spread against each other actually - that's a bit nasty.
- Meijer:** Yeah.
- Dowson:** But -
- Dowson:** If we get to a position, if we have 3,000 RBOBs.
- Meijer:** Yeah.
- Dowson:** Yeah, um, 3 and a ½ thousand I believe is around about the 350 million.
- Meijer:** Yeah.
- Dowson:** You're just massive then, you're really big. So.
- Meijer:** Yeah.
- Dowson:** You don't need um all of that in order to push it if you had a thousand you can really bully it around.
- Meijer:** Yeah, ok but you can bully around more with more, I mean-
- Dowson:** Yeah, exactly, eh but so the point is that um what we thought about is what we think the risk is the ones you do before, of course.
- Meijer:** Yeah, I think the biggest.
- Dowson:** Yeah, um but also if you let's say something bizarre happens and all our machines fall down and we can't even call brokers or something like this.
- Meijer:** (chuckles) Yeah.
- Dowson:** If we have two positions that are delta to neutral against each other, yeah.
- Meijer:** Yeah, get rich not being able to trade, I um don't disagree there.
- Dowson:** But.
- Meijer:** But of course with a high correlation a lot of resistance comes from the crude.
- Dowson:** But you could what you can do of course, is um let's say I have 3 thousand crudes to do.

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- Meijer:** Yeah.
- Dowson:** Instead of doing my 50 million beforehand, I do a hundred million and so lets say um. What you could say is the profit from doing it twice is big beforehand.
- Meijer:** Yeah.
- Dowson:** Can be bigger than the amount of resistance you receive by having something opposite.
- Meijer:** Yeah, possibly of course you don't know you need to know more about the resistance.
- Dowson:** Exactly, exactly. That's basically the situation. I mean of course um Ferhad prefers to have the opposite position. (chuckles)
- Meijer:** Yeah, Yeah. I might, well I would like to know let's say if you are on the same side then because, yeah you can take away a bit of your own resistance at least as how I like to look at it.
- Dowson:** I told that to Ferhad. There was one way we had a full house you know we had to buy.
- Meijer:** Yeah, yeah exactly.
- Dowson:** We had to buy in crude, heating oil and gasoline, and I really liked it, but Ferhad likes it, the opposing position
- Meijer:** Yeah, how was the day? How did it go?
- Dowson:** Yeah, then we made a load then we made 200 or something.
- Meijer:** Yeah, because the crude is - so add the crude and the Brent are the big ones, they provide so much resistance also in the other products. I can assume that I would like to, yeah if I'm able to take some away there as well.
- Dowson:** But what? I have to say when we had the thousand, when we had the thousand RBOBs against a thousand or I think it is 1200 against 1200. The RBOBs against the HOs.

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Meijer: Yeah.

Dowson: We also made 200 there.

Meijer: Well then you had opposite procedure.

Dowson: Yeah.

Meijer: Yeah, ok so it's not clear cut yet.

Dowson: So, I don't swear for it yet and what you have to do um you just.

Meijer: Yeah.

Dowson: Basically you just take in more of a gamble if you have done the same way as each other. Alright so the thing the thing that's the deciding factor is really how powerful are we.

Meijer: Yeah, but I agree that the definitely will be more of a gamble but of course it will be relied in the entire idea relied on the fact or the assumption that we can move the market

Dowson: Yea it's a bit -- but what I'm sure of is we can move the gasoline market. Whether we can move the complex -

Meijer: Yea.

Dowson: That, I'm not sure of.

Meijer: Yea, well with - yea, yea you said you need to try.

Dowson: Exactly so we need to try so when we have a good opportunity for it then uh we should definitely try. But um what, what I would say is if you have a big gasoline against big oil. I'll be shocked if we don't make any money.

Meijer: Uh.

Dowson: If we don't make a load. Whereas if we have big and big, I still expect us to make a killing.

Meijer: Yeah.

Dowson: But I would be - lets put it this way. I would be more willing to manufacture a position opposite to each other. So trade -

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Meijer: ah.

Dowson: Trade it even to get it opposite each other. Um, rather than trade it even to get them in the same direction but.

Meijer: Ah, ah. I don't know yet. I haven't seen enough to really judge in the.

Dowson: But that's, it really comes from the crude, I'm still just a little bit cautious of the crude but um.

Meijer: A little bit cautious. But the Brent. Yeah, well I don't give it a ok in the end they did not make much I believe, because I think they made 38 again on the 38000 or 2400. But they had 300 rolls left because 300 came from the agent that went almost the same against them so.

Dowson: Oh.

Meijer: But, again they could move it with the.

Dowson: Yah. They um, the Brents, we're really trying get a big position now.

Meijer: Ok.

Dowson: Um one because this Brent-WTI spread it would be nice to push that in our favor.

Meijer: Yeah.

Dowson: And um and secondly because the actual volume trading there today is nothing. So if we can have a thousand there, we're already pretty big, so.

Meijer: Yeah.

Dowson: I think we got about 800 there at the moment in the Brent position, so.

Meijer: Okay.

Dowson: Alright, I'll speak to Marcel and make sure he doesn't sell anything.

Meijer: Just stay on the long side if anything.

Dowson: The other thing, we traded, I traded Google for about 40 minutes this morning with Lee.

Meijer: You wrote how interesting it is.

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- Dowson:** I still think it's interesting. We made a couple of thousand in the period like 9:30 till 10:00 or something like this. I still see there being money there, so -
- Meijer:** I thought he is staying for four weeks at least in Amsterdam, right?
- Dowson:** Yeah, I spoke to him yesterday and I agree that it is not worthwhile coming over here for two and a half weeks and then going back for two and a half for something like this.
- Meijer:** And then we run the risk of them making it difficult for us.
- Dowson:** So hopefully we have the NASDAQ (inaudible), by the time he gets back.
- Meijer:** Yeah, I told him as well, and he is a bit happy as well. But hopefully (inaudible)
- Dowson:** And you saw my comments from the bonuses?
- Meijer:** Yeah, but there is nothing new of course. It was more the comment of Hans that actually your own and Bastiaan should at least be the same. But I asked Ari to give me another benchmark on the sales.
- Dowson:** But the thing is, there a couple of things I was thinking: the first one is that they just don't have very much risk - that is what I said to you about yesterday, and so if you compare that to a broker, the guys that are sitting in house are really not carrying that much risk with them basically.
- Meijer:** I have two questions. What is that for (inaudible) - what is the risk for cross traders for example? And secondly, what exactly is the risk of a broker?
- Dowson:** There are a couple of things, if he doesn't perform as a salesman he won't get any customers and therefore won't get any commission. And when he makes a mistake, he has to often pay for it out of his commission as well.

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- Meijer:** Yeah, well that can still be introduced in our scheme.
- Dowson:** And the other thing I was thinking about was realistically how much money do we make from prop trading. And, I have been thinking about it, I know some people – when I talked to Richard for example he will sell to you not much above zero for the sixth floor. I can't say anything about that but from the 5th floor I definitely see we make money on it. My guess would be something on the order of 10 million or around this, maybe on the high side for last year. Five to ten million, something like this. I am just thinking about the highest amounts that they get, you know so that the top of their level – if you are looking at a team of 10 sales people and the top level is 400,000 – 500,000 it starts to get expensive. When they all get some experience -
- Meijer:** I need to get more figures but I heard it from Yenalbo. You have been talking to Yenalbo because you both use the exact same argument.
- Dowson:** Well I have not been talking to Yenalbo recently but I have been talking to Yenalbo six months ago about this subject.
- Meijer:** Well, it was just a bit funny, you mentioned the risk thing... and I went through the list with him, and the first thing he said, "Yeah... (inaudible)."
- Dowson:** Yeah, we we definitely talked about it I think, while I was in Amsterdam still. And he complained about it while he was here, but I didn't want to talk about it then. I just told him I didn't want them particularly in America. But yeah I think it's just what do they do
- Meijer:** But yeah ummm a question for you I mean, at least remarks or Richard's remarks about the (inaudible) above zero then why does he play in the props? I mean -
- Dowson:** He feels pressured to by Hans, he tells me.
- Meijer:** Yeah.

Transcript of 12B220.wav

Description: Call from Optiver, Amsterdam to Optiver, Chicago

Date: 3/14/07

Parties: Christopher Dowson (Chicago); Randal Meijer (Amsterdam)

Dowson: That's literally is what - He thinks that it's not viable he thinks in some of the stocks it is, but in some of the smaller ones that we just to try and get our name better it costs quite some money.

Meijer: In some occasions, I think Hans can definitely do some trades let's say at even money or so. Otherwise people will seem to think he'll be throwing money away. We definitely have quite some examples if we just make plenty sure he (inaudible) trade passing by.

Dowson: Yeah.

Meijer: And I don't expect the traders, at least not the way I know them the traders are just not going to give away money. Just so much against their beliefs, let's say.

Dowson: Yeah I think they're at least when I was talking to Richard about it when he was because I was asking him about the prop over here and whether he really wanted to put some effort into it and things like this.

Meijer: Yeah.

Dowson: And, um the thing that he had most problems with was the smaller stocks where we're doing prop trades that are bigger than the open interest and as big as the volume traded on the day.

Meijer: Yeah.

Dowson: And that they look nice on the day, but nine times out of ten they don't end up being nice uhh but yeah I really have no idea about it, because I only see the prop trading on the fifth floor, I think it's reasonable, profitable activity

Meijer: Yeah, I'm reasonable I think it will definitely add to the failure of the company

Dowson: Yeah.

Meijer: And of course we have to and that's of course we are working with you,

Transcript of 12B220.wav

Description: Call from Optiver, Amsterdam to Optiver, Chicago

Date: 3/14/07

Parties: Christopher Dowson (Chicago); Randal Meijer (Amsterdam)

how much added value there is in (inaudible) and what percentages of them are together but either you want them or you don't want them

Dowson: I mean of course the other thing is as well if you have the model which we talked about with (inaudible) where she is really taking more responsibility and being closer to the traders and even getting to the point where she makes some decisions then the discussion is just over of course, right?

Meijer: I think less ah

Dowson: Because then none of the arguments that I have said hold anymore, right?

Meijer: ah no two you mentioned are taken away

Dowson: yeah-

Meijer: and hopefully the four of mine still stands

Dowson: (chuckles) but ah okay

Meijer: (chuckles) but uh at least we- I've got a benchmark because as of course our strongest point I mean that this (inaudible) if I want them and I definitely want them I don't we can still argue whether traders can do it but I don't believe that and that's also failure that's also in addition a we just make 15 or 20 million more in the end

Dowson: Yeah

Meijer: and I don't understand the process

Dowson: (chuckles) I think no, the first is of course people seeing guys who have a real easy job who sit on the internet a lot of the day

Meijer: Yeah but that's not true I mean if I see what they do all day its just a bit of a character flaw of traders I mean what they do themselves they are brilliant -

Dowson: Yeah -

Meijer: and what sales people do what IT see people do yeah shouldn't be so

Transcript of 12B220.wav

Description: Call from Optiver, Amsterdam to Optiver, Chicago

Date: 3/14/07

Parties: Christopher Dowson (Chicago); Randal Meijer (Amsterdam)

hard (inaudible)

Dowson: Yeah exactly now everybody's everybody's doing the hardest job in the country that's true (laughs)

Meijer: (laughs) it's a bit dumb or so I am sure IT people but it's also one way traffic because I am sure IT people I sometimes see traders and think I can do that

Dowson: Yeah

Meijer: Yeah and maybe they're right as well, but it's just - yeah

Dowson: Yeah from my perspective I definitely don't have that with the IT people it seems that if we have a good IT person he's worth way more than we are paying him

Meijer: yeah but that's also not I mean but do you agree actually with policy that the that the market is leading -

Dowson: um -

Meijer: - that he is worth more but yet the market doesn't say so

Dowson: no exactly but then the question is of course where do you what do you compare to and you we of course we compare and our sales people to a broker -

Meijer: no no no no not just a broker also commercial and sales functions within a bank. I find brokers only because I don't find them in the exact same position or so so it's not just that. We definitely also want sales and investment bankers and I don't know commercial positions within banks

Dowson: Yeah but I what I was going to say is you could also compare them to a sales person who is selling just anything, no? paperclips or telephones or something like this they um that's because with the IT that's often what you look at as well you look at a bit something that's a bit broader

Meijer: yeah

Dowson: and I think it's the same as anything else as soon as you mention finance

Transcript of 12B220.wav

Description: Call from Optiver, Amsterdam to Optiver, Chicago

Date: 3/14/07

Parties: Christopher Dowson (Chicago); Randal Meijer (Amsterdam)

finance in it you put sort of a premium on a -on what people are going to get paid, right

Meijer: well you don't want to but yeah it happens I think yeah

Dowson: so that's that's also something to think about when you're benchmarking the sort of the skills required for the job probably you have some people doing yeah doing very menial telephone work that are you know getting 5 euros an hour I think to cold call people that are that have more experience than they're all the right skills for the job

Meijer: I don't think so. I think the skills they need are different from those but yeah that's of course the basic of the difference of opinion

Dowson: yes

Meijer: the skill set needed or the unity of the uniqueness of that skill set

Dowson: yes I mean if definitely if they can understand the trading and they can and they can add extra value in that way then they definitely become more valuable but ah I don't see that in huge quantities in the current group at the moment at least I see it on occasions and then if you if you started to see that regularly you would definitely I don't know whether that's what you want but

Meijer: the weight it's also skewed to the way you round up things I think that's also where we disagree I think the Simon way of doing I also just is more failure in the long-term

Dowson: yeah but what do you mean the Simon way of doing things though?

Meijer: Well just the more let's say the maybe its more skewed at least compared to the (inaudible) to the opposite party

Dowson: oh

Meijer: as whereas (inaudible) is more or learned to be more reacting on the trader's behalf -

Dowson: - oh -

Transcript of 12B220.wav

Description: Call from Optiver, Amsterdam to Optiver, Chicago

Date: 3/14/07

Parties: Christopher Dowson (Chicago); Randal Meijer (Amsterdam)

- Meijer:** At least for the trade at hand... and I think Simon builds more of a relationship, yeah, that doesn't pay off in the trade at hand, but uh, possibly in the future
- Dowson:** Yeah-
- Meijer:** That's very little – yah- feeling or reward for uh, let's say, uh, well yourself or people in the pit
- Dowson:** Yeah, uh, the problem I have with it is if my uh – if I didn't quote very well, I still wouldn't do any trades no matter how nice things for being sold (chuckling). The uh, the thing that I see making the most difference to uh the number of trades we do-
- Meijer:** Yeah
- Dowson:** Is just – yeah, how much um – yeah, myself enhance now force the traders to just stick on their quotes and uh try and do as much as possible.
- Meijer:** Yeah.
- Dowson:** I really see that made – I've not seen one sort of development where I re-thought – um, I'm excluding the things that's going around and searching for people because I definitely think that's valuable and that's uh that's adding – adding money to us. But in the, in the bit of how friendly or uh how much side of the broker you take – yeah-
- Meijer:** Yeah, but it's we're all- yeah, (inaudible) but the acquisition part you sort of can't see-
- Dowson:** Yeah
- Meijer:** But there is – yet and so – uh limited because it's not – I mean, yeah, see if you can bring somebody in because she's a girl and smiles friendly and pretty quickly already it has to be transferred to the guys on the phone who actually maintain the relationship – that's the hard part- and yah, believing that that is easy or even worse, traders can do that it's just

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Description: Call from Optiver, Amsterdam to Optiver, Chicago

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Parties: Christopher Dowson (Chicago); Randal Meijer (Amsterdam)

a misconception -

Dowson: Uh

Meijer: (chuckling) It's got the same discussions all over-

Dowson: yeah exactly. - I think that - it's not, it's not going to easily find a conclusion

Meijer: No

Dowson: I uh, yeah, I've quite resigned to it so uh, don't worry about it, you know what's I'm like, I come back every three months, three months or something like that. - (chuckles)

Meijer: Probably every year but uh-

Dowson: (still chuckling) yeah, exactly. But now that I'm further away, maybe I'll slow down a little bit.

Meijer: But yah- yah- but even- yah, I think, yah, because of your beliefs, and your, or Johann being able to convince you. But I do think that the cross trading works better when you're not around.

Dowson: Wow-

Meijer: Yeah, and uh because of course we need to get some traders to uh- because uh, they uh you still live there let's say in their minds-

Dowson: Yeah

Meijer: So what I think it works better without you.

Dowson: Yeah, I'm not surprised about that. But I also expected it to be going better. I mean, we have uh-

Meijer: Yah and of course there are more people that have stock traded and uh there was a good, definitely a very good addition so uh and it came from you, so uh I know that-

Dowson: We just have extra resources for now, since I, uh since I left that's uh, -

Meijer: Yah-

Dowson: That's uh-

Transcript of 12B220.wav

Description: Call from Optiver, Amsterdam to Optiver, Chicago

Date: 3/14/07

Parties: Christopher Dowson (Chicago); Randal Meijer (Amsterdam)

Meijer: yah, and uh Marlaine really pushed

Dowson: Yah exactly. That's uh – so I did expect the cross trading to improve, and uh in the last six months or something-

Meijer: Yeah-(inaudible)- okay, anyway, I gotta get a benchmark-

Dowson: I'm, I'm gonna see what our position is and then uh do what our positions have gone up-

Meijer: - Yeah see about our positions and make sure we have profits around-

Dowson: Yeah-no worries.

Meijer: (chuckling) okay – talk to you later-

Dowson: talk to you later-

Meijer: okay. bye.

END

Transcript of 12BM2P.wav

Description: Call from Christopher Dowson to Randal Meijer

Date: 3/16/07

Parties: Christopher Dowson (Chicago); Randal Meijer (Amsterdam)

Meijer (Dutch)

Dowson Hi Randal, it's Chris.

Meijer Hi, good. it's midday afternoon.

Dowson Afternoon? Yeah.

Meijer What's up?

Dowson I thought you might want your Friday evening interrupted.

Meijer (Laughter) No worries.

Dowson I'll write e-mails with bad news. But um, we made, uh, 660 in the TASes.

Meijer 660 yeah? Finally it's paying off.

Dowson Exactly.

Meijer The real size. (Laughter) What did you do?

Dowson Well, basically we were long RBOBs on the day, quite a bit

Meijer Yeah, yeah.

Dowson We had, like. We were long like 1800 TASes, or something like this. Ferhad had sold some Heating Oil TASes against it.

Meijer Yeah.

Dowson And um, yeah, because of our oil spread position in between the two indices, which sold at even at like 600 or something on the ICE.

Meijer OK.

Dowson And um, so we sat there and we, we were --just not a lot was going on and we were talking about things and I was complaining about the Heating Oil one that I thought -- I didn't like the size of it and I thought it was nasty and things like this

Meijer Yeah.

Dowson and, um, so we talked about it a bit and we decided, OK let's just whack the oil. So we sold the even bid in the oil for like 2 and half thousand and um we scratched out of our -

Transcript of 12BM2P.wav

Description: Call from Christopher Dowson to Randal Meijer

Date: 3/16/07

Parties: Christopher Dowson (Chicago); Randal Meijer (Amsterdam)

Meijer Yeah, by the oil – the crude then?

Dowson Yeah the crude oil yeah, and we scratched out of our heating oil position. So we were basically in the end we were short like uh 4000. We had to buy 4000 oils, crudes, and we had to buy 2200 uh RBOBs.

Meijer Yeah so you had like a double whopper.

Dowson Yeah exactly. The Brent, we had a position opposite it, so we had to sell 1200 Brents. So, that was basically our only 3 positions. And what we saw was yeah just how I told you it before. I basically, I think our counterparty – our counterparty – our competitor, I think today has lost a really really a lot of money. Because there was, when, after he sold all his bids at even and just offered over, there's really big down ticks in the oil the whole complex went down and actually afterwards we thought it was like there was some news or something. So he must have bought really a lot of uh crudes on the day - in the TASs - sold them all out beforehand so there's a big spike down and then at sort of 26, 27 past we started buying and basically bought it all the way back up and more.

Meijer OK, so he was really screwed then.

Dowson So I pretty much think he does all his futures beforehand, or a big chunk of them anyway.

Meijer And then just hopes it just keeps him trading there and uh.

Dowson Exactly, and just says well, if it stays at this level and nothing really goes on, normally he'll make a load from it of course.

Meijer Yes.

Transcript of 12BM2P.wav

Description: Call from Christopher Dowson to Randal Meijer

Date: 3/16/07

Parties: Christopher Dowson (Chicago); Randal Meijer (Amsterdam)

Dowson Especially if we've got the same side as him and we're pushing it in the way for him. It's like uh, Nick was doing, we do all the work and he just, yeah. But he does it massively before hand so I'm sure in the past he's made like huge money from it.

Meijer Yeah, Ok, the crudes he's a counterparty but he's not so much in the heating oil and the others.

Dowson No we don't really see him in the others. You see-.

Meijer That's a bit funny because if you really make money from it, the first thing to do is to see are there any more, so it is a bit funny of course.

Dowson That's what I thought as well. We may be wrong about that guy getting killed, but I think there's a good chance of it. But for us it just went really nicely.

Meijer Oh, yeah of course. But how much did you do then beforehand, before you brought it up.

Dowson Um, I did the crudes, and I did about 800 of my 4000 beforehand.

Meijer So 40% uh -. (inaudible)

Dowson Yeah, maybe even a bit less than 800, but uh.

Meijer That's quite nice.

Dowson That's pretty good.

Meijer (Laughter)

Dowson Yeah so the total this week is like \$1.2 million from the TASes.

Meijer And we're now on like \$2million or so -

Dowson Yeah, exactly. That's really good. So what I was going to say was basically, you can get the positions you want to actually. If you leave it till sort of 12:00 and then start trying to get positions it's sort of, often you don't always get some nice ones and you end up with a bit in-between positions, but if you're sort of more aggressive, if you just picked a random side and so lets say put an even bid in or an even offer

Transcript of 12BM2P.wav

Description: Call from Christopher Dowson to Randal Meijer

Date: 3/16/07

Parties: Christopher Dowson (Chicago); Randal Meijer (Amsterdam)

on a given day for a couple of thousand, there's a good chance if you doing a lot then. Um, so what I would say is, if a couple of, if everyday next week you could give Ferhad a call and make sure he doesn't -- sort of try to force him to get, to build up some positions, I think it will be worthwhile.

Meijer Yeah, of course if it's really a counterparty, a marketmaker, then it's a bit still dangerous.

Dowson Yeah exactly, especially with the crudes, what we did today, I really don't think it's a smart thing to do everyday because you will become predictable.

Meijer Yeah, definitely.

Dowson You definitely want to mix it around a little bit and not have -- not do that all the time. Basically the reason we did it in the crude today was because hardly any trades had happened and we thought, well it's better to have it the same side because we had such a big RBOB position.

Meijer Yeah, exactly so you just make it a bit more powerful for either one.

Dowson Yeah, exactly. But yeah, so I'm still cautious about the crude, although I think its -- the fact that is -- we set it for, on the Friday before the weekend and with it also close to expiration is sort of the nicest situation to do it in. So, yeah if you could give Ferhad a call each day and just sort of - .

Meijer I'll ask him what his plans are.

Dowson Yeah exactly.

Meijer Yeah, of course, when nobody's around pushing him might be a bit difficult

Dowson Yeah, otherwise we'll be back to scalping for 10 lots. (Laughter)

Meijer Yeah exactly, making one half thousand. (Laughter)

Dowson Yeah, exactly.

Transcript of 12BM2P.wav

Description: Call from Christopher Dowson to Randal Meijer

Date: 3/16/07

Parties: Christopher Dowson (Chicago); Randal Meijer (Amsterdam)

Meijer Alright, for the rest, was slower probably.

Dowson For the rest?

Meijer Yeah, Yeah.

Dowson Oh, the rest of the floor? Um, yeah, exactly. The NC is next to nothing. I think Arwin has a bit of a loss from his, on his premium against.

Meijer Oh, ok.

Dowson But um, its virtually, virtually nothing actually.

Meijer Ok, well luckily we've got this.

Dowson Yeah, exactly it keeps you uh it keeps you.

Meijer Open eyes.

Dowson It gives you a bit of excitement once a day. So.

Meijer Yeah, exactly. For five minutes a day.

Dowson Yeah, exactly.

Meijer Quite efficient, having to do with trading this product.

Dowson No, exactly, yeah

Meijer We can make them do the normal trading swap and then for a couple minutes you need them.

Dowson Yeah, that's what we had, we taught James how to do it and we taught Rishad as well and we're starting to show Lee as well so.

Meijer Ok.

Dowson Alright, well have a good weekend.

Meijer Have a good day.

Dowson Thank you very much.

Meijer Talk to you next week. Bye.

Dowson Bye.

END

Transcript of 12BXQ2.wav

Description: Call between Bastiaan van Kempen and several Optiver employees

Date: 3/19/07

Parties: Bastiaan van Kempen; Yung Tang; Ferhad Mekic; Marcel Klooss; Michel van der Lubbe; Dave Willerman

Tang Hello, Yung Tang speaking

van Kempen Hey Yung, it's Bastiaan.
(conversation in Dutch for several minutes)

Mekic Hello?

van Kempen Hey.

Mekic Hi, how's it going?

van Kempen It's good. How are you doing?

Mekic It's good. Are you in Dubai or something?

van Kempen No (chuckles). I'm in Phoenix.

Mekic Nice. That's also nice. Pretty warm?

van Kempen It's pretty warm. It's like a hundred degrees over here. It's like 95 (chuckles).

Mekic Okay. It's a shame (chuckles).

van Kempen It's a shame. It's 32 over there?

Mekic Yeah, it's not too warm. It get's cold at the end of the day as well.

van Kempen: Is everything working for you today?

Mekic: Yeah, it was fine, I think it should have been better, I think. We made 240. We had 2200 front month Crudes [oil contract]. And so, uh, it's expiration tomorrow so we had a fair amount of influence.

van Kempen: Alright.

Transcript of 12BXQ2.wav

Description: Call between Bastiaan van Kempen and several Optiver employees

Date: 3/19/07

Parties: Bastiaan van Kempen; Yung Tang; Ferhad Mekic; Marcel Klooss; Michel van der Lubbe; Dave Willerman

- Mekic:** So, we managed to hedge our TASes off at 10 ticks below; so that made, 220, like Mark did those. I did the Heating Oils [contracts] and we had almost 800. That should be enough influence. Like, so we did like 25% beforehand, I did. But then it just didn't tick down, it actually ticked up a bit (chuckles) in the VWAP. So, I had a similar thing on Friday. Like the tick happens and then the VWAP nothing happens because there are counterparties.
- So, it's either people front-running us in the future or people trading the TASes the opposite direction and we trade against them in the VWAP. So tomorrow we're going to try to do all the TASes, like at 2- 2 and a half thousand -
- Mekic:** - 2 and half thousand tick-wise even bid at 1 over, just like in the Crudes.
- van Kempen:** Yep.
- Mekic:** So, and then- So then I think we should almost do everything. And then, like, toward the end of the day just try and maintain the tight market.
- van Kempen:** Yeah and then you probably don't -. Make sure you don't do too much beforehand - probably not more than 25%.
- Mekic:** Oh, no for sure not. We, we're -
- van Kempen:** 20%
- Mekic:** I only did 25 because I had a second month position, I'm including them together.
- van Kempen:** Yep.
- Mekic:** And then in the RBOB we didn't do enough in the first minute.
- van Kempen:** Who was handling that?

Transcript of 12BXQ2.wav

Description: Call between Bastiaan van Kempen and several Optiver employees

Date: 3/19/07

Parties: Bastiaan van Kempen; Yung Tang; Ferhad Mekic; Marcel Klooss; Michel van der Lubbe; Dave Willerman

- Mekic:** James had big downticks so he could hardly get the future, and so like a tick down at 40 ticks in 20 seconds or something. So we'll just have to stay on schedule. And Don did 100 Brents [contracts] and he beat it by a tick; so he did well. So 240 in total.
- van Kempen:** And what's Craig doing in total?
- Mekic:** That we're down 50 on position or something. So, good scalping. Good scalping (chuckles). Fayid, he looks alright. I mean the Brent WTI [contract] sorta thing made money today, and the Crush lost some, but we scalped reasonably well and we rolled some of that. It's alright. The crack is at 28% in the second month and 38% in the first month, so it's pretty big upticks. The main loser was the whole RBOB spread, but that seemed to scalp pretty well and we already have half-our position in the second month, so that's not too bad. The TASes are obviously the main winner again.
- van Kempen:** Fair enough but you should milk it for right now, as much as you can, because you never know how long this thing is going to last.
- Mekic:** Eventually, we should -. I think the Crudes are the most advanced markets and that's where we made most of our money anyway (chuckles). How much can the other ones develop? I think at some point we'll be hammering in all three of them. We need a good hammer because we need to know what we do no without worrying about other people. I think if we do well on the crudes I don't see why the products shouldn't remain good for a while, at least.
- van Kempen:** I mean it's good the way it's running.
- Mekic:** You're not unhappy (chuckles)?

Transcript of 12BXQ2.wav

Description: Call between Bastiaan van Kempen and several Optiver employees

Date: 3/19/07

Parties: Bastiaan van Kempen; Yung Tang; Ferhad Mekic; Marcel Klooss; Michel van der Lubbe; Dave Willerman

van Kempen: No, I'm not unhappy.

Mekic: I think it's like 2.4 or something, year to date. I think it was like 1 last week.

van Kempen: What was it on Friday?

Mekic: 650.

van Kempen: Ok, it goes pretty quick now. Do you know where the CME and CBOT are trading?

Mekic: I could check it for you. I'll have to leave the phone for a second.

van Kempen: Sure.
[Pause]

Mekic: Hello. The BOT is 196.70 the other one is 528.70.

van Kempen: 528.70 and 196.70, ok. Thanks a lot.

Mekic: That's alright.

van Kempen: Could you pass me on to Marcel: For one second?

Mekic: Do you know the extension?

van Kempen: I think it's 61.

Mekic: Ok, I'll transfer you. You're in tomorrow?

van Kempen: I'll see you tomorrow. I'll be in about probably like 12 o'clock.

Mekic: Oh, okay. Because we want to transfer the positions to London like tomorrow or the day after.

van Kempen: You want to do that already?

Mekic: Yeah, we'll do it on Wednesday, actually.

van Kempen: We don't have everything in place, I think.

Mekic: No?

van Kempen: No.

Mekic: Oh, okay, well, we'll do that Wednesday.

van Kempen: I'll have to talk to Yella [phonetic] about this.

Transcript of 12BXQ2.wav

Description: Call between Bastiaan van Kempen and several Optiver employees

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Parties: Bastiaan van Kempen; Yung Tang; Ferhad Mekic; Marcel Klooss; Michel van der Lubbe; Dave Willerman

Mekic: 'Cause we don't have an expiration for another 10 days and all this margining stuff is really annoying.

van Kempen: Ok, that's fine, but I'd rather have the fee schedule with our name on it in my hands before I start moving more business there.

Mekic: Ok, yeah, that makes sense. So we'll talk about it I guess tomorrow Wednesday.

van Kempen: Ok, we'll talk about it tomorrow.

Mekic: Ok, alright, have a good flight.

van Kempen: Thanks, bye.

Mekic: Bye.

[Pause]

[Telephone rings]

Lee: This is Lee, Optiver.

van Kempen: Hi Lee, it's Bastiaan. Is Marcel there?

Lee: Ah, yeah, could you hold on? [To Marcel] Marcel, it's Bastiaan.

Marcel: Hi, Bas.

van Kempen: Hey. [Conversation in Dutch]

van Kempen: Ok. [Pause]

[Telephone rings]

Unidentified person: Hi.

van Kempen: Hey.

Unidentified person: So where we at?

van Kempen: Phoenix

[Conversation in Dutch for several minutes]

Willerman: Hello?

Transcript of 12BXQ2.wav

Description: Call between Bastiaan van Kempen and several Optiver employees

Date: 3/19/07

Parties: Bastiaan van Kempen; Yung Tang; Ferhad Mekic; Marcel Klooss; Michel van der Lubbe; Dave Willerman

van Kempen: Hey Dave, how you doing?

Willerman: I'm doing okay, how are you?

van Kempen: I'm good, I'm good. Hey, I read there were a couple of issues today.

Willerman: Ah, yes.

van Kempen: What's going on? What are the issues?

Willerman: Okay, the VOX server, we had two issues with actually the VOX. The VOX was not sending out data for the front two months – so April and May.

van Kempen: I know the details – do you know what the follow-up is? What results?

Willerman: Okay, they confirmed that the problem was on their end; they were not gonna be able to fix it until after the close today.

van Kempen: Okay and how about our issue with VOX, can you give us an update on that?

Willerman: Ah, yes, Dan did work on that – he found that only one of the channels will connect at a time; so that is gone off to Atkins Developers to fix.

van Kempen: Okay that's one, what else is going on?

Willerman: We've got three computers that we're connecting to today or new ones that we're putting in today; those are set-up – we just need to copy everything over from them. Ah, I'm sorry?

van Kempen: Any issues?

Willerman: No major issues, no. The VOX is a major one.

van Kempen: Okay, the VOX I read about already. I also heard that the Excel sheets aren't able to connect to remote PC's.

Willerman: Yeah, we're having problems with the indices – they're stopping with an OLE error; like the data sources are locked.

Transcript of 12BXQ2.wav

Description: Call between Bastiaan van Kempen and several Optiver employees

Date: 3/19/07

Parties: Bastiaan van Kempen; Yung Tang; Ferhad Mekic; Marcel Klooss; Michel van der Lubbe; Dave Willerman

- van Kempen:** Okay, so how is that being addressed?
- Willerman:** I've been trying to step through the sheet to find out what is actually causing the problem.
- van Kempen:** But the sheets were working before so do you really think it's a problem with the sheet or is it a problem with the permission?
- Willerman:** We didn't change anything on the permissions over the weekend though.
- van Kempen:** No, but did somebody maybe in Amsterdam change something?
- Willerman:** Not that I'm aware of.
- van Kempen:** Did we check though?
- Willerman:** Ah, no, we did not.
- van Kempen:** Okay, I mean that since there is nothing really changed through the sheets, if one would fail then I would say then might be it's the sheets, then since all of them are failing – and why do they all have to be logged in as the same user?
- Willerman:** I'm not sure why they have to be logged in as the same user – they told me about that and I was trying to figure that one out myself.
- van Kempen:** Ah, okay, don't try to do too much yourself; put this Excel issue – is Eric working on that as well?
- Willerman:** Actually, Dan and I were taking a look at it.
- van Kempen:** Okay; that one is pretty important – that's the only way how they can do their proper admin right now.
- Willerman:** Okay, I'll get with Eric and have him take a look at the permissions.
- van Kempen:** I mean, I'm just throwing something out there.
- Willerman:** Oh yeah, and I appreciate it.

Transcript of 12BXQ2.wav

Description: Call between Bastiaan van Kempen and several Optiver employees

Date: 3/19/07

Parties: Bastiaan van Kempen; Yung Tang; Ferhad Mekic; Marcel Klooss; Michel van der Lubbe; Dave Willerman

van Kempen: And, if that doesn't work, send an email to Amsterdam that they look at it overnight.

Willerman: Okay.

van Kempen: Yeah?

Willerman: I will do.

van Kempen: If there is anything that you need me for give me a call on my cell or just shoot me an email.

Willerman: Okay.

van Kempen: Yep?

Willerman: Alright.

van Kempen: Later.

Willerman: Thanks.

van Kempen: Bye.

Willerman: Bye.

END

Transcript of OPTUS0002406.wav

Description: Call from Fortis Clearing and NYMEX to Optiver

Date: 3/26/07

Parties: Bastiaan van Kempen and Steven Schwab (Optiver); Linda, Thomas LaSala, Nancy Minett, Anthony Densieski, Michael Hillebrenner and Wing Chang (NYMEX); John Ruark (Fortis Clearing)

Automated Welcome to BT Meet Me. Please enter your passcode followed
Voice by the pound sign. [Passcode entered.] After the tone, please state
your name.

Ruark Optiver
Linda John?
Ruark Yes
Linda Hi. It's Linda.
Ruark Hey, Linda.
Linda Tom is just finishing up another call, and I'm rounding up the rest
of the guys, so if you have just a little bit of patience, we'll be
right with you.

Ruark Terrific
van Kempen Hey John.
Ruark Yes
van Kempen It's Bastiaan and Steve from Optiver. We just dialed in.
Ruark Hi Bastiaan. Hi Steve.
Schwab Hey John.
van Kempen Is Linda still there? She just left.
Ruark Yeah. It sounds -- She ah - Did you hear the tail end of what she
was saying?

van Kempen Yeah
Schwab Yeah
Ruark OK
no voices

Ruark I hope you two have been able to get out of the office today.
van Kempen No
Schwab No
Ruark Oh. I'm sorry to hear it. I went out to get lunch for a couple

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minutes about an hour ago and it's so nice outside after the weather we've had. It is really terrific.

van Kempen HmMMM.

Schwab Yeah. It looks it.

Ruark Yeah.

van Kempen So, you're alone from Fortis camp? You're the only one?

Ruark Ah. Yes.

NYMEX Hello?

Ruark Hello

NYMEX Hi. It's Tom NYMEX and Nancy NYMEX.

NYMEX Hello

Ruark Hi Tom. Hi Nancy. John. This is John Ruark.

NYMEX OK. I've got now with me also Michael Hilbrenner and Wing Chang. They were both on Friday's call.

Ruark OK

van Kempen Tom, it's Bastiaan from Optiver and Steven from Optiver.

NYMEX Hi Bastiaan. You know, Bastiaan, can you – what's Steve's last name? Steve, what's your last name? I'm sorry.

Schwab It's Schwab. Just like Charles Schwab.

NYMEX Got it.

van Kempen Just a quick question. Was that call on Friday? I thought it was Thursday.

Schwab Thursday

NYMEX Was it Thursday?

? Yes

NYMEX Thursday

NYMEX OK. Tony NYMEX also joined us. Tony, I don't know if you were on the last call. I don't think. Were you?

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NYMEX That was Thursday

NYMEX That's it.

NYMEX Uh huh.

NYMEX Inaudible

NYMEX Alright.

van Kempen Yes, Tom. This is Bastiaan from Optiver. Just ah since our call last Thursday we pretty much [inaudible] about into severely toning down the activity in the TAS contract and the subsequent hedging in it to actually sharp - having fairly limited liquidity in the TAS contract and subsequent less hedging during the 2 minutes elapse period. I was just ah - first would like to know how it was perceived on your end.

NYMEX Yeah. Mike, can you speak to that?

NYMEX Yeah. I mean all TAS trades all together what I saw on Friday was in all markets was 643 buys 675 sales. Ah. Crude, heat, gasoline. Um. And ah basically there wa- I don't think there was anything of too much significance. OK. I mean gasoline was the most significant market that you traded.

NYMEX What was the gasoline TAS, Mike?

NYMEX Um. Basically, they traded - I can get you a breakdown.

NYMEX What's the - what's the -

NYMEX Gasoline, basically, they sold net about 175 short TAS in the gasoline.

NYMEX What's the gross? Do you have the gross?

NYMEX You mean what they made?

NYMEX No, no, no, no. Was - Buy. Sell. Is that a net number you're giving me?

NYMEX That was the net number. They had in both the April and the May

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contract they had 215 buys versus 390 sales. Um, the May was, I believe, 205 by 210, so that was like a negative 5. April was plus 10 by negative 180 so that was negative 170. So.

NYMEX OK

NYMEX So that's how I got the negative 175

NYMEX And what about the trading in the corresponding closes?

NYMEX Um – it was - They covered the – they covered the gasoline in the close. That's why I said [inaudible]. I think here it is. They were 175 um – Let's see if it was all Aprils. Yeah. They bought 175 Aprils in the close- closing period thereabouts.

NYMEX How were those orders laid in?

NYMEX Uhhh-- fairly orderly. I can let you-- I can let you see them. I mean-- (inaudible)-- they start here-- you know-- there's one trade here at 27 times—versus at—in the closing range—14.01s and 2s-- a couple 10s—12s—13s—and that's it. Basically—they had a good-- they had good TAS trade prices—ummm--

NYMEX The price moved quite a bit though. How much—what-- what percentage of the closing range volume were they?

NYMEX I don't— I'd have to go and get the--- gasoline--- (inaudible)

NYMEX I guess my comment is— it's obviously-- significantly tuned down in terms of the volumes—

van Kempen Umm—huh.

NYMEX -- which is-- obviously-- you know-- appreciated-- and-- uh-- responsive to what we were looking to see. I don't know if I'm in the position to just simply say-- uh-- that's-- that's the way to go and-- uh-- that's an acceptable outcome. I'm-- I'm not ready to say that.

van Kempen Yeah-- I mean-- yeah-- looks specifically with the RBOB-- I

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believe that-- uh-- we were probably less than like 5 % of the closing volume in there. Because we did see a significant price jump ourselves out there and-- we were very conservative in-- eh-- in the way we hedged it. During this period based on our conversation. But we did see that pump(?) out there as well. We thought it was something we had to deal with. And—yeah—pretty much what I'd like to know is-- like I believe we're adding value to the end user of the TAS contract by providing size liquidity out there-- and—one of the—one of the-- eh-- specifications of the TAS contract is pretty much that we-- we have to hedge it out in a period right around the VWAP. The most pronounced during hedging-- hedging is during VWAP. And whether we do that hedging activity because we have a larger part of the open interest in the TAS contract or someone else. I believe-- either way the exposure to the market would be similar. So-- I would-- what I would like-- is to get like some clear idea of what—what is acceptable and what is not acceptable on your end.

NYMEX Why are they hedging? They're nuts. I'm-- Tony-- there's no hedge. It's-- it's just -- you're covering the TAS.

NYMEX Well—April had a total closing range volume of 1229. OK-- and they-- they had a 175 purchases.

NYMEX 1229 times 2.

NYMEX Right so-- buy-- the-- the-- buying enough for every seller.

NYMEX No-- (inaudible)-- 175 over 1229-- you can look at it single sidedly.

NYMEX Right.

NYMEX So-- that's-- uh-- ?

NYMEX 15% ?

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NYMEX 15%. Ba-- Bastiaan. We-- that 175-- we're seeing the closing range--that's the cumulative across both menus-- Mike? Or is that just Globex?

NYMEX No-- this is both menus

NYMEX So-- we're seeing you-- the 175 not being 5% -- it's-- I don't know--

van Kempen Eh-- he probably added-- eh-- eh-- both the closing of April and May-- and we probably added both by themselves.

NYMEX OK.

van Kempen That's probably how he came up the figure.

NYMEX OK. I'm looking-- looking-- totally-- solely at April and it's about-- you know 14%.

(?) (inaudible) 8.

NYMEX It certainly seems-- to be-- uh-- a change in the profile-- so to speak-- umm-- I don't know-- I'm-- I'm really uncomfortable in giving finite guidance at this point with regards to giving-- you know-- percentages and what not.

van Kempen Uh-- huh.

NYMEX Nancy-- you want to add to that?

NYMEX No-- I agree with Tom-- um.

van Kempen (inaudible)

NYMEX I understand why you're asking. But-- I-- I-- right now-- with the regulator knows on our part is we put out-- you know-- guidance. And I think we appropriately addressed our observations with you last week-- umm-- in terms of simply-- you know-- laying up-- uh-- firmer guidance I don't think we're ready absolutely to give that yet.

NYMEX It's-- it's not just the numbers. It's the way the number's used. So-

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- if--

van Kempen Sorry Nancy. I didn't get that.

NYMEX It's not just the-- the raw number-- how many contracts you're acquiring, what percentage-- but it's-- it's how that number is used in the-- uh-- closing range and I think that the notice to members that Tom pointed you to from October to speaks to that. That the um, the compliance department is going to take a hard look on what type of use the, what type of trading is done and how the trading is done and evaluating whether the TAS position is being accumulated in order to push that closing number.

van Kempen Yeah. I mean what we're trying to do is just make markets in the TAS contract and hedge ourselves as well as possible during that closing period and maybe slightly before. But you gotta do it before 1:30 'cause afterwards liquidity dries up completely.

NYMEX Well, you know guys making markets in TAS may not be a regulatory safe--

NYMEX] Haven.

NYMEX Haven.

NYMEX Matter of fact -- this is Tony NYMEX - One of the things you have to consider is congestion in the market and what your need to be in the market at a certain period of time is. And like all things, that needs to be discussed, looked at, reviewed. But they always come back to say, what is your commercial need for you to be in the market at a certain period of time and did you trade the market in a commercially reasonable manner.

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NYMEX I just am not of the mind to speak in broadly that, uh, this is necessarily a prudent path to go down, providing liquidity in TAS. I think that by, based upon our observations, our concerns, our notice, I think there should be bright lights all over, doing exactly that.

van Kempen Em. So, so you would suggest that, that uh not making markets in TAS at all? I mean that doesn't seem like the best thing for the (inaudible) of the TAS conference though.

NYMEX I think that – I'm not - I'll be honest with you, I'm not so convinced of that. I think there are users, commercial users, of TAS and that there are natural buyers and sellers. You know, in so far as - you know - market making, I'm not so convinced we need someone to make a market in these things. What I am convinced of is that, you know, what we saw, in the firms trading, and I admit you made a change, I, you know, would be just as concerned tomorrow if I saw someone else do it. I think that, you know that, that making that market in TAS and then how, you know, your systems or your persons, you know, put the liquidating orders in I think uh, you know, create, you know, pressure and it sure as heck looks like it's to achieve an outcome. And I think it's, you know, I'm concerned with it. So, I mean, if at the end of this conversation, you know, you conclude that making markets in TAS is not something you want to do, that's, that's your business decision. If you conclude that, you know, you feel you want to make them, and you can deal with – and I can't give you guidance as we sit here today in absolute terms as to what's the (inaudible) – as to what's the secret sauce, as to a safe haven insofar as what kind of volume can you do without getting the eye of the

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regulator. I'm not ready to do that. If, you know, then again, in a business matrix, if you guys feel you can operate and, you know, in light of that Market Advisory we put out, and, you know, tread water in there, and not affect settlement valuation, um, you know, that's your call. If, for whatever reason, we feel otherwise, we're certainly gonna reach back.

van Kempen Mm-hmm. Would it make sense to have a continuous dialogue with you regarding the activity that, that we see, and that we have in that contract? I mean, is that something that you're opening, or, open to?

NYMEX Sure. Ummm – be willing to talk about it, you know, again. Umm, and, you know, it makes sense to talk, you know, later in the week or early next week. If we see, again, if we see, you know, your participation, you know, you know, increase and replicate to what we saw last week, I can assure you we're gonna be reaching out.

van Kempen / Okay, alright.

Schwab

NYMEX Assuming that, that, that doesn't occur, umm, [we'd] be more than willing to, to, you know, take a, to take a, a weaker review, and talk about it again. But I, you know, I will tell you I'm, I don't have any kind of regulatory hangover insofar as, you know, expressing to you, you know, the concerns I had last week, and the reasoning why we, you know, reached out to you.

van Kempen Mmm-hmm. I, I mean I understand it, and we also take this very seriously on our end. We want to comply with whatever rules or guidelines, you, you set and whatever (inaudible) you give us. We just want to make sure that, uhh, we can still perform our business within the guidelines that you say, er, that you set. And at the

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same time, we just want to make sure also that we, uhh, that whatever we do is in comparison equal to what other market participants are doing. So that we don't affect the market in a severe way – or in any substantial way – just like you expect that from other market makers, other liquidity providers – I don't, you don't have any specific market makers in the TAS contract.

NYMEX And just as a note, it may be that we, uhh, and we're talking about it internally, which is why maybe a call in a, in a week, ummm, is prudent. Maybe we need to put out even more specific guidance.

NYMEX Or if we see something – like we tell it to him earlier -

NYMEX Right, but maybe we need to put out more specific guidance insofar as notice to the market. You know, (inaudible) warning around the notion of, you know, providing liquidity in TAS. Just to the very nature of, of the product. But we're not there yet. But maybe that's something that we, uhh, are going to be talking about internally.

[Unknown] (Mumbling)

NYMEX Maybe, you know, providing – a liquidity provider, you know, a two-way market – hey, you know, broadly speaking on the electronic trading system, on standard markets, is a great thing. This is a unique instrument. And, you know, the genesis of it came from commercial users, and, I just, you know, I, we, from a regulatory perspective, saw concerns with TAS, you know, issues around TAS – as I said to you last week there um – there's history of issues in London. FSA has taken issues – um – with – um I think it was when IPE was operating – you know - the markets there regarding similar activity. So it's not – it's not new stuff. What's new here obviously is the advent of electronic trading. So,

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it's obviously something that we're gonna to look at. And if it's prudent – if you guys would like to talk about a day next week to have a follow up call – I'm more than welcome. And I'll leave you with the point I mentioned earlier that we're going to keep on looking at these closes and at the activity of yourself and others. And if we feel – if we're concerned about something, believe me, you'll hear from us first.

van Kempen Yeah. I mean - I just want to be proactive on that part if there's something that we can improve or we can change that we'll do that in a communication with you.

NYMEX Mmm. Hmmm.

van Kempen And- I mean. The specs of this TAS contract pretty much to my understanding will result in that somebody will have to – eh – buy or sell these contracts in the underlying during that time period. So my feeling is that if we don't make the market and provide the liquidity probably somebody else will. And – uh – which will have a similar effect on the underlying market of – do you agree with that?

NYMEX No.

NYMEX Not really. Some of the people that may transact business or refiners that are producing gasoline and sell it on an average price, small consumers that are buying it on these prices – in other words a cash offset – a commercial need for why they're doing -

NYMEX They're not squaring - , a lot of the people, guys, are not squaring up. Meaning that they are completely fine. It's a commercial tool. Now I was long a thou – 500 contracts in crude oil. Let's make it simpler – 300 uh – 200 contracts – there's 20 business days. I am going to liquidate, and that is the convention in crude oil. They

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average the month. They do 10 a day for 20 business days. And the ideal result for them is to lift that hedge at settlement.

Meaning they buy or sell TAS, they are done.

van Kempen Mmm. Hmmm.

NYMEX There is no – you know – trading around it. That is the trade for them. All it is is a liquidating transaction. That was the genesis of the trading instrument. It was – It was fo – requested by and fostered by institutional – you know – energy participants who are looking to square their book up with the TAS. It wasn't constructed around someone making a market in the TAS which then requires them to square the book.

van Kempen Ah. Well, I mean – I understand the commercial end user uh part of it but if we net all the commercial end users we're going to have still probably some kind of result whether it's long TAS or short TAS or probably if there's no market makers there's not enough liquidity so somebody who would have liked to have bought TAS would actually have to execute it in the underlying market themselves

NYMEX Mmm hmmm

van Kempen So wouldn't that still result in the same net effect on the underlying market?

NYMEX I don't know. If someone couldn't get the TAS, maybe they had to pay more ticks for the TAS.

van Kempen mhmm.

NYMEX You know, maybe instead of paying a tick over or two ticks over, they gotta buy 10 ticks over. Or, they wind up going, as you said, to the close. But, you know, I'm much more comfortable with someone placing their order into the close than, you know to

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effectively liquidate their hedge than you know, a market making scenario that um.

NYMEX Concentrates-

NYMEX Concentrates the activity. I mean, again, I think that there's concern around a market making strategy as you had in place. I don't know how else to put it.

van Kempen That's purely because of the concentration, of the, activity and having a large part of the open interest?

NYMEX Yeah, yep. A large part of the open interest, a large part of the closing range volume.

van Kempen mmhm.

NYMEX How the orders get placed in. As I said to you, you know we went through looking through at least one of those days, gentlemen. I mean, you start tolling in at 2:05 with tens and twenties, and then come 28 time you know the big blocks and 300s are coming off, it looks like there's a kicker being applied, that's how it looks.

van Kempen The reason that we, that we - like, before the 28, before the VWAP starts, we have a larger market risk and say the market is moving up and we need to and we're selling prior to, then the chances that we get close to a settlement price become much smaller. So that's why we can spread a little of the risk over a wider area because most of the exposure is during that two minute period.

(Inaudible)

NYMEX You know, one thing, you know most customers I'll ask them, and they'll tell me what they're hedging, what they're buying against, what they use as tools, what they're using as a hedging tool. What is your reason for doing this trade?

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van Kempen Providing liquidity. Uh, that's our goal as a business model. We, uh, anywhere where we trade, we make a bid and an ask spread and we believe we get paid on buying on the bid and selling on the offer.

NYMEX Okay. Is there a profit motive?

van Kempen Uh, yes.

NYMEX What is your profit motive?

van Kempen The spread, capturing the spread.

NYMEX Ok.

van Kempen I mean we do that in lots of options transactions worldwide and uh in most options series there's a multitude of series or a multitude of products which we can lay our hands on and that's why there's over time you can spread it better so there's less of a direct market effect comparatively to what you see right now in the TAS contract. Because the only way to really substantially, really actually hedge this contract is to trade it during that time period.

NYMEX I understand the point, but when you talk about trading it, the observations on how you're trading it, seem to, you know, the market seems to move in reaction to you know, your orders. And I don't think that that a market making strategy--.

van Kempen No, No, No. I give you assurance and what I was trying to say before, is if you're like providing liquidity, you're pretty much taking the opposite side of the commercial end users-.

NYMEX Mmhm.

van Kempen Both ways. Indirectly there's going to be an imbalance that the commercial end users have on the market. Effective they don't hedge themselves off directly doing it themselves in the settlement period but by trading these TAS contract doesn't change the fact

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that they are a natural buyer or they are a natural seller.

NYMEX I understand the point you're raising.

Alright. Um. You guys want to talk about is - we're gonna obviously talk further internally here. I think you know what our - I think we articulated what our concerns are, how we are going to be looking. Umm - would it be prudent to look towards setting something for early next week sometime?

van Kempen Yeah. I mean I would prefer it. I mean this is something that - we believe in our expanding the global products range that we do, that the TAS contract could be one of the contracts we can provide liquidity in... each one in according to exchange standards, and would love to have this conversation with you going forward.

NYMEX Let me ask a question. Do you provide liquidity in a similar fashion in a product like this on other markets?

van Kempen We have similar kind of activity that we do on the I C E. We trade one TAS contract also versus the other. So, we provide liquidity in both markets.

NYMEX Right, but - is it - you're talking Intercontinental Exchange or Intercontinental Futures? You're talking about the natural gas one or we're taking the - previous I P E?

van Kempen We're talking about the previous I P E. We don't trade anything over the counter so we only trade listed products.

NYMEX So you be (inaudible) talking the Brent contract?

van Kempen For example, yes

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NYMEX So you, so you do similar market making in Brent?

van Kempen Yes.

NYMEX And let me ask you - have they - have IPE - have Intercontinental Futures or FSA ever raised an issue with it?

van Kempen No they have not, but based upon your concerns I am going to address it with them see if they see any issues.

NYMEX If, if you do so, I'd certainly- I would like to follow up and see what their thoughts are and pass those along Bastiaan, I'd appreciate that.

van Kempen Sure!

NYMEX I, I can tell you that when we opened up - as silly as that exercise was, the NYMEX Europe Limited, the gentleman that we put on as our Chief, our basically our Regulatory Officer previously worked for the I-P-E in a regulatory capacity and he was quite articulate in talking about how that activity was one that while he was there was hawked closely. But, you know, times change.

van Kempen yeah, I mean, it's - it's definitely something that's on my list to talk to them about. I mean, it's done in a similar fashion, but it's done on NYMEX's (inaudible) we've toned down our activity in order to prepare to talk to the I-C-E as well. Cause we think it's more of a global marketplace discussion that will happen at some point in time and maybe it's related to transitioning from a floor-based model to an electronic based model where there might be some temporary or some more long term differences in the contract and the way they are hedged. I think whatever the I-C-E and the NYMEX set up as a guideline we believe probably global both exchanges would want to have a similar kind of guideline.

Transcript of OPTUS0002406.wav

Description: Call from Fortis Clearing and NYMEX to Optiver

Date: 3/26/07

Parties: Bastiaan van Kempen and Steven Schwab (Optiver); Linda, Thomas LaSala, Nancy Minett, Anthony Densieski, Michael Hillebrenner and Wing Chang (NYMEX); John Ruark (Fortis Clearing)

One doesn't want to seem more or less competitive than the other.

NYMEX I broadly have to agree with that except for the caveat that it seems that the regulatory schemes, although similar, are not quite in complete lock-step.

van Kempen Yeah, that's ah [inaudible].

NYMEX Meaning I think that, ah, that the U.S. regulators seem to have a firmer grip on a lot of things and requirements – position limits, and the sort – but that's my observation. Anyway, um, we're in a conference room – I don't have access to calendars at the moment.- Would it be alright if we -

Unknown End of the month is this week so-

NYMEX: What's that?

Unknown - end of the month is this week.

NYMEX Yeah, I was going to say, would it be alright if we circle back through possibly John in coordinating a call for next week?

van Kempen Yeah, that's perfect.

Ruark Sure, I'm happy to be the contact point on it if that's useful, although you know I am, judging from the conversation today, I'm not necessarily sure that the conversation at this point wouldn't be purely be an Exchange and Optiver conversation.

NYMEX I understand John, because you're acting as Fortis counsel, correct?

Ruark Correct.

NYMEX Ah, that's right – that's a fair point.

Ruark I mean, I'm happy to pass on the information, and if you think there is anything, and if Bastiaan or Tom if you think there is anything that we can add I'm happy to participate. But you know

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at the same time it does seem like it's um – you two exchanging thoughts and ideas.

NYMEX You know what, that's a very fair point. Bastiaan, what if I reach out to you directly to coordinate a time – if for some reason it seems in our assessment we need to involve you know the FCM, Fortis, we'll reach out to John.

van Kempen That makes sense.

NYMEX What's your direct contact Bastiaan?

van Kempen I was just going to ask – John could you provide us with an email for Tom's contact info and provide Tom with our contact info?

Ruark Ah, I'd be happy to do it. Uhm Tom, I think I've emailed you stuff in the past, but I'll have to dig through my emails.

NYMEX Again, I'm tlasala@nymex.com.

Ruark I will pass everything on.

NYMEX That's great.

Ruark Okay.

NYMEX If I get that I'll coordinate directly with Bastiaan.

van Kempen Okay.

Ruark Sounds great.

NYMEX Okay, thank you.

All Bye.

END