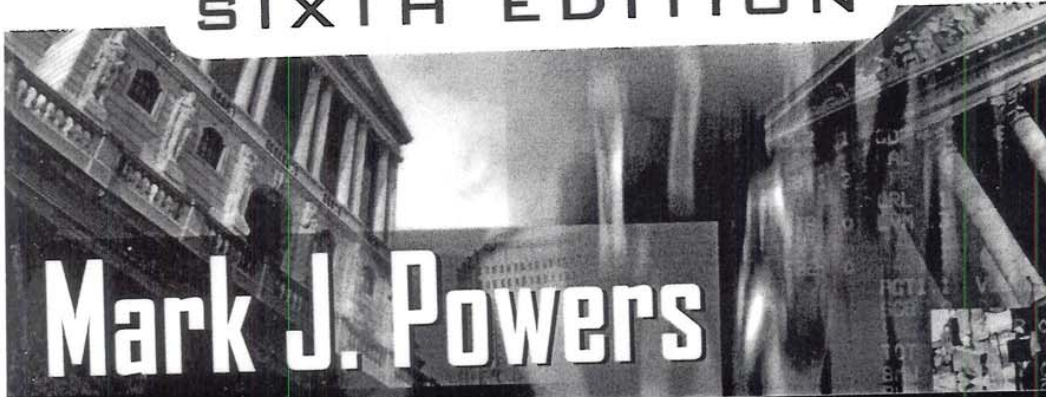




Starting Out in FUTURES TRADING

SIXTH EDITION



Mark J. Powers

IBG 1025

CBM of U.S. Patent No. 7,412,416 B2

DOCKET
A L A R M

Find authenticated court documents without watermarks at docketalarm.com.

Starting Out in Futures Trading

Updated and Expanded

SIXTH EDITION

MARK J. POWERS

Starting Out in Futures Trading

Updated and Expanded

SIXTH EDITION

MARK J. POWERS

McGraw-Hill

New York Chicago San Francisco
Lisbon London Madrid Mexico City
Milan New Delhi San Juan Seoul
Singapore Sydney Toronto

Library of Congress Cataloging-in-Publication Data

Powers, Mark J.

Starting out in futures trading / by Mark J. Powers—6th ed.

p. cm.

ISBN 0-07-136390-4

1. Futures. 2. Options (Finance). 3. Investment analysis. I. Title

HG6024.A3 P682 2000

332.64'5—dc21

00-045265

McGraw-Hill

A Division of The McGraw-Hill Companies



Copyright © 2001 by The McGraw-Hill Companies, Inc. All rights reserved. Printed in the United States of America. Except as permitted under the United States Copyright Act of 1976, no part of this publication may be reproduced or distributed in any form or by any means, or stored in a data base or retrieval system, without the prior written permission of the publisher.

8 9 10 DOH/DOH 0 1

ISBN 0-07-136390-4

Printed and bound by Quebecor/Martinsburg.

McGraw-Hill books are available at special quantity discounts to use as premiums and sales promotions, or for use in corporate training programs. For more information, please write to the Director of Special Sales, Professional Publishing, McGraw-Hill, Two Penn Plaza, New York, NY 10121-2298. Or contact your local bookstore.



This book is printed on recycled, acid-free paper containing a minimum of 50% recycled, de-inked fiber.

Throughout the book the author is using “he” but it is meant to imply a neutrality in the sexual context and should be read as “he or she.”

directly. Instead, they each deal exclusively with the clearinghouse. In effect, they are now long or short to the clearinghouse, because it has assumed the position of second party to each member's transaction. The liquidation of contracts is facilitated through this system, because a trader can now offset his contract without the necessity of obtaining the agreement of the original second party to the contract. The clearinghouse then merely notes that the original trader's obligation is canceled.

The clearing member firm is ultimately responsible for fulfillment of a contract with the clearinghouse, not the individual customer. The customer's responsibility lies solely with his broker. The brokerage firm, after executing the trade, then deals exclusively with the clearinghouse.

FINANCE

Whenever a transaction is made in the market, both parties to the trade are asked to post a "good faith" bond in the form of cash, Treasury bills, listed securities, or letters of credit. This "good faith" money is usually referred to as margin, although on some markets it is called a "security deposit," a term which more accurately describes it and distinguishes it from margin in the securities market.

The clearinghouse establishes and maintains strict control over these minimum security deposits (margins), both for initiating and for maintaining positions. Member firms are required to collect these minimum amounts from customers. Brokers may, and frequently do, charge customers more than the minimum, but they may not collect less. Clearing member firms must, in turn, deposit and maintain a specified level of funds in the clearinghouse to back up their aggregate net market position.

The purpose for requiring these funds is to ensure performance under the terms of the futures contract. It is a safeguard or surety to both buyer and seller (and to the carrying broker) that there will be funds available to make proper settlement when the contract is terminated. When the contracts are offset or delivered upon, this money is returned to the trader along with his profit on the transaction, or is applied toward his debts if the trader has lost money.

Traders who have a paper profit on their transactions may withdraw their gains over and above the minimum security deposit required at any time before they offset their positions. On the other hand, if their transactions show a paper loss, their accounts will be debited accordingly, and they may be asked to deposit additional funds in order to maintain the value of their accounts at the required minimum amount.

The clearinghouse requires daily settlement in cash for all price variations in every contract traded. This means that each day the clearinghouse credits the account of clearing members showing a net gain due to favorable price move-

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts



Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research



With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips



Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS

Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.