

**Prepared Statement of
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**Before the
Senate Subcommittee on Federal Financial Management,
Government Information, and International Security**

**Field Hearing on
“Ensuring Protection of American Intellectual Property Rights for American
Industries in China.”**

November 21, 2005

Chairman Coburn, I appreciate the opportunity to appear before you today to discuss the challenges faced by the U.S. financial community – and, in particular, the New York Board of Trade -- due to piracy of real time market data in China.

While the issue of piracy in China is often dominated by high profile industries such as motion pictures, recordings, software and publishing, Chinese piracy also affects the financial industry by robbing exchanges of fees from the sale of market data and by robbing customers from licensed market data vendors, such as Bloomberg, e-Signal, and others.

Market data provided by derivative exchanges is vital information used by the global financial industry which includes brokerage houses, banks, fund managers, cotton, coffee, sugar, cattle, corn, orange juice brokers, and many more. They depend on reliable information, whose integrity can be undermined through unauthorized access and piracy of this data. Revenue from market data fees can be as much as 25% of total exchange revenue.

As New York’s original futures exchange, the New York Board of Trade (commonly referred to as “NYBOT”) is an historic part of the financial community. It is a traditional futures exchange where traders buy and sell futures on Coffee, Sugar, Cocoa, Cotton, Orange Juice, wood pulp and a variety of financial instruments such as the US Dollar Index. It’s “open-outcry” where traders scream, yell, wave their hands, and jostle one another, all for one reason -- to get the best possible prices for their customers.

Like many businesses, NYBOT has gone through some tough times. On 9/11, its facility at 4 World Trade Center was destroyed and some of our people were killed. At the time,

it appeared that our entire business was destroyed. But, fortunately, we are in the risk management business, and, as a result of the 1993 bombing of the World Trade Center, we had built a fully operational backup trading facility. No one could have anticipated how much we would need it; we worked out of that facility for two years. Now we have returned to Lower Manhattan, in an expanded, state-of-the-art facility with 13,000 square feet packed with screaming traders. If you've never visited NYBOT's trading floor, please call me and come visit. You'll love it.

More than two years ago, we discovered a well-known Chinese firm that was offering real-time market data of the world's derivative exchanges on their website. To test it, we subscribed. The subscription for all those exchanges should have cost somewhere around \$10,000 per month. We paid \$600 for an entire year. This firm is not a licensed vendor, and, to my knowledge, does not remit any revenue to exchanges, certainly none to NYBOT. If this were to happen in the U.S., we could stop it immediately. However, we had no clue as to how to stop it in China. We are members of the Software & Information Industry Association ("SIIA"), so we asked them to help. On our behalf, the SIIA tried to contact the Chairman of the offending firm directly and ask that the company cease and desist from their infringing activities. To date, there has been no response from the firm [and any individual from anywhere in the world can today still subscribe at well-below market rates].

Even as we have pursued, and continue to pursue, our own efforts to stop this piracy, we have appreciated the willingness of the US Government to hear our concerns and work with us to put this on their agenda. As a regulated industry, NYBOT is especially appreciative that Commissioner Sharon Brown-Hruska of the Commodity Futures Trading Commission has helped her government colleagues understand the importance of the market data industry to our economy, and explain some of the technical issues surrounding our operations. With SIIA, we have had constructive meetings with the Office of the US Trade Representative who understands the issues and is working with us to raise them with their Chinese counterparts.

Right now, the website is only in Chinese, but the company's Chairman and CEO got his graduate degree here in the U.S., and we're very concerned that the website will soon be translated into English.

Chairman Coburn, as you and your colleagues, and the US government, work to improve the environment for conducting business in China, we ask that the challenges facing the market data industry remain an important part of the agenda. It is our hope that, with your help, sometime in the near future, the Chinese government will take concrete steps to prevent entities from illegally obtaining and selling U.S. exchanges' proprietary Market Data.

I appreciate this opportunity to appear before you today. I will be glad to take any questions you may have.