



RJO' Brien News

INTRODUCING BROKER NEWSLETTER

Service is our trade ■ Since 1914



HAPPY HOLIDAYS!

As we enter the new year, we would like to thank our IB family for your continued loyalty to R.J. O'Brien. The last year has presented countless conversations of where business will be in 2017 and RJO is excited about the opportunities it may bring. We will remain focused on the ever-changing needs of our clients as we stand committed to our IB community by making advancements in technology, providing skilled compliance support and delivering exceptional customer service. On behalf of everyone at RJO, we wish you and your family a holiday season full of happiness and prosperity. May you be able to take this time to celebrate the amazing blessings, family and relationships in our lives.

Many Blessings,
Katie Hanley
Executive Director, IB Division

In This Issue

Department
Spotlight

Year-End Reminders

Compliance
Reminders

Opening New
Accounts

CFTC Position Limit
Rule

CME Group—
Grains: Options
Overpriced?

21st Annual
"Exchange of Ideas"
IB Conference

Holiday Calendar

RJO Department Spotlight...

Client Services Department

We would like to introduce you to RJO's Client Services Department! As many of our IBs have regular interaction with this department, we feel it is important to familiarize you with the team. Client Services is the central hub for all customers to have direct access and communication with RJO. Our team represents the front line of support for IBs in terms of handling all facets of the futures business. They will assist with items such as: platform setups, training, troubleshooting, ACH requests, and market insight setups. The list is endless! Client Services can be reached directly at rjohelp@rjobrien.com or (866) 438-7564.



Pictured: (Left to Right) Front Row: Tony Castro, Anne Potts, Mike Barcal, Carol Fernandez, Mary Tinsley, Connie Cholly, Chris Boone, Nancy Kupec. Back Row: Ben Smylie, Dan Strang, Mirel Karic, David Ruta, & Mike Cysz. Not Pictured: Ramiro Torres

General Reminders

Year-End Procedures, Compliance Reminders, New Accounts, Retirement, Hightower Teleconference

YEAR-END PROCEDURES

With the ending of 2016, we strongly stress the importance of checking your customer accounts to ensure correct year-end tax reporting. We recommend, as a regular daily procedure, to check preliminary and final equity runs for any inaccuracies. This habitual practice is essential when it comes to 1099 tax purposes during year-end. All trading activity generated on December 31, 2016 must be reviewed that day to ensure 1099 tax statements for 2016 are filed accurately. Failure to make corrections on this last trading day will create an incorrect 1099 tax statement that **cannot be altered**.



In order to better assist you and your clients, RJO will again provide support in relation to questions customers may have regarding their 1099 tax statements. RJO's Client Services Department will be able to answer all inquiries received by email at taxquestions@rjobrien.com or at their toll-free hotline 866-438-7564.

COMPLIANCE REMINDERS

To help keep you abreast of all regulatory changes and additions, RJO Compliance sends a monthly regulatory bulletin via email. These bulletins come directly from Lisa Baker, Compliance Trainer & Analyst. Therefore, be sure to give permission to lbaker@rjobrien.com in your email address book so these emails do not get stuck in your spam filter. Did you miss a bulletin? Don't worry! RJO Compliance hosts a monthly compliance call on the second Tuesday of every month at 2:30PM (CT).

As new regulations are enforced in our industry, please be aware that RJO policies and procedures may be affected as a result. Watch for **"Announcement"** and **"Alert"** emails from RJO with updates on policies. As always, RJO's Compliance Department is at

your disposal. Please feel free to contact your compliance representative at 312-373-4937 or compliancedept@rjobrien.com.

The compliance team will be speaking at the 2017 IB Conference once again. Please send your compliance topic suggestions to Lisa Baker at lbaker@rjobrien.com. We hope to see you in March for this informative event.

OPENING NEW ACCOUNTS

Just a quick reminder, when a prospect completes the new account paperwork package they must send the paperwork to your office first for review. **YOU** must complete your review and the preliminary risk assessment for the customer before sending the paperwork to RJO. New account paperwork should not come to RJO directly from the customer.

CFTC POSITION LIMIT RULE

The CFTC voted unanimously to re-propose regulations implementing limits on speculative futures and swap positions as called for in the Dodd-Frank Wall Street Reform & Consumer Protections Act. In a separate vote, CFTC approved final aggregation regulations, which are a key component of the CFTC's existing position limits regime. In response to comments on a prior proposal published in December 2014, and on a supplemental proposal published in June 2016, the CFTC is re-proposing limits on speculative positions in 25 core physical commodity futures contracts and their "economically equivalent" futures, options, & swaps, and its deferring action on three cash-settled commodities.

The CFTC is also re-proposing the definition of bona fide hedging position, as well as exemption for bona fide hedging positions in physical commodities. Exemptions are being re-proposed for, among other things, positions that are established in good faith prior to the effective date of the ini-

tial limits that would be established by final regulations. The re-proposed rules will be open for comment for 60 days after its publication in the Federal Register. Thus, the comment period is expected to close in February 2017. We expect this to be published before the end of the year.

You can review the full notice and leave a comment at the following link, once published: <http://comments.cftc.gov/FederalRegister/OpenForComment.aspx>

FINES

Fines for regulatory violations continued to be high and regulators have recently stated that they will be increasing monetary penalties up to \$5 million per offense from \$1 million. The below link is to a Reuters article on this issue: <http://www.reuters.com/article/us-cme-group-crime-fines-idUSKBN13Q5ZB>

RETIREMENT

If you are in the process of retiring or looking to acquire a retiring office, please reach out to our IB Marketing team at marketing@rjobrien.com. There are certain procedures that need to be followed through this type of life changing process and we are here to help.

2017 Hightower Monthly Teleconference

**Subject to change*

January 17th

February 14th

March 14th

April 18th

May 16th

June 20th

CME Group - US Economic Update

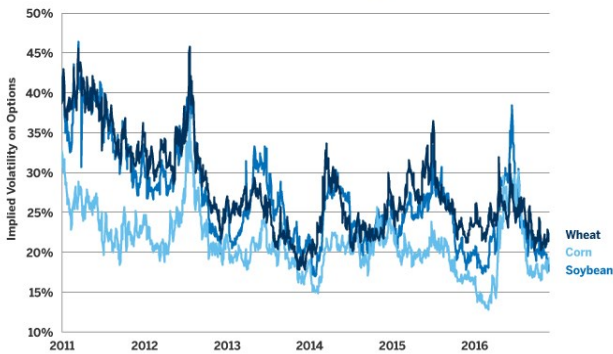
Grains: Options Underpriced for La Nina Volatility?

Erik Norland, Senior Economist and Executive Director, CME Group



Donald Trump's election as U.S. President rocked currency, bond, equity and metals markets but agricultural products barely took notice. Not only have corn, soy and wheat prices held their ground since, the cost of options are hovering near the low end of historical ranges (Figure 1). The lack of any movement in prices could be due to economic policies enacted by the incoming administration having little impact on agriculture other than the implications from changes in exchange rates. But there is a good reason to be concerned that agricultural options might be underpriced: La Niña.

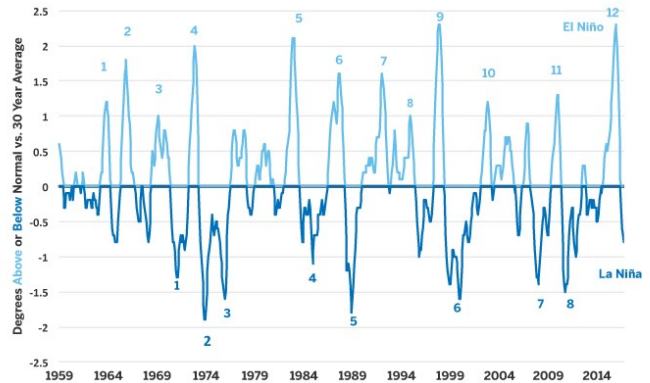
CBOT Corn, Soy & Wheat Implied Volatility:
90D Constant Maturity Options



Source: Quikstrike (OZC_90, OZS_90 and OZW_90)

Figure 1

El Niño/La Niña: Sea Surface Temp. Anomalies



Source: NOAA, National Weather Service, Climate Prediction Center

Figure 2

Historically, La Niña's are associated with periods of exceptionally high realized volatility in corn, soy and wheat prices. This was the case during the most recent La Niña episode, which concluded in 2011, when soy and wheat implied volatility was around twice the current level, while implied volatility on corn occasionally spiked to around 1.5x its current level. There is little doubt that the world is headed into a La Niña. Central and East Central Pacific Ocean sea surface temperatures have already fallen from a peak of +2.3°C above normal in December 2015 to 0.7°C below normal by the end of September 2016 (Figure 2) and they have almost certainly fallen further since.

More broadly, the entire Pacific Ocean is cooling down relative to temperature at the beginning of the year and this should impact weather in the Americas and elsewhere in the world over the next few months, and it has the potential to send agricultural crop production and prices on a wild ride. La Niña is associated with greater-than-usual precipitation across much of the Northwestern and Midwestern U.S. and Canada. Conditions tend to be drier than normal in the Southern United States. La Niña is correlated with wetter-than-normal weather in Brazil and the Central Andes while leading to much drier-than-normal conditions in coastal Chile and Peru. It can also impact the oil palm growing regions in Asia, including top producers Indonesia and Malaysia which can also experience much wetter-than-normal conditions.

In short, since the late 1950s La Niñas have tended to increase uncertainty and amplify price moments in agricultural products markets. Over the past eight La Niña episodes, realized volatility for corn, soy and wheat has been approximately 1.5x normal and generally, the more intense the episode the greater the realized volatility. While correlation is not causality, if the current episode of La Niña continues to intensify, the cost of options protection on corn, soy, wheat and other agricultural goods could begin to soar.

Finally, La Niña episodes, in general, have also correlated with lower prices for agricultural goods. Perhaps this shouldn't come as too big of a surprise given that most markets tend to be more volatile on the way down than on the way up. What might save corn, soy and wheat this time is that their prices are already depressed, owing, in part, to the strength of the U.S. dollar (USD). Should the U.S. currency continue to strengthen, which is a distinct possibility given potential consequences of President-elect Trump's proposed fiscal stimulus, agricultural products prices may indeed have further to fall from a USD perspective.

More market insights and figures on this topic can be found at:

<http://www.cmegroup.com/education/featured-reports/grains-options-underpriced-for-la-nina-volatility.html>

All examples in this report are hypothetical interpretations of situations and are used for explanation purposes only. The views in this report reflect solely those of the author(s) and not necessarily those of CME Group or its affiliated institutions. This report and the information here in should not be considered investment advice or the results of actual market experience.

21st Annual Introducing Brokers' Conference

March 17-18, 2017 in New Orleans, LA

We are heading to **"The Big Easy"** for the 21st Annual "Exchange of Ideas" Introducing Brokers' Conference! Please join us March 17-18, 2017 at the InterContinental New Orleans located conveniently near the French Quarter & Garden District.



On Friday, March 17th, we will kick start the conference with several presentations focusing on technology and market insights. Don't forget to attend the highly relevant compliance panel before the annual welcome

reception! On Saturday, March 18th, the conference continues with diverse panels and industry experts discussing the topics affecting markets. New to the conference this year, we will be having a motivational keynote speaker. Anthony "AB" Bourke is a highly accomplished and decorated fighter pilot who was one of the first pilots to fly a F-16 over NYC in the aftermath of 9/11. Following his impressive military career, "AB" applied these tactical tools and techniques to the competitive world of business.

We understand the importance of networking in our industry. Exhibitors will be on site both Friday & Saturday throughout the sessions. With the success of last year, we will be including another one-hour

exhibitor appreciation hour following the conclusion of the conference. This session allows for IBs to have more time to interact with each other and the exhibitors. Last and certainly entertaining, we will close up our conference weekend with dinner and dancing at **Mardi Gras World!**



Be sure to book your airfare and room reservations early for the best discounted prices. Room reservations can be made by booking online at <http://tinyurl.com/RJO-IB-Conference-2017>. Receive reduced rates starting at \$205 per night when booked before **February 21, 2017**. Don't forget to register for all conference events with Katie Rogers at (312) 373-5277 or krogers@rjobrien.com.

Monday, January 2nd	New Year's Day 2017
Monday, January 16th	Dr. Martin Luther King Jr. Day
Monday, February 20th	President's Day
Friday, March 17th— Saturday, March 18th	21st Annual "Exchange of Ideas" IB Conference—New Orleans, LA
Friday, April 14th	Good Friday
Monday, May 29th	Memorial Day
Tuesday, July 4th	Independence Day
Monday, September 4th	Labor Day
Monday, October 9th	Columbus Day (Foreign Exchange & Interest Rate Products Only)
Friday, November 10th	Veterans Day (Foreign Exchange & Interest Rate Products Only)
Thursday, November 23rd	Thanksgiving Day
Monday, December 25th	Christmas Day (Observed)

DISCLAIMER

The information contained herein has been taken from trade and statistical services and other sources we believe are reliable. R.J. O'Brien does not guarantee that such information is accurate or complete and it should not be relied upon as such. Opinions expressed reflect judgments at this date and are subject to change without notice.