

PD-ABS-265
134.2

**ASSESS SCOPE OF
TECHNICAL ASSISTANCE FOR COMMODITIES
FUTURES TRADING IN INDONESIA**

under
USAID Contract No. OUT-AEP-I-804-96-00028



Final Report

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January 1999

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I. Introduction

The United States Agency for International Development (USAID) is currently providing technical assistance to the Commodities Futures Trading activities by providing advice to the GOI Commodities Futures Regulatory Agency in building a market regulatory structure to ensure effective trading in commodities futures in Indonesia.

This Technical Assistance also provides assistance to the Ministry of Finance in the following areas:

1. Tax advice principally focused on revenue estimating and related issues to the Tax Department of the Ministry of Finance, with a subsidiary focus on technical assistance to the policy process, training, and organizational structure;
2. Macroeconomic and fiscal policy advice to Ministry of Finance officials to assist in fiscal policy matters relevant to stabilization of the Indonesian economy and a resumption of economic growth.

Most of the resources for this Technical Assistance are concentrated in the Ministry of Finance and the Tax Department with long-term expert advisors currently in place. The Commodities Futures Trading Regulatory Body has had visits by international experts but, due to a lack of resources, no long-term advisor is in place.

Since the start-up of this TA in May 1999, it has become clear that an assessment of the status of current activities at BAPPEBTI needs to be done to provide a comprehensive view of current and possible future new activities.

Therefore, the purpose of this report is to provide an assessment of the technical assistance activities in place for the Commodities Futures Regulatory Agency (BAPPEBTI) which commenced in May 1998. This report includes an assessment of:

1. Current status of activities (both underway and not started);
2. Overall status of the technical assistance to date;
3. Additional tasks to be considered;
4. Schedule for completion of all activities including costing;
5. Cost and resource estimates that are needed to complete all tasks that are prerequisites to start-up of the regulatory body.

This report also includes an action plan and revised scope of work to accomplish all identified tasks, including time and cost estimates, required for the launch of BAPPEBTI and makes a determination, as much as possible, of the capacity and determination of the original owners of the Commodities Futures Exchange to

provide additional financial resources (if required) to put in place a viable Commodities Futures Exchange.

II. Methodology

During a three week period in November – December 1999 this Technical Assistance assessment was carried out in Jakarta, mainly at the BAPPEBTI offices. Meetings were held with pertinent personnel and staff as well as with outside agencies such as the Commodities Futures Exchange. In addition, background knowledge of the consultant based on twenty years experience in Indonesia was used for informational purposes.

III. Management Summary

The purpose of this report is to provide an overall summary of the current Technical Assistance and provide a recommendation of additional resources and tasks to ensure that the Regulatory Agency will be ready to operate on a viable basis when the Commodities Futures Exchange launches its' operation. It also identifies several areas where the Commodities Futures Exchange could utilize additional resources.

Because most of the resources of the TA are devoted to the Ministry of Finance, the resources available to BAPPEBTI are minimal. However, the Scope of Work as originally envisaged was well designed and mainly suffers from lack of resources.

There are several areas that are considered critical to the success of BAPPEBTI and the Commodities Futures Market, namely:

- Sufficient, well trained staff;
- Acceptance of the Commodities Futures Market by Traders and Brokers;
- Access to accurate, up-to-date data regarding commodity information;
- Oversight capability by the Regulatory Agency;
- Suitable Hardware and Software to support all Futures activities.

The rest of this report summarizes each activity in the current Technical Assistance provides a status of each. It then identifies several new tasks which could be undertaken to help increase the chances of success for the Commodities Futures Exchange and the Regulatory Agency. A new scope of work has been drafted and resources have been identified to accomplish this new scope of work.

IV. Findings

Current Activities

Agricultural Information System

Description

A major step in moving toward effective market operations is the establishment of an improved commerce/ agricultural information system for the major crops and primary livestock sectors in Indonesia, beginning with crude palm oil and coffee. This will provide the basis upon which a futures trading system can be built. Activities should include analysis and recommendations on how the Government of Indonesia and the domestic agricultural sector might collaborate in the design, development and implementation of an appropriate system.

Status

This activity is currently in the planning stage with additional effort required to start the process moving forward.

The intent is that the initial effort will produce an Agricultural Information System limited to two commodities, Palm Oil and Coffee and would include the capacity to include other commodities as they were ready to offer as future commodities.

The concept has always been that there is "lots of data" out there, e.g., in other Ministries, Associations and other private and public sector agents who could somehow provide their information to the Futures Exchange for the common good. This is an admirable and ambitious plan but has some problems which need to be considered, such as:

Identification of the sources of the data: Once the data required for the database has been identified, the next step will be to identify where this data may be obtained. This could range from other divisions, other Ministries, data from the Internet or others.

Getting permission to obtain the data: Once the source of the data has been identified, permission must be obtained so that the data can be accessed by BAPPEBTI and/or the Commodities Exchange. This may prove to be difficult as owners of data are traditionally reluctant to, what they see as, give away their data. This could require a presidential decree to accomplish.

State of the data: once permission of the data has been obtained, an even more issue arises and that is the condition and accuracy of the data. There is enough historical evidence in Indonesia of computer systems that depend on data, especially from the provincial level, to believe that the data obtained will be woefully out of date or inaccurate.

Minimum Data Requirements

Assuming that the constraints mentioned above can be overcome through a combination of inter-ministerial cooperation, or other means, and that the data will be current and accurate, it is felt that the minimum data requirements are as follows:

1. Weather data

This data is available on a regular basis through the government department of Meteorology and Geophysics (Departemen Perhubungan Badan Meteorologi dan Geofisika). The data is received from hundreds of reporting stations throughout Indonesia but the reporting responsibilities vary from region to region. The key reporting stations for Palm Oil and Coffee are found in Sumatra and Java.

In an ideal situation, weather data should consist of:

A. Rainfall

- Daily, weekly, monthly and yearly;
- Percentage variation from the norm;
- Subsoil moisture conditions (drought to very wet).

B. Evaporation Rates

- Daily, weekly, monthly and yearly;
- Percentage variation from normal.

C. Sunshine

- Mean daily sunshine expressed in hours (plus weekly, etc.);
- Percentage variation from normal.

D. Temperature

- Highs and lows for specific regions;
- Percentage and actual variation from the norm;
- Impact of previous week and outlook;
- Seasonal factors included;
- Statement of any crop impact noted;

- Statement regarding weather outlook including projections.

2. Production Factors and Inputs

Agricultural inputs which will have a bearing on yield and production should be recorded. This includes an estimate of total hectares will be planted with what crop based on intentions and/or historical information. In the case of Palm Oil and Coffee, these are fruit bearing trees that will provide repetitive production once the trees mature. Because of this, it can be safely assumed that the total hectares will vary only slightly from year to year unlike other crops such as rice or soybeans where the farmer chooses what to plant each year based on many factors prior to the growing year.

Data from this category should include:

- Planted area and harvested area (plus percentage change from the previous year);
- Yields, both predicted and actual (plus percentage change from the previous year);
- Use of fertilizer, pesticides and other Agricultural chemicals (plus percentage change from the previous year);
- Other production factors such as seed or sprout variety, cost, mechanization, expansion or new facilities.

3. Condition Report on Crops

This should be a comprehensive report regarding the condition of the specific crop based on surveys, visual inspection and other crop information available:

- Report on development stages to include damage or loss caused by weather or agricultural conditions;
- Report on the variation from the norm in terms of stage of development of the crops by region as well as the condition of the crops at specific growing stages;
- Continual reports on the expected yields and production at harvest.

4. Available Raw Material Stocks

There should be a weekly (at least) reporting of raw materials in key industry areas in Indonesia. Because the Palm fruit has a very short period of freshness prior to the onset of rancidity (about one month), it must be crushed immediately. Therefore, material storage for Palm Oil must be defined as CPO and PKO (crude palm

oil and palm kernel oil). In the coffee industry, the coffee bean in bags of a specific weight constitutes raw material in storage.

Currently, most Palm Oil is harvested in Sumatra while Coffee is harvested in South Sumatra, Lampung and East Java. Therefore these locations can be considered for reporting purposes.

5. Supply and Demand Forecasting

Commodity forecasting is essential to understanding the situation surrounding a specific product. Forecasting should begin with a thorough understanding of Indonesia's domestic market and then expand into the international arena. Without timely and accurate data, a commodity forecast will not be effective in supporting decisions made on futures contracts on a domestic exchange. And without understanding where Indonesia's supply and demand fits into the international market, decision making by international brokers/exporters/traders will not be at its most productive.

6. Trade Balance Information

Imports and Exports of specific commodities form the trade balance of that commodity. In both Coffee and CPO, Indonesia has large net export surpluses. However, the important data here is the timing of export shipments as this is very important to the price discovery process with lag times in reporting causing possible reporting after the fact of the data. In America, there is a system for declaring export shipments/contracts, for large tonnages, prior to shipment. This allows traders to know future export volume and anticipate its impact on the domestic market and the price of futures.

7. Pricing at Key Points in the Product Marketing Chain

By tracking pricing at key points in adding value to raw material, traders become aware of how the market participants are positioning themselves. Slight variations in pricing from one function to another could eventually affect the price of raw material and subsequently affect the futures market. Tracking prices paid by participants in the palm oil and coffee industries in some of the major cities in Indonesia should be sufficient information for traders and other industry participants.

8. Macroeconomic Indicators

Indonesia currently produces a wide range of information regarding the local economy. The inflation index is the single economic item (along with the exchange rate of the Rupiah) that most people are familiar with. This index is based on the price of over 200 products which are weighted by province and used in a complex equation. Other economic news regarding growth rates, financial issues, interest rates and general data are important to forecasting the overall health of the economy and demand trends. A steady stream of accurate economic news is important for both local and international futures trading in Indonesia.

9. Government Policy Adjustments and Announcements

Indonesia has many policies in place with regards to the production, export, pricing and handling of strategic commodities. With the events of the past two years in Indonesia, it is anticipated that many of these existing policies will be modified or replaced. Indeed, the government agency (BULOG) which had been charged with maintaining stable supplies and prices has fallen into disfavor as it was widely perceived to be corrupt. Therefore, it is extremely important that Indonesia be timely in announcements regarding policies and actions which may have an affect on the proposed contracts of the Commodities Futures Exchange. This will promote confidence in the government which will lead to confidence in the stability and free market aspirations of the Commodities Futures Exchange.

Building the Data Base

During the process of establishing sources of data, providing linkages to it and ensuring that the data collected will be timely and accurate, the process of what to do with it after collection channels have been established must be addressed.

Generally, a database system will be established to accept data from various and sundry sources. It should be noted that the data may be in many different formats which may or may not be compatible with each other. Therefore, a study of the data should be accomplished which will give an idea of the amount of data conversion required. Once that is clear, a database can be established and software can be written which will accept the data and update the database on a periodic basis.

Then the linkages to the newly established database will be put in place. This will consist of such items as periodic reporting, as required reporting,

making data available to traders, brokers and other parties for their interest.

It should also be noted here that one of the biggest money makers for most markets throughout the world is the sale of timely, up to date data such as described above.

Summary

It is clear that while the data required to build an Agricultural Information System at the Commodities Futures Exchange is indeed “out there”, it will require more significant effort than is currently envisaged to accomplish this task with the following effort required:

- Identification of the data;
- Identifying the sources of the data;
- Establishing linkages to the data;
- Setting up a conversion process so the data is compatible;
- Establishing a database at the Futures Exchange;
- Writing update and maintenance software for the database;
- Creating linkages to the database;
- Providing required management reports.

The most efficient, rapid way of facilitating this activity is to establish two teams: a “data” team and a “computer” team. They must work closely together as the data team’s responsibilities will be:

- Identification of the data and the sources of the data;
- Establishing the linkages to the data;
- Determining any data conversion required.

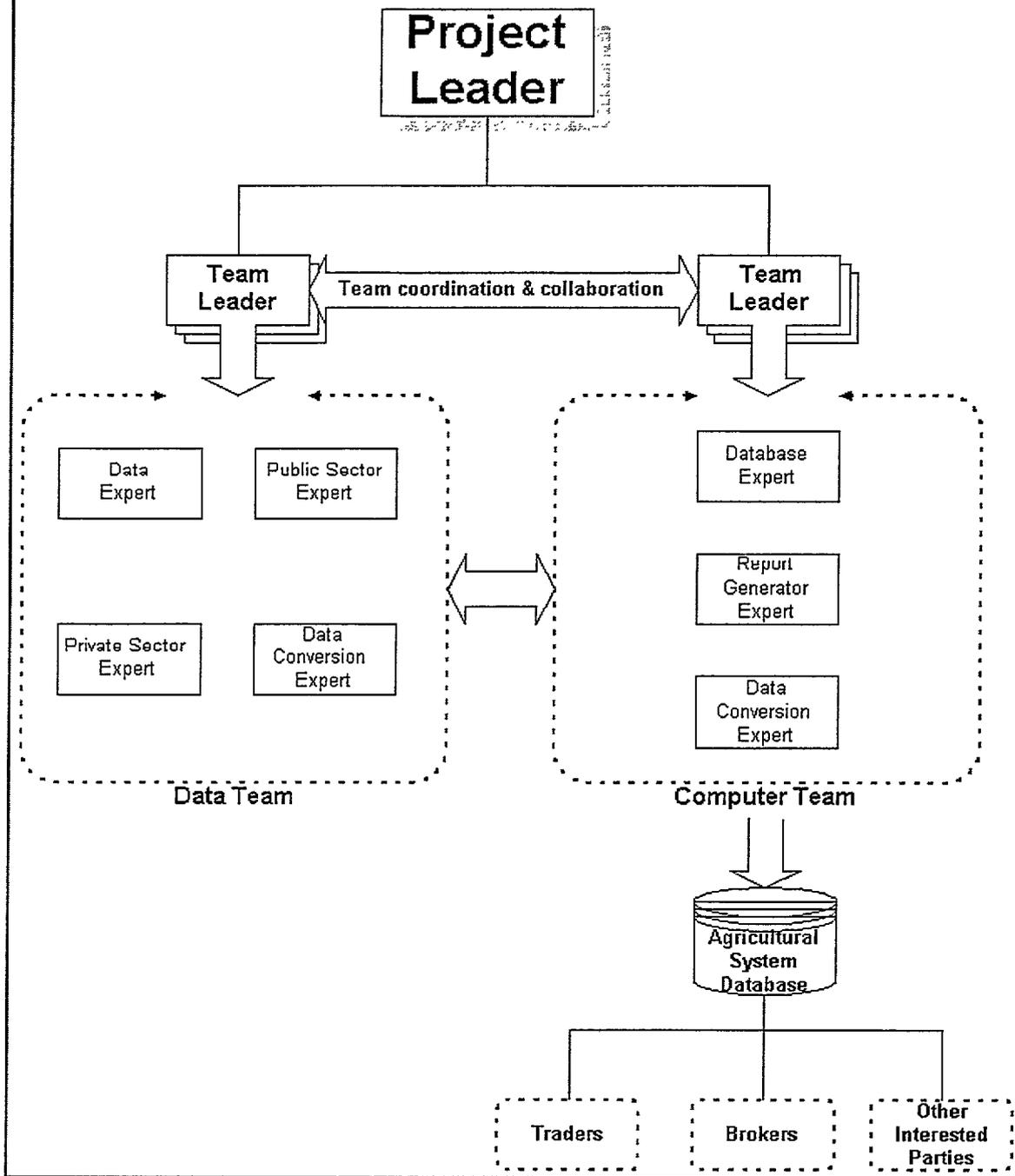
While the computer team’s responsibilities will include:

- Establishment of the database based on input from the Data Team;
- Establishing any data conversion routines required;
- Writing necessary software to update and maintain the database;
- Provide electronic access to qualified users;
- Provide management reports as required.

Resources and Time Requirements

Estimates of Resources and Time Requirements are based on previous experience in Indonesia developing automated systems at various governmental offices.

AGRICULTURAL INFORMATION SYSTEM



Training of Key Individuals

Description

Training of newly appointed individuals filling key supervisory positions at BAPPEBTI. During 1998 BAPPEBTI prepared, with assistance from outside advisors, detailed organizational diagrams and position descriptions. Since these positions have not previously existed in Indonesia, training will be required to enable the incumbents to fully function in their supervisory roles. A combination of classroom and on-the-job training is envisioned. Providing this training is the principal role of the short term advisors.

Status

As there is no local expertise available for the training requirements, it has been necessary to bring in foreign experts to accomplish this training. This is a recognized need and visits by experts are under way. The perceived need for training lies in three major areas:

- Legal;
- Compliance;
- Economic Analysis.

With the foreign experts for up to two months each. Please refer to the diagram for a time chart of this activity.

In house training should also be undertaken to meet the skill levels of the staff of the Commodities Futures Exchange Regulatory Agency which currently consist of the following:

- Eselon 2 – 4 people;
- Eselon 3 – 15 people
- Eselon 4 – 42 people
- Other staff - +/- 60 people

Therefore, care and planning must be utilized in drawing up a training program to ensure that the correct eselon or level of staff receive the proper training.

TRAINING OF KEY INDIVIDUALS							
PERSONNEL	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	COMMENTS
Legal Expert	■	■					2 Months
Compliance Expert			■	■			2 Months
Economic Analysis Expert					■	■	2 Months
Total Months:							
	Legal Expert						2
	Compliance Expert						2
	Economic Analysis Expert						2

MIS for Analysis of Trading

Description

Management Information System requirements for analysis of trading. Appropriate MIS capability and electronic surveillance systems will be required in order for BAPPEBTI to fulfill its oversight role, particularly the collection and analysis of each day's trading activity. It would be advisable that this system be compatible with that of the IFE in order to ensure an efficient transfer of pertinent data.

Status

The need for this critical activity is fully acknowledged with the current thinking centered around analyzing the best way of ensuring that a proper and useful MIS for the Regulatory Agency be in place at the time of the Commodities Futures Exchange launch.

Currently, there are two options under study:

- An off the shelf package may be available which would meet the needs of the Regulatory Agency. The problem involved with buying an off the shelf package is that it may not meet the total requirements of each agency and/or it may not be compatible with the data used at the Futures Exchange. It could, however, be significantly cheaper if there were no compatibility questions or modifications to the package required.
- Develop the software in house or by using consultants: this would ensure that all needs of the Regulatory Agency were met and that any compatibility problems with the Futures Exchange would not exist. However it would almost certainly be more expensive and would take longer to implement.

expert short-term technical assistance available to support this activity before the time of launch.

Status

This activity is well under way with a consultant, Mr. James Jordan from Barents, in place.

Other Activities

Warehouse Receipts System

Description

Warehouse Receipts are a paper proxy for a physical commodity. As such, several fundamental rules and regulations exist to protect the sanctity of the instrument. Standardization and security associated with the warehouse receipts stimulate commerce, protect all interested parties, and provide increased flexibility in marketing. The ultimate objective of all these benefits is to increase the marketplace's ability to allocate resources in the most efficient manner.

Contents of a Warehouse Receipt:

According to the United States Warehouse Code, every warehouse receipt issued for agricultural products stored in a warehouse licensed by the government must include the following terms:

- Location of the warehouse in which the products are stored
- Date of issuance of the receipt
- The consecutive number of the receipt
- A statement whether the agricultural products received will be delivered to the bearer, to a specified person, or to a specified person or his order
- The rate of storage charges
- A description of the products received including quantity and weight
- The grade or class of the product received
- A statement that the receipt is issued subject to the rules of the warehouse law
- Ownership of the storing warehouse
- A statement of the amount of advances and liabilities incurred for which the warehousemen claims a lien
- Signature of the licensed warehousemen or agent

Strict rules are necessary to prevent forgery, or fraud since the possession of warehouse receipts reflects actual ownership. Record keeping requirements establish procedures for differentiating between outstanding and canceled receipts. Sequentially numbered receipts with audit trails back to original delivery documents provide added control. Lost receipts are also a serious matter typically requiring posting a long term personal guarantee to protect against the future appearance of the canceled receipt in commerce.

Negotiable warehouse receipts are the equivalent of hard currency. The owner has all rights and privileges to dispose of the receipt, as if it were the actual physical commodity. To protect this relationship between a piece of paper and the physical commodity, every effort must be made to eliminate any possibility of fraud, deceit, or default. Just as a country's currency is only as good as its government, a warehouse receipt is only as good as its issuers.

Warehouse receipts represents a collateral document issued by a warehouse to either a producer, end user, government, or trading firm. The security of the document lies largely with the integrity of the issuing warehouse operators. Therefore, emphasis is placed on techniques for improving the security of the collateral warehouse receipt.

In America, most warehouses are State or Federal government controlled and the systems in place are sophisticated enough that the actual receipt documents, which are the equivalent of hard currency, are rarely issued.

In Indonesia, however, the situation is a little different and there are valid reasons to issue the actual receipts to the farmer who stores the commodity in a warehouse. Foremost among these reasons is the fact that the receipt is a negotiable item and the Farmer can use this receipt as collateral on a bank or other loan. This is seen as advantageous to the local social system as the farmer would be able to get money quickly from a bank instead of waiting several months for the money.

However, a warehouse receipts system is not necessarily relevant with a Commodities Futures Exchange. It is more germane to a current or cash contract when the future contract becomes a cash contract.

HUMAN RESOURCES DEVELOPMENT

An essential component of any launch of a new business or government activity is to ensure that the human resources are in place and are capable of performing their tasks, In addition, particularly for the Commodities Futures Exchange, the community human resources need to be developed. The following have been identified as areas in which the development of human resources is desirable:

“Road Show” dissemination of Information to Traders, Brokers, etc.

Description

There is currently in place a program that was developed by BAPPEBTI for presentation to Traders and Brokers for their information about the Commodities Futures Exchange and the Regulatory Agency. It has been presented successfully several times as a “road show” and has been temporarily abandoned because of the monetary crisis.

As the program is currently in place and only needs funding, which would mean transport and possible overnight accommodations at various large cities throughout Indonesia, this could be a good place for additional resources.

Small Holder Education

Description

As the small holder farmers (individuals or small groups) cannot afford to join the Exchange yet, it is beneficial to them and the aspirations of the Exchange to provide some sort of training or education to these people.

This could take the form of the “road show” mentioned above but on a lower key – perhaps travel to smaller cities or kabupatens would be effective in reaching these people.

Community Education

Description

With the launch of the Commodities Futures Exchange, there will most likely be interest from the public regarding the operations of the exchange and certainly, the public will form an opinion of the Exchange. Therefore, it is in the best interest of the Exchange to provide information to the public

in a manner that is supportive of the Exchange and its goals. This could take the form of television advertisements, brochures, educational TV shows and the like. It would also be useful to establish a web site to disburse information to interested parties. Finally, if a public relations office were set up within the Exchange to handle queries from public and private sectors, that would help to disseminate accurate data.

PERSONNEL SCHEDULE FOR HUMAN RESOURCES DEVELOPMENT							
PERSONNEL	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 5	Qtr 6	COMMENTS
"Road Show" for Brokers	■	■	■	■	■	■	6 Weeks
Small Holder Education		■		■		■	3 Weeks
Community Education	■	■	■	■			8 Weeks
Total Weeks: "Road Show" for Brokers/Traders							6
Small Holder Education							3
Community Education							8
GRAND TOTAL:							17

Additional Training

Description

It is also felt that there are additional requirements for training that are not listed in the training mentioned above. This could be training in computer systems, internet and the like or others to be determined.

There are two basic methodologies proposed for this training: 1) Send personnel abroad for one to two months or 2) Bring in foreign experts to accomplish training on site. The feeling is that a combination of the two methods would best serve the needs of the Commodities Futures Exchange Regulatory Agency.

If funding is available, it would be beneficial to send two to three people each quarter abroad for training for one or two months. This process could last up to two years. Additionally, during the same two year period, foreign experts could be brought in as needed for one or two months.

It is not clear at this point the exact training that will be needed over the next two years, but planning can proceed based on costs and personnel requirements. Please refer to the Section V on Additional Resources Required for these estimates.

Futures Trading Expert Assigned to Futures Exchange

Description

Given that there is little local expertise available locally on the development and operation of a Commodities Futures Exchange in Indonesia, it is wise to provide foreign expertise for some period to assist the Exchange in its early days. It is felt that a foreign expert would be most useful to the Exchange development by working side by side with the Exchange personnel in their offices.

Given that this is a new activity for Indonesia, it is best to keep the Commodities Futures Exchange expert for as long as possible but at a minimum of one (1) year.

World Wide Web Site Development

Description

Any business or governmental office planning to do business such as the Commodities Futures Exchange or the Regulatory body should have an Internet site. The future of information exchange lies in the Internet making it imperative that the Commodities Futures Exchange as well as the Regulatory Agency establish a presence on the World Wide Web.

Establishment of an Internet site has been in the planning stage at the Regulatory Agency for some time with the following information available:

- Stage 1 – establish the basic information that is “static” in nature, that is, regulations, brochure information, speeches from various parties and the like;
- Stage 2 – establish an “interactive” methodology for the Web site wherein users accessing the site could query or search the site for specific information;
- Stage 3 – Allow user access to the site with the ability to download certain data such as crop data, pricing data, etc.

Once the design has been completed, the actual programming required to set up the site (whether in HTML, XML or other) will be done by the Ministry of Trade & Industry’s computer center, which will also act as the Internet Service Provider (ISP).

Currently, the design phase is under way

Vetting Hardware & Software for the Futures Exchange

Description

Part of establishing a Commodities Futures Exchange and the Regulatory Agency involves the purchase and installation of certain computer hardware and software. This will be accomplished by tender and subsequent purchase from a reputable dealer, usually with a local office.

Once the vendor has delivered the hardware and installed the software, there must be a mechanism for ensuring that the hardware and software meets the minimum requirements generally described in the tender. This should be done by a third party working closely with both the vendor and the Exchange. Items to be vetted include:

- Ensuring the hardware meets the technical specifications of the tender;
- Testing the software to make sure it meets all system requirements;
- Providing backup tests to ensure the data will be backed up correctly and restored correctly if needed;
- Providing a “doomsday” test to make sure the system has adequate support so that if the worst possible case happened resulting in complete loss of hardware and data that service would be back on line in a minimum time.

Any errors or problems found should be brought to the attention of both the vendor and the Exchange and a mutual plan for correction be adopted.

Capacity and Determination of the Founder Shareholders

Description

Originally, the Founder Shareholders, which number twenty nine (29), each contributed 400 million rupiah to establish the Commodity Futures Exchange. This total of nearly twelve (12) billion rupiah becomes the capitalization for the Exchange. The shares cannot be “cashed in” but may be sold to others, In addition, there are more than ten (10) shares still available for purchase should other interested parties wish to become a Founder Shareholder.

The question of Capacity and Determination of the individual Founder Shareholders seems to be a moot point. If the Founders have already contributed their share money and cannot cash their share in, there seems to be fundamental support for the Exchange in place.

There will be a general meeting of the Founder Shareholders on 17 December 1999 to elect a Board of Directors as well as the Chief Operating Officer for the Exchange. The interest and determination of the Founder Shareholders should become more clear at that time.

V. Additional Resources Required

It is reasonable to assume that the start up of the Commodities Futures Exchange and the development of the Regulatory Agency will take some time. Therefore, these estimates are based on a per task basis over the next two years without attempting to place them in any sequence.

Obviously, there are activities which must be started or completed before the next one can start, but for planning purposes, this task per task estimate of resources per activity does not attempt to assign any sort of sequence to task completion.

Current Activities

Agricultural Information System

As this is a critical activity to the success of the Commodities Futures Exchange, it should be done correctly and effectively so that it will provide current, accurate data to the Exchange.

This activity will take a total of six calendar months consisting of twenty seven (27) person months with the following resources:

- Project Leader – Senior person for six months;
- Team Leader/Data Expert – for the Data Team: four months;
- Team Leader/Database Expert– for the Computer Team: four months;
- Public Sector Expert – Data Team: two months;
- Private Sector Expert – Data Team: two months;
- Data Conversion Expert – Data Team: three months;
- Report Generator Expert – for the computer Team: three months;
- Data Conversion Expert – for the Computer Team: three months;

Training of Key Individuals

Current need is for foreign expertise in the areas of Legal, Compliance and Economic Analysis for two (2) months each: Six man months.

MIS for Analysis of Trading

Broadly recognized as one of the critical activities that must be in place for the Regulatory Agency to act as envisaged. As mentioned above, there are two options for accomplishing this task, each with different resource requirements:

- Obtaining an “off the shelf” package would require the technical expertise and in-depth understanding of the needs and requirements of BAPPEBTI in order to procure the correct package. It is quite possible that such a package does not exist or will not meet 100% of the stated requirements. However, this option would be quicker and cheaper and would require a software expert for nine months and an oversight expert for seven months.
- Developing the software required would be considerably more expensive and would take a longer period of time but the result would be more appropriate to the requirements of BAPPEBTI. Resource requirements would be a team of software developers and an oversight expert for up to twelve months:
 - Software Team Leader – 12 months;
 - Senior Software Developer (2) – 12 months each;
 - Documentation Specialist – 3 months;
 - Trainer – 2 months.

Please note that it could be possible to use members of the AIS development team in this area.

Advice on Initiation of Futures Trading

As there is no local expertise available for this type of assistance, there should be capability for short term consultants as required over the next two years for a total of six man months.

Terms and Conditions of Futures Contracts

This is an area where a significant amount of rules and regulations must be drafted in legal form and will require up to six man months of full time support from an international consultant.

Other Activities

Warehouse Receipts System

To ensure proper development of a computerized Warehouse Receipts System, a minimum of two experts should be assigned to this task:

One Warehouse Receipts expert for six months and
One Information Technology experts for six months.

Human Resources Development

This activity is divided into three sections and requires minimal external input as follows:

- For the “Road Show” as described above, six weeks of expert input;
- For the Small Holder training described above, three weeks of input;
- Community education, as described above, will require 8 weeks of input.

Trading Expert Assigned to Futures Exchange

To ensure that the operation of the Commodities Futures Exchange operates smoothly during and after the launch, it is felt that it would be wise to have a full time futures trading expert on site, physically situated at the exchange for up to 12 months.

World Wide Web Site Development

This would require periodic oversight and guidance for development of a web site for the exchange and the regulatory agency with a duration of three months.

Vetting Hardware & Software for the Futures Exchange

Once the hardware and software has been received and installed by the vendor, it must be accepted by the exchange and the regulatory agency. To do this correctly should take 1 man month.

VI. REVISED SCOPE OF WORK

1. *Agricultural Information System.* A critical step in establishing effective market operations is setting up an improved commerce/agricultural information system for the major crops and primary livestock sectors in Indonesia, beginning with the commodities to be initially offered by the exchange. At this time, these are believed to be CPO and coffee. This will provide the basis upon which a futures trading system can be built. Activities should include analysis and recommendations on how the Government of Indonesia and the domestic agricultural sector might collaborate in the design, development and implementation of an appropriate system and must include the sources, availability and accuracy of available data.
2. *Training of key individuals* filling supervisory positions at BAPPEBTI. During 1998 BAPPEBTI prepared, with assistance from outside advisors, detailed organizational diagrams and position descriptions. Since these positions have not previously existed in Indonesia, training will be required to enable the incumbents to fully function in their supervisory roles. A combination of classroom and on-the-job training is envisioned. Providing this training is the principal role of the short term advisors.
3. *MIS for analysis of trading.* Appropriate MIS capability and electronic surveillance systems will be required in order for BAPPEBTI to fulfill its critical oversight role, particularly the collection and analysis of each day's trading activity. This system's database should be compatible with that of the IFE in order to ensure an efficient transfer of appropriate data.
4. *Advice on initiation of futures trading.* Once the IFE becomes operational, initial trading is expected to be in Crude Palm Oil and Coffee futures. With the assistance of short-term technical assistance experts, BAPPEBTI should review the IFE Business Plan to provide an objective analysis of the financial and managerial arrangements and practices upon which the IFE will implement trading.
5. With the assistance of short-term technical experts, BAPPEBTI should also review the terms and conditions applicable to each futures contract. This is important because the contract specifications will determine whether or not the contract has, among other things, legal certainty and economic utility. Successful launch of futures trading demands that the

initial contracts be executed flawlessly. Given the absence of prior experience in this area on the part of BAPPEBTI and IFE officials, it will be important for there to be expert short-term technical assistance available to support this activity before the time of launch.

6. *Warehouse Receipts System.* Warehouse Receipts are a paper proxy for a physical commodity. As such, several fundamental rules and regulations exist to protect the sanctity of the instrument. Standardization and security associated with the warehouse receipts stimulate commerce, protect all interested parties, and provide increased flexibility in marketing. The ultimate objective of all these benefits is to increase the marketplace's ability to allocate resources in the most efficient manner. Therefore, while warehouse receipts constitute a relatively small part of a futures system, it is nonetheless, an important part. A pilot project for warehouse receipts will be developed for the commodity chosen by the Futures Exchange to determine the feasibility of instituting such a system on a wide basis.
7. *Human Resources Development.* There are three components within the HRD section as follows:
 - The "Road Show" is already set up to travel to various cities within the country to educate brokers and traders in using the new Commodities Futures Exchange. Therefore, it would be very easy to add a foreign component to the occasional tours for the purpose of adding authenticity to the program. This would serve the purpose of presenting the Road Show as a joint USAID/BAPPEBTI effort.
 - Educating the small holder traders will require development of a program for presentation. The framework of the Road Show can be used and adapted to the needs of the small holders with similar travel plans to various areas of Indonesia.
 - Community Education will take the form of developing brochures, public advertisements for local television and contact information so that the general public can get additional information about the exchange.
8. *Trading Expert Assigned to Futures Exchange.* During the start-up and operation of the Futures Exchange, for a period of up to 12 months, an international expert skilled in all phases of Futures Trading should be assigned to the Futures Exchange in a position to offer advice, solve problems and provide general leadership and expertise during this critical time.

9. *World Wide Web Site Development.* With the dawning of the Information Age, it is imperative that organizations have a presence on the World Wide Web or the Internet. This requirement is for providing input, advice and leadership in the creation and maintenance of an Internet site for BAPPEBTI.
10. *Vetting Hardware & Software for the Futures Exchange.* As the Futures Exchange will be acquiring computer hardware and software specific to the needs and requirements, an evaluation and vetting procedure must be undertaken to ensure that all hardware and software procured from the vendor(s) meet the technical specifications and are installed "bug free". This is critical because without a vetting process, there is no guarantee that the Hardware and Software will be delivered as expected.

APPENDIX – A
FUTURES CONTRACTS EXAMPLES

Coffee "C" Futures and Options Contract Specifications

Exchange: New York Board of Trade (NYBT)

Calls for delivery of washed arabica coffee produced in several Central and South American, Asian and African countries, or unwashed arabica coffee of Ethiopia.*

Contract: Coffee "C" Futures

Trading Unit: 37,500 lbs. (approximately 250 bags)

Trading Hours: 9:15 AM to 1:35 PM New York Time.

Ticker Symbol: KC

Price Quotation: Cents per pound

Delivery Months: March, May, July, September, December

Minimum Fluctuation: 5/100 cent/lb., equivalent to \$18.75 per contract.

Daily Price Limits (from previous day's settlement price): 6.00 cents with variable limits effective under certain conditions. No price limits on two nearby months.

Position Limits: 3,000 contracts net long/short any one month; 5,000 net total; 500 as of first notice day in expiring contract. Combine with published "futures equivalent" ratios of options positions. Exemptions may apply for hedge, straddle and arbitrage positions. Contact the Exchange for more information.

Standards: A Notice of Certification is issued based on testing the grade of the beans and by cup testing for flavor. The Exchange uses certain coffees to establish the "basis"; coffees judged better are at a premium; those judged inferior are at a discount.

Deliverable Growths:

Differential

Mexico, Salvador, Guatemala, Costa Rica,
Nicaragua, Kenya, New Guinea, Tanzania, Uganda

Basis

Colombia
Honduras, Venezuela Minus
Plus 200 pts
100 pts

Burundi, India, Rwanda	Minus 300 pts
Dominican Republic, Ecuador, Peru	Minus 400 pts
Ethiopia*	Minus 600 pts

Delivery Points: Exchange licensed warehouses in the Port of New York District, the Port of New Orleans (at 1.25 cents/pound discount) and the Port of San Francisco (at 0.75 cents/pound discount). Commencing with the March 96 delivery month, the port of Miami will be added as a delivery point at a discount of 1.25 cents/lb.

Last Trading Day: One business day prior to last notice day.

First Notice Day: Seven business days prior to first business day of delivery month.

Last Notice Day: Seven business days prior to last business day of delivery month.

* After 12/31/92 Ethiopian coffee can no longer be submitted for certification.

Option Contract on Coffee "C" Futures

Confers to buyer the right to buy (in the case of a call) or sell (in the case of a put) one coffee "C" futures contract.

Trading Unit: One coffee "C" futures contract

Trading Hours: 9:15 AM New York Time until the completion of the closing period which shall commence at 1:35 PM.

Price Quotation: Cents per pound

Contract Months: "Regular Options": March, May, July, September, December;
"Serial Options": January, February, April, June, August, October, November

Option Trading Cycles: Serial options (listed in italics) are short-life options providing additional option expirations on existing futures contracts.

Minimum Fluctuation: 1/100 cent/lb., equivalent to \$3.75 per contract.

Daily Price Limits: None.

Position Limits: Options are considered part of futures positions. 3,000 net long/short any one month; 5,000 net total. Combine published "futures equivalent" ratios of options positions with futures positions. Exemptions may apply for hedge, straddle and arbitrage positions. Contact the Exchange for more information.

Strike Price Increments

Futures Contract Price	All months
Less than \$1.00	\$.025
Less than \$2.00	\$.05
\$2.00 or more	\$.10

Expiration Date and Time: 9:00 PM New York Time on the last trading day. Notification of intention to exercise must be made by an options holder to a carrying member firm by 4:00 PM on such day.

First Trading Day: "Regular Options": First trading day following the last trading day of any expiring regular option month. "Serial Options": First trading day of the second calendar month preceding the serial option month.

Last Trading Day: First Friday of the calendar month preceding the contract month.

Brazil Differential Coffee Futures Contract Specifications

Exchange: New York Board of Trade (NYBT)

Contract: Brazil Differential Coffee Futures

Ticker Symbol: KB

Calls for delivery of unwashed arabica coffee produced in Brazil and represents the value of a Brazil Differential coffee lot minus the value of a coffee "C" lot in the Port of New York.

Trading Unit: 37,500 lbs. (approx. 250 bags)

Trading Hours: 9:05 AM - 1:35 PM New York Time. Closing period commences at 1:30 PM.

Price Quotation: Cents per pound plus \$10.00

Delivery Months: March, May, July, September, December

Minimum Fluctuation: 5/100 cent/pound, equivalent to \$18.75 per contract.

Daily Price Limits: No price limits

Position Limits: 1,000 contracts net long/short any one month; 1,000 net total; 300 on first notice day in expiring contract, position limits for coffee "C" may be increased by one contract for each of up to 1,000 Differential contracts (Brazil and/or Euro-Differential) on the same side of the market. Hedgers and arbitrageurs may request larger limits from the Exchange.

Standards: The types of coffee deliverable on the contract are defined below. Type 3 is the basis, Type 2 is deliverable at a premium of 200 points and Type 1 is deliverable at a premium of 400 points.

Type 1-- Santos 2/3, Strictly Soft, Fine Acidity, Fine Aroma, Absolutely Free from any Rio/Riado (Hard) Cups or Other Off Flavor Taste, Good to Fine Roast, Greenish, Medium to Good Bean, with up to 10 Full Imperfections.*

Type 2-- Santos 4, Soft, Absolutely Free from any Rio/Riado (Hard) Cups or Other Off Flavor Taste, Good Roast, Greenish, Medium to Good Bean, with up to 30 Full Imperfections.*

Type 3--Santos 5, Free from Rio and Strong Riado (Hard) or Other Off Flavor Taste, Good Roast, Greenish, Medium to Good Bean, with up to 50 Full Imperfections.*

* There is a tolerance of ten full imperfections below the maximum allowable, with a discount of 5/100 cent/pound for each such additional imperfection for each type.

Delivery Points: Exchange-licensed warehouses in the Ports of New York, New Orleans, San Francisco, Houston, Jacksonville and Norfolk.

Last Trading Day: One business day prior to last notice day.

First Notice Day: Seven business days prior to first business day of delivery month.

Last Notice Day: Seven business days prior to last business day of delivery month.

**Contract Samples
(Singapore)**

Contract Size

10 metric tonnes

Quality Specification

Coffee of Singapore Robusta Standard
Grade which shall:

- i. have 100 defects or less per 300g
Type 1 : Up to 80 defects per 300g
Type 2 : From 81 to 100 defects
per 300g at a discount of 2% from
Type 1 or such percentage as
may be prescribed by the Coffee
Committee.
- ii. be sound
- iii. contains not more than 10%
passing through screen 13 round
- iv. have not more than 13% moisture
content or other such percentage
as prescribed by the Exchange
from time to time.

Contract Months

7 consecutive odd months - Jan, Mar,
May, Jul, Sep, Nov, Jan

Delivery Units

10 metric tonnes or in multiples thereof

Quotations

US dollars per metric tonne

Minimum Price Fluctuation

1 US dollar per metric tonne

Tick Value

US\$10.00 per contract

Trading Hours

Mondays to Fridays

Morning Session:

1000 hours to 1130 hours

Afternoon Session:

1530 hours to 1730 hours

Settlement Prices

Settlement prices are established daily at the end of trading day.

Position Limit

2,000 contracts net long or net short in respect of any or all contract months combined. The Exchange may approve a higher position limit upon application.

Daily Price Limit

If the price of the contract reaches either the upper limit or lower limit of US\$300 per metric tonne from the previous trading day's settlement price, there shall be a cooling-off period of half hour during which each contract may only be traded at or within its upper and lower limits for the time being in force. After the termination of the cooling off period, there shall be no upper limit or lower limit for the remainder of such trading day for the contract. The General Manager may from time to time prescribe any amount other than US\$300 per metric tonne after consultation with the Chairman.

Termination of Trading

At 1130 hours on the Last Trading Day of the Delivery Month.

Method of Delivery

Warrants (accompanied by valid Certificates of Quality) issued by the Exchange's Nominated Warehouses.

Delivery Period

At Seller's option, by 1200 hours on any Trading Day of the Delivery Month or by 1400 hours on the Last Trading Day of the Delivery Month.

Contract Symbol

CF

Price Format

5-digits representing US\$99,999 per metric tonne.

Margins

For latest information, please contact
your broker or the Exchange.

All times stated in Singapore local time (Singapore Time: GMT +
8 hours)

Contract Size

One lot of 5000 times the RCS Index

Quality Specification

Index of TOCOM's RSS3 and KRE's
RSS3 prices using a weighting ratio
of TOCOM (2) : KRE (1)

Contract Months

Spot month followed by eight
consecutive months

Quotations

US cents per kilogramme

Minimum Price Fluctuation

0.1 US cents per kilogramme

Tick Value

US\$5.00 per tick

Trading Hours

Mondays to Fridays
1000 hours to 1300 hours
1530 hours to 1730 hours
(Singapore Time: GMT + 8 hours)

Exchange Rate
(USD/Yen)

The closing spot rate at 3.30 pm
(Tokyo time) as published in the Nihon
Keizai Shimbun (Asian Edition).

Position Limit

5000 lots net long or net short in
respect of any one contract month or
in respect of any or all contract
months combined.
The Exchange may approve a higher
position limit upon application.

Daily Price Limit

If the price of any contract month
moves 5% above or below the
previous day's settlement price, there
shall be a one-hour restriction on
trading whereby trading is not allowed
at prices 5% above or below the

previous day's settlement price.
Trading shall resume automatically
after the one-hour cooling off period
without any restriction.
There shall be no limits from the
fifteenth day (inclusive) of the expiring
contract month.

Method of Delivery

Cash settlement only.

Last Trading Day

At 1.00 pm on the first day before
KRE/TOCOM's last trading day during
which both Singapore and Japan are
trading.

Final Settlement Price

The average of the last trading day
and four days before last trading day.

Margins

For latest information, please contact
your broker or the Exchange.

All times stated in Singapore local time (Singapore Time: GMT +
8 hours)

Contract Size

5 metric tonnes (Single month)
15 metric tonnes (Quarter)
During ring sessions, the minimum order
one can place is 25 metric tonnes (single
month) and 75 metric tonnes (quarter).

Quality Specification

According to the International Rubber
Quality and Packing Conference's "Green
Book" for RSS1.

Contract Months

RSS1 Contracts may be made for future
deliveries as determined by the Board from
time to time but generally extending to 18
months forward, beginning with single
months and followed by quarters.

Delivery Units

50 metric tonnes or in multiples thereof

Quotations

Singapore cents per kilogramme

Minimum Price Fluctuation
0.25 Singapore cents per kilogramme

Tick Value
S\$12.50 per tick (Single month)
S\$37.50 per tick (Quarter)

Trading Hours
Mondays to Fridays
Market-making
1000 - 1140 hours
1208 - 1300 hours
1530 - 1640 hours
1701 - 1730 hours

Settlement Prices
Settlement prices are established daily at
1730 hours.

Position Limit
25,000 metric tonnes net long or net short in
respect of any one contract month (except
for the first Contract Month) or in respect of
any or all contract months combined; and
5,000 metric tonnes nett long or nett short in
the first Contract Month. SICOM may
approve a higher position limit upon
application.

Daily Price Limit
If the price of any contract month or quarter
moves 5% above or below the previous
day's settlement price, there shall be a
one-hour restriction on trading whereby
trading is not allowed at prices 5% above or
below the previous day's settlement price.
Trading shall resume automatically after
the one-hour cooling off period without any
restriction.
There shall be no limit on the last day of
trading for the expiring contract month.

Methods of Delivery
Delivery will be made, at the Buyer's
option, either on Warehouse Delivery or
FOB terms at port of loading.

Delivery Period
At any time of the delivery month but not
earlier than the eighth business day of the
delivery month.

Ports of Loading

Singapore, Port Klang and Penang at Seller's option.

Last Trading Day

For a single month, the last trading day shall be on the last trading of the month preceding the contract month.
For quarterly periods, the last trading day shall be on the last trading day of the fourth month preceding the first month of that quarter.

Margins

For latest information, please contact your broker or SICOM.

All times stated in Singapore local time (Singapore Time: GMT + 8 hours)

Contract Size

5 metric tonnes (Single month)
15 metric tonnes (Quarter)
During ring sessions, the minimum order one can place is 25 metric tonnes (single month) and 75 metric tonnes (quarter).

Quality Specification

According to the International Rubber Quality and Packing Conference's "Green Book" for RSS3.

Contract Months

RSS3 Contracts may be made for future deliveries as determined by the Board from time to time but generally extending to 18 months forward, beginning with single months and followed by quarters.

Delivery Units

50 metric tonnes or in multiples thereof

Quotations

US cents per kilogramme

Minimum Price Fluctuation

0.25 US cents per kilogramme

Tick Value

US\$12.50 per tick (Single month)
US\$37.50 per tick (Quarter)

Trading Hours

Mondays to Fridays

Market-making
1000 - 1140 hours
1208 - 1300 hours
1530 - 1640 hours
1701 - 1730 hours

Each ring session consists of a five-minute trading period or ring followed by a two-minute interval/extension.

Settlement Prices

Settlement prices are established daily at 1730 hours.

Position Limit

25,000 metric tonnes net long or net short in respect of any one contract month (except for the first Contract Month) or in respect of any or all contract months combined; and 10,000 metric tonnes net long or net short in the first Contract Month. SICOM may approve a higher position limit upon application.

Daily Price Limit

If the price of any contract month or quarter moves 5% above or below the previous day's settlement price, there shall be a one-hour restriction on trading whereby trading is not allowed at prices 5% above or below the previous day's settlement price. Trading shall resume automatically after the one-hour cooling off period without any restriction.

There shall be no limit on the last day of trading for the expiring contract month.

Methods of Delivery

Delivery will be made, at the Buyer's option, either on Warehouse Delivery or FOB terms at port of loading.

Delivery Period

At any time of the delivery month but not earlier than the eighth business day of the delivery month.

Ports of Loading

Singapore, Bangkok.

Last Trading Day

For a single month, the last trading day

shall be on the last trading of the month preceding the contract month.
For quarterly periods, the last trading day shall be on the last trading day of the fourth month preceding the first month of that quarter.

Margins

For latest information, please contact your broker or the Exchange.

All times stated in Singapore local time (Singapore Time: GMT + 8 hours)

Contract Symbol

TF

Contract Size

20 metric tonnes (Single month)
60 metric tonnes (Quarter)

Quality Specification

Meets the prevailing technical specifications for technically specified rubber 20 (TSR20) of the relevant country in which SICOM approved factories are located.

Contract Months

TSR20 (FOB) Contracts may be made for future deliveries as determined by the Board from time to time but generally extending to 15 months forward, beginning with single months and followed by quarters. The October/December 97 contract months will be the first to be traded.

Delivery Units

20.16 metric tonnes of TSR20 manufactured from rubber produced from Hevea Brasiliensis trees by factories approved by SICOM from time to time and shall be packed in accordance with SICOM's prevailing shrinkwrap packing specifications.

Quotations

US cents per kilogramme

Minimum Price Fluctuation
0.25 US cents per kilogramme

Tick Value
US\$50.00 per tick (Single month)
US\$150.00 per tick (Quarter)

Trading Hours
Mondays to Fridays
Market-making
1000 - 1140 hours
1208 - 1300 hours
1530 - 1640 hours
1701 - 1730 hours

Settlement Prices
Settlement prices are established daily during the PM Rings.

Position Limit
10,000 metric tonnes nett long or nett short in respect of any (except for the first Contract Month) or in respect of any or all contract months combined; and 10,000 metric tonnes nett long or nett short in the first Contract Month. SICOM may approve a higher position limit upon application.

Daily Price Limit
If the price of any contract month or quarter moves 5% above or below the previous day's settlement price, there shall be a one-hour restriction whereby trading shall not allowed at prices 5% above or below the previous day's settlement price.

Trading shall resume automatically after the one-hour cooling off period without any restriction.

Methods of Delivery
Delivery will be made, at the Buyer's option, either on Warehouse Delivery or FOB terms at port of loading.

Delivery Period
Generally at any time of the delivery month but not earlier than the eighth business day of the delivery month. Specifics depend on the method of delivery and when delivery instructions are issued.

Ports of Loading

Singapore
Last Trading Day
For a single month, the last trading day of the month preceding the contract month.

For quarterly periods, the last trading day of the 4th month preceding the 1st month of that quarter.

Margins
For the latest information, please contact your broker or SICOM.

All times stated in Singapore local time (Singapore Time: GMT + 8 hours)

Effective from November 1, 1996

Robusta Coffee Futures and Options Contract Specifications

The London International Financial Futures and Options Exchange (LIFFE)

Contract Unit:

5 tonnes

Price basis:

US dollars per tonne in an Exchange nominated warehouse in London, UK Home Counties, Bristol, Felixstowe, Hull, Amsterdam, Rotterdam, Le Havre, Antwerp, Hamburg, Bremen, Barcelona, Trieste, New York and New Orleans

Tick size:

\$ per tonne

Delivery months:

January, March, May, July, September, November (seven months quoted)

Tender Period:

Any business day during the delivery month

Origins tenderable:

Angola, Brazilian Conillon, Cameroon, Central African Republic, Ecuador, Ghana, Guinea, India, Indonesia, Côte d'Ivoire, Liberia, Malagasy Republic, Nigeria, Philippines, Republic of Zaire, Sierra Leone, Tanzania, Thailand, Togo, Trinidad, Uganda and Vietnam

Quality:

Robusta, CTML standard grade

Last Trading Day:

Last business day of the delivery month at 12.32 hours London time

Trading hours:

09.45 to 12.30 hours and 14.15 to 17.00 hours London time

Robusta Coffee Options

Option type:

'American' type options on the Robusta Coffee futures contract

Contract unit:

5 tonnes

Price basis:

US dollars per tonne

Tick size:

\$1 per tonne

Strike price increments:

\$50 per tonne

Trading months:

January, March, May, July, September, November (seven months quoted as for the underlying future but subject to the earlier option expiry date)

Expiry date and time:

At 12.32 hours London time on the third Wednesday of the month preceding the trading month.

Instructions to exercise (or not to exercise) must be given to the Clearing House no later than one hour after option expiry

Note: All options that expire 'in-the-money' will be automatically exercised

Trading hours:

09.45 to 12.30 hours and 14.15 to 17.00 hours London time

APPENDIX – B
Worldwide Futures Organizations

Worldwide Futures Organizations

Canada

International Organization of Securities Commissions
800, Square Victoria
P.O. Box 171, Tour de la Bourse
Suite 4510, 45th Floor
Montreal, Quebec, H4Z 1C8 Canada
Phone (514) 875-8278; fax (514) 875-2669

Investment Dealers Association of Canada
Suite 1600, 121 King St. West
Toronto, Ontario, M5H 3T9
Phone (416) 364-6133; fax (416) 364-0753

France

Association Professionnelle des Intervenants sur les Marches a Terme (APRIM)
Bourse du Commerce
2, rue de Viarmes
75001 Paris
Phone 33-1-40-41-05-96; fax 33-1-42-21-46-1

Association des Societes et Fonds
Francais D'Investissement (ASFFI)
31, rue de Miromesnil
75008 Paris
Phone 33-1-42-65-75-26; fax 33-1-42-65-16-3

Germany

German Futures Trading Association
(Deutscher Terminhandel Verband e.V.)
Bockenheimer Landstrasse 92
D-60323 Frankfurt/M
Phone 49-69-74-5026; fax 49-69-74-11616

Japan

Federation of Bankers Associations of Japan
3-1 Marunouchi, 1-chome Chiyoda-ku, Tokyo 100
International affairs department
Phone 81-3-5252-3752; fax 81-3-5252-3755

Japan Securities Dealers Association
Tokyo Shoken Kaikan Bldg.
5-8, Kayabacho I-chome, Nihonbashi, Chuo-kuTokyo 103
Phone 81-3-3667-8451; fax 81-3-3249-3020

Korea

Korea Futures Trading Association
#520-3, Banpo-Dong Seocho-Gu., Seoul
Phone 82-2-534-8462; fax 82-2-534-7994

Korea Financial Futures Association
#890-8, Daechi-Dong Kangnam-Ku., Seoul
Phone 82-2-562-0070; fax 82-2-562-0122

Switzerland

Swiss Commodities, Futures and Options Association
11 route de Drize, P.O. Box 1811 CH-1227
Carouge/Geneva
Phone 41-22-300-19-67; fax 41-22-300-19-70

United Kingdom

European Managed Futures Association
International House 1 St. Katharine's Way
London E1 9UN
Phone 44-71-265-3688; fax 44-71-481-8485

The Futures and Options Association
Roman Wall House
1-2 Crutched Friars
London EC3N 2AN
Phone 44-71-488-4610; fax 44-71-696-9562

United States

The Chicago Futures/Options Society
Matthew Smith, president The Amoco Corp.
200 E. Randolph #3103
Chicago, IL 60601
Phone (312) 856-2717; fax (312) 856-4809

Commodity Floor Brokers & Traders Association
Box 631

Commodity Exchange Center
4 World Trade Center
New York, N.Y. 10048
Phone (212) 249-7276

Futures Industry Association
2001 Pennsylvania Ave. N.W., Suite 600
Washington, DC 20006-1807
Phone (202) 466-5460; fax (202) 296-3184

Futures Industry Institute/FII Data Center
2001 Pennsylvania Ave. N.W., Suite 600
Washington, D.C. 20006
Phone (202) 223-1528; fax (202) 296-3184

International Association of Financial Engineers
c/o St. John's University
Department of Finance
Jamaica, N.Y. 11439
Phone (718) 990-6161, ext. 7381; fax (718) 990-1868

International Federation of Technical Analysts
P.O. Box 1347
New York, N.Y. 10009
Phone (212) 912-0995; fax (212) 912-1064

International Swaps and Derivatives Association Inc.
1270 Ave. of the Americas
Rockefeller Center, Suite 2118
New York, NY 10020
Phone (212) 332-1200; fax (212) 332-1212

International Women's Futures Association
141 W. Jackson Blvd., Suite 1230-A
Chicago, IL 60604
Phone (800) 686-5497; fax (312) 341-4580

Managed Futures Association
P.O. Box 761
Palo Alto, CA 94302
Phone (415) 325-4533; fax (415) 325-4944

Market Technicians Association
One World Trade Center #4447
New York, NY 10048
Phone (212) 912-0995; fax (212) 912-1064

National Introducing Brokers Association
555 W. Jackson Blvd., Seventh Floor
Chicago, IL 60661
Phone (312) 408-4700; fax (312) 408-4777

National Options & Futures Society
170 Old Country Road, Suite 509
Mineola, NY 11501
Phone (516) 739-3414; (800) 284-6228; fax (516) 739-3803

San Francisco Futures Society
Exchange Block Building
369 Pine St., Suite 720
San Francisco, CA 94104
Phone (415) 398-7790; phone/fax (415) 398-7796

APPENDIX – C
The Differences Between
A Forward Contract
And
A Futures Contract

The Differences Between A Forward Contract And A Futures Contract

A forward contract is one which is initiated at one time, and performance taking place at a future time. It always involves the exchange of one asset for another. The price at which the transaction takes place is negotiated at the onset. Payment and delivery of the goods takes place at a subsequent time to the initial contract. Just about everyone has taken part in a forward contract. For example, if I agree with my next door neighbor to buy his table saw for \$200 next Thursday, we have engaged in a forward contract. When next Thursday comes and I give my neighbor \$200 and he brings the table saw over to me, we have both satisfied the terms of the forward contract.

A futures contract can be distinguished from a forward contract in the following ways. First, futures contracts always trade on an organized exchange.

Second, futures contracts have standardized terms. In my example with my neighbor's table saw we agreed on the terms of the contract, when it would be fulfilled, and the condition of the product. With a futures contract, the quality, quantity, and delivery date, is pre-determined.

Third, Futures exchanges use clearinghouses to guarantee that the terms of the futures contract is fulfilled. Again, using my table saw example, if one of us decided either not to sell the saw or not to buy the saw, there was no one else around to guarantee that the contract would be fulfilled. The futures exchanges use clearinghouses to see to it that the obligations of the contract are fulfilled. The clearinghouse is the actual buyer of the contract from the short seller. And the clearinghouse is the actual seller of the long contract. If either party defaults on the contract the clearinghouse steps in and becomes the seller or buyer of last resort. The clearinghouse guarantees that the contract will be fulfilled. Neither party needs to trust the other party. In the history of futures trading in America, the clearinghouse system has always worked.

Fourth, margins and daily settlement are required with futures trading. These are other safeguards in the futures market. Each customer must put up a good faith deposit. The amount of this margin varies from exchange to exchange and broker to broker. However, no broker may margin a contract for less than the exchange minimum. Each trading day every futures contract is assessed for liquidity. If the margin drops below a certain level the trader must deposit additional margin. This is called 'Maintenance Margin'.

Fifth, futures positions can easily be closed. The trader has the option of taking physical deliver. Placing an offsetting trade. And arranging an exchange-for-physicals transaction. If I wanted to get out of buying my neighbor's table saw with the forward contract I entered into, the only way that I could do it would be to

break our contract. The futures exchange makes exiting a contract relatively easy.

Finally, forward contract markets are self regulating and futures markets are regulated by certain agencies dedicated to this responsibility.

APPENDIX – D

Competition Between The Futures Exchanges

Competition Between The Futures Exchanges And What Makes A Contract Viable

Over the past several years there has been an explosion in the number and type of contracts traded on the exchanges. Additionally, similar types of contracts trade on different exchanges. There are several reasons for this. First, the first exchange to begin trading a particular contract tends to secure a customer base. By the time other exchanges begin trading the same contract the first exchange has already achieved an acceptable level of trading volume. Thus, the liquidity is in the first exchange. The second, or third exchange has a more difficult time achieving that volume.

The second reason is that many times the exchange will begin to trade related contracts. At this point the exchange will have some control over the market. For example, the CBT trades soybeans, soyoil, and soymeal. This gives the CBT considerable control over the soy market. This also means that traders wishing to place intermarket spreads for different soy contracts will have a considerably easier time doing it on the CBT exchange.

When other exchanges begin trading contracts on the same type of contract, they usually differentiate themselves by trading a different quantity, a different grade, or a different grade with different specifications. Wheat is a good example of this. Wheat contracts traded on the KCBT, CBT and the MIDA are for different grades, styles, and quantities.

Another factor which comes into play when different exchanges trade the same contracts is the cost of delivery. If it is a contract which traders take delivery on fairly often, the exchanges will have different locations from which delivery takes place. Thus, the cost of delivery figures heavily into where the trader is going to place his trade for that particular contract.

When an exchange does list a new contract, what is it that will determine whether that contract will succeed? And what makes the contract attractive to a potential speculator?

There are several things one should look for. There should be a large cash market for the contract. There should be a high degree of volatility. If the market doesn't move very much there will be little interest in trading the future value of the contract. There should be good information about the cash market. Traders trade futures based on information about and against the cash market. For many traders, the availability of similar contracts for spread trading is important. For example, on the CBT traders can spread any combination of wheat, oats, or corn. The contract should also be a liquid contract. That is, a reasonable amount of trades should take place in that contract. Traders want to make sure that there is enough liquidity in the market so that they can offset a trade at a fair price. The contract should be well designed. Conflicts between traders will doom a contract.

A very important feature is that members of the exchange must be willing to trade the contract. When floor traders don't trade the contract there will not be enough liquidity in the market for off the floor traders to be attracted to it. There should also be a large enough supply of the product in enough different hands so that no one group of people can control the cash market and effect the price. Last, the commodity itself must be homogenous enough so that the quality is the same. Otherwise, delivery problems will result in outrageous price volatility.

APPENDIX – E

Contacts for Coffee Futures in Indonesia

Contacts for Coffee Futures in Indonesia

Category	Company	City	Phone/Fax	Email
Association	Association of Indonesian Coffee Exporters	Jakarta	384-2385 310-4115	
Exporter	Asta Mega Rakata	Jakarta	392-1234 338-053	Herman_tohari@yahoo.com
Exporter	Balgunda Trading Company	Bangalore	221-0021, 221-2200 334-9789	veeru@blr.vsnl.net.in
Producer	CV Certanav	Surabaya	6231-843-7158, 847-3564 6231-843-8707	certanav@telkom.net
Exporter/ Trader	CV Ken Takengon	Takengon	62643-21235 62643-22574	Kentakengon@hotmail.com
Exporter/ Trader	CV Mujur Jaya	Medan	6261-617-805, 6261-565-936 6261-551-407	Mujur.jaya@usa.net
Exporter/ Trader	CV Mustika Kencana	Lampung	62721-31611, 62721-31618 62721-31626	musken@indo.net.id
Exporter	CV Sari Hasil Utama	Makassar	Fax: 620411-312619	janisp@indosat.net.id
Exporter	Dexter Interbuana	Jakarta	747-11551 747-11485	pocoms@indosat.net.id
Exporter	Fajar Bulan Semesta	Lampung	62721-350094 62721-350095	trading@fbs-id.com
Grower	Kali Bendo Estate	East Java	62333-421684 62333-411266	Eone@banyuwange.wasantara.net.id
Exporter	NCBA/CBI	Central Java	62272-21077 62272-21356	clusa@idola.net.id
Exporter	Putrabali Adyamulia	Lampung	62721-482254 62721-482793 62721-488044	putrabali-adyamulia@lampung.wasantara.net.id
Exporter	PT Bintang Jaya Makmur	Surabaya	6231-22991, 6231-25606 6231-344027	nl178@indo.net.id
Exporter	Bumi Alam Makmur	Jakarta	690-7226, 692-4622 691-2971	ptbam@indosat.net.id
Exporter	Dwi Marga Sakti	Jakarta	580-7381, 580-7382 580-7385	deemes@rad.net.id
Trader	PT Himar Corp.	Jakarta	515-318 510-472	
Exporter	Indra Brothers	Lampung	62721-33525, 62721-31175 62721-31520	hendrik@lords.com
Middleman	Istana Indah Regina	Jakarta	540-3475, 5439-4776 544-0314	demikal@indo.net.id Istansindah@netscape.net

Exporter	PT J.A. Wattie	Jakarta	350-5410/14 350-5415	jaw@cbn.net.id
Exporter	PT Menacom	Medan	6261-766710, 6261-767871 6261-767977	ubitska@ibm.net
Exporter	Multi Sarwa Harapan	Medan	6261-514400, 6261-8214700 6261-8214665	htdaniel@medan.telko m.net.id
Exporter	Putra Ekadharma	Medan	6261-547054 6261-522590	htdaniel@medan.telko m.net.id
Trader	Sabani Internasional	Jakarta	860-7735 860-1338	sabani@sabani.com
Exporter	Sam Karya Abadi	Medan	6261-766203, 6261-767977	ubitska@ibm.net
Producer	Serba Laksana Megah	Dili	62390-22769 62390-25006	James@Dili.wasantara. net.id
Producer	Sulotco Jaya Abadi	Jakarta	375-917 380-5835	Moertono@aol.com
Producer	Volkopi Indonesia	Sumatra	721-704964 721-704966	volkopi@indo.net.id
Trader	Taloca AG	Jakarta	571-3710 251-3359	talocaj@rad.net.id

APPENDIX – F

Estimated Costs for Core and Other Activities

NATHAN-MSI GROUP
 Title: BAPPEBTI
 Date: February 3, 2000

Budget Summary

ITEM	Schedule	Year 1 Amount	TOTAL
1. EXPATRIATE LABOR	I	2,876,524	2,876,524
2. LOCAL LABOR (TCN/CCN)	II	80,314	80,314
3. OTHER DIRECT COSTS	III	3,600	3,600
4. TRAVEL TRANSPORTATION & PER DIEM	IV	733,680	733,680
5. ALLOWANCES	V	504,017	504,017
6. G&A on items 3+4+5	9.94%	123,385	123,385
Total Costs		4,321,520	4,321,520

NATHAN-MSI GROUP
 Title: BAPPEBTI
 Date: February 3, 2000

1.EXPATRIATE LABOR

Functional Labor Category	Name	Fixed Daily Rate	Year 1		Total
			LOE	Amount	
<i>Expatnate LTTA</i>					
<i>Level</i>					
I	Foreign Expert (Trade)	\$1,071	260 days	278,460	
I	Team Leader (MIS)	\$1,049	260 days	272,740	
II	Software Developer	\$837	260 days	217,620	
II	Software Developer	\$837	260 days	217,620	
II	Senior Oversight Expert	\$837	260 days	217,620	
<i>Expatnate STTA</i>					
<i>Level</i>					
I	Project Leader	\$1,071	144.0 days	154,224	
I	Foreign Team Leader	\$1,071	96.0 days	102,816	
I	Foreign Team Leader	\$1,071	96.0 days	102,816	
I	Foreign Legal Expert	\$837	48.0 days	40,176	
I	Foreign Compliance Expert	\$837	48.0 days	40,176	
I	Foreign Economic Analysis Expert	\$1,071	48.0 days	51,408	
I	Foreign Expert	\$1,071	144.0 days	154,224	
I	Foreign Warehouse Receipts Expert	\$1,049	144.0 days	151,056	
I	Foreign Database Expert	\$1,049	144.0 days	151,056	
I	IT Software Expert	\$1,049	216.0 days	226,584	
II	Foreign Data Conversion Expert	\$837	72.0 days	60,264	
II	Foreign Data Conversion Expert	\$837	72.0 days	60,264	
II	Foreign Report Generator Expert	\$837	72.0 days	60,264	
II	Foreign Web Development Expert	\$837	72.0 days	60,264	
II	Foreign Hardware/Software Specialist	\$837	24.0 days	20,088	
II	MIS Oversight Expert	\$837	168.0 days	140,616	
II	Documentation Specialist	\$837	72.0 days	60,264	
II	Trainer	\$748	48.0 days	35,904	
TOTAL EXPATRIATE LABOR			3028.0 days	2,876,524	2,876,524

Notes: Fixed Daily Rates as per GBTI contract.

NATHAN-MSI GROUP
 Title: BAPPEBTI
 Date: February 3, 2000

2. LOCAL LABOR (TCN/CCN)

Functional Labor Category	Name			Fixed Daily Rate	Year 1		Total
		Basic Rate	Multiplier		LOE	Amount	
STTA Senior Indonesian Public Sector Expert (2)	TBD	\$470.00	1.78	\$837	96 days	80,314	-
TOTAL LOCAL LABOR					96 days	80,314	80,314

Notes: Assumes local experts @ \$470/day.

NATHAN-MSI GROUP
 Title: BAPPEBTI
 Date: February 3, 2000

3. Other Direct Costs

	COST	REMARK
OFFICE SPACE	\$26,400	200 SQ METERS @ \$11/METER
OFFICE STAFF		
SECRETARY	\$10,286	Rp 6,000,000/Month
OFFICE BOY	\$1,371	Rp 800,000/Month
DRIVER(S)	\$5,143	Rp 3,000,000/Month
OFFICE EQUIPMENT		
FAX	\$500	
PHOTOCOPIER	\$6,000	Incl Maintenance & Toner
MISC SUPPLIES	\$857	
COMPUTERS	\$15,000	
TRANSPORTATION		
2 KIJANGS	\$22,857	
FACILITIES		
VISA	\$250	
MULTIPLE ENTRY	\$186	
STORAGE	\$250	
PPN	\$8,910	Plus 10%
TOTAL	\$98,010	

ATHAN-MSI GROUP
 Title: BAPPEBTI
 Date: February 3, 2000

TRAVEL TRANSPORTATION & PER DIEM

Item	Unit Cost	Year 1		Total
		Units	Amount	
Travel - Long-term To/From Post 1/				
Foreign Trading Expert	\$2,500	3 trips	7,500	
MIS Team Leader	\$2,500	3 trips	7,500	
MIS Software Developer	\$2,500	3 trips	7,500	
MIS Software Developer	\$2,500	3 trips	7,500	
MIS Senior Oversight Expert	\$2,500	3 trips	7,500	
Travel - Short-term TA (Expatriate) 2/				
Short-term Expatriate Consultants	\$2,500	78 trips	195,000	
Subtotal Travel		93 trips	232,500	232,500
Per Diem 3/				
Short-term Expatriate Consultants	\$197	2,340 days	460,980	
Subtotal Per Diem		2,340 days	460,980	460,980
Other Travel Related Costs 4/				
Airport Transit/Predeparture/Exit Expenses	\$250	93 trips	23,250	23,250
Medical Exams for LT Staff & Dependents	\$300	15 exams	4,500	4,500
Medical Exams for Short-term Staff	\$100	78 exams	7,800	7,800
Visas @ \$50 average	\$50	93 visas	4,650	4,650
Subtotal Other Travel Related Costs			40,200	40,200
Subtotal Travel, Transportation and Per Diem			733,680	733,680

Notes:

- 1) Long-term travel assumes round-trip cost from WDC/Jakarta/WDC, low coach tickets and two dependents per long-term person.
- 2) Assumes one RT trip WDC/Jakarta/WDC (low coach) per person month of LOE.
- 3) Assumes Jakarta per diem rate and 6-day work week.
- 4) Costs based on historical data and allowances as per AIDAR.

NATHAN-MSI GROUP
 Title: BAPPEBTI
 Date: February 3, 2000

5. ALLOWANCES

Item	Daily Salary	Post Differential Rate	Year 1		Total
			Units	Amount	
<u>Post Differential - Section 920 1/</u>					
Foreign Trading Expert	\$470.00	10%	260 days	12,220	
MIS Team Leader	\$470.00	10%	260 days	12,220	
MIS Software Developer	\$470.00	10%	260 days	12,220	
MIS Software Developer	\$470.00	10%	260 days	12,220	
MIS Senior Oversight Expert	\$470.00	10%	260 days	12,220	
Subtotal Post Differential			1300 days	61,100	61,100
<u>Temporary Lodging - 15 days in/15 days out 2/</u>	<u>Per Diem Rate</u>	<u>Rate</u>			
Foreign Trading Expert	\$197.00	75%	30 days	4,433	
2 adult dependents	\$147.75	66%	60 days	5,851	
MIS Team Leader	\$197.00	75%	30 days	4,433	
2 adult dependents	\$147.75	66%	60 days	5,851	
MIS Software Developer	\$197.00	75%	30 days	4,433	
2 adult dependents	\$147.75	66%	60 days	5,851	
MIS Software Developer	\$197.00	75%	30 days	4,433	
2 adult dependents	\$147.75	66%	60 days	5,851	
MIS Senior Oversight Expert	\$197.00	75%	30 days	4,433	
2 adult dependents	\$147.75	66%	60 days	5,851	
Subtotal Temporary Lodging			450 days	51,417	51,417
<u>Housing Allowance for 5 Expats 3/</u>	\$2,500.00	Month	55 Months	137,500	137,500
<u>Post Allowance 4/</u>	\$3,100.00	Year	5 Expats	15,500	15,500
<u>Shipping 5/</u>					
HHE - 5,000 lbs	\$12,000.00	Per Expat	5 Expats	60,000	
Unaccompanied Baggage - 550 lbs	\$5,000.00	Per Expat	5 Expats	25,000	
Storage	\$3,800.00	Per Expat	5 Expats	19,000	
Pick-up, handling and delivery	\$3,000.00	Per Expat	5 Expats	15,000	
Subtotal Shipping and Storage				119,000	119,000
<u>Educational Allowance 6/</u>					
Grades (9-12)	\$13,900.00	5 children	5 child.	69,500	
Certificate of Levy @ \$10,000/child	\$10,000.00	5 children	5 child.	50,000	
Subtotal Educational Allowance				119,500	119,500
Total				504,017	504,017