



COMMODITY FUTURES TRADING COMMISSION

FY 2010 PRESIDENT'S BUDGET *and* PERFORMANCE PLAN

PREPARED FOR THE COMMITTEE ON APPROPRIATIONS

APRIL 2009



Summary & Highlight Statement

May 7, 2009

The Honorable Daniel K. Inouye
Chairman
Committee on Appropriations
United States Senate
S-128 Capitol Building
Washington, D. C. 20510

The Honorable David R. Obey
Chairman
Committee on Appropriations
United States House of Representatives
H-218 Capitol Building
Washington, D. C. 20515

Dear Chairman Inouye and Chairman Obey:

I am pleased to transmit to you the Commodity Futures Trading Commission's (CFTC) Budget and Performance Estimate for FY 2010. This budget requests an appropriation of \$160,600,000 and 610 staff-years, an increase of approximately \$14,600,000 and 38 staff-years over the recently enacted FY 2009 appropriation of \$146,000,000 and 572 staff-years. With a current on-board staff of only 500, the funds appropriated for FY 2009, and requested for FY 2010, are critical incremental increases toward providing the CFTC with the resources required to **ensure that the Nation's futures markets operate without disruption. Compared to the FY 2009 appropriation, key changes in the FY 2010 President's Budget are:**

\$7.4 million to provide for increased compensation and benefit costs for a staff of 572 FTEs;

\$0.2 million (net increase) to provide for increased operating costs for information technology modernization, lease of office space, and all other services; and

\$7.0 million to provide for salary and expenses of 38 additional full-time equivalent staff-years (FTEs).

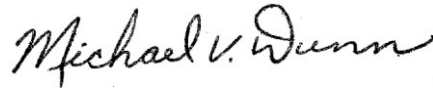
The CFTC was created in 1974 to ensure fair practice and honest dealings on the commodity exchanges of the Nation's \$500 billion futures industry. At that time, approximately 500 employees were tasked with this responsibility. Thirty-five years later, the Nation's futures market is a \$22 trillion industry that bears little resemblance to the early market with respect to volume, complexity, technology, products, platforms, instruments, strategies, and globalization. The increases provided for FY 2009 and requested for FY 2010 recognize that the Commission cannot continue to oversee properly an increasingly complex, opaque and global marketplace with resources deemed adequate four decades ago when the modern futures markets were in their nascence. The Commission requires additional resources to hire and retain highly trained professionals and equip them with information technologies that are as sophisticated as the markets they are charged with overseeing.

Notwithstanding the important work of industry self-regulatory bodies, the **Commission's role is unique and if it is not properly performed**, there is no adequate secondary safety net. It is important not to risk the moral hazard of assuming that adequate oversight is being performed by others when it is not. The Commission is the only entity with regulatory oversight across all jurisdictions and across all markets. If the Commission is unable to regulate effectively because of insufficient resources, other authorities will not be available to step in and fill the void. Self-regulatory organizations can take action only against their own members, and their sanctions cannot affect conduct outside their jurisdiction or markets, and other Federal regulators and state regulators have limited jurisdiction and expertise in handling futures-related matters and misconduct. And while criminal prosecutions by the Department of Justice are an important adjunct to effective oversight and enforcement, cooperative enforcement still requires the active use of Commission staff to assist criminal authorities in the prosecutions.

Strong support of the CFTC, with its principle-based regulatory regime, will also serve to reassure concerned American taxpayers and investors. Most Americans have a direct stake in futures markets through personal investments in stocks, mutual funds, or pension funds tied to these markets—and all Americans have an indirect stake, since these markets are critical in establishing prices from Wal-Mart to Wall Street.

I am available to discuss this budget request and to answer any questions you may have.

Sincerely yours,

A handwritten signature in cursive script that reads "Michael V. Dunn". The signature is written in black ink and is positioned above the printed name and title.

Michael V. Dunn
Acting Chairman

cc:

The Honorable Tom Harkin
Chairman
Committee on Agriculture,
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U.S. Senate
SR-328A Russell Senate Office Building
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The Honorable Collin C. Peterson
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THE FY 2010 PRESIDENT'S BUDGET & PERFORMANCE PLAN

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The Commission and the Industry We Regulate

Indicators of Industry Growth Complexity

In a marketplace driven by change, it may be helpful to look back at industry and CFTC trends over the past few years. The charts that follow reflect many of those changes affecting the CFTC:

- Industry growth versus staff growth;
- Growth in actively traded futures and option contracts;
- Enforcement actions to preserve market integrity and protection of market users;
- Number of registrants;
- Contract markets designated by the CFTC;
- Number of derivatives clearing organizations (DCOs) registered with the CFTC;
- Exempt commercial markets (ECMs);
- Exempt boards of trade (XBOTs); and
- Amount of customer funds held at futures commission merchants (FCMs).

Growth in Volume of Futures & Option Contracts Traded & FTEs

Trading volume has increased almost six-fold in the last decade while staffing levels at the Commission have trended downward.

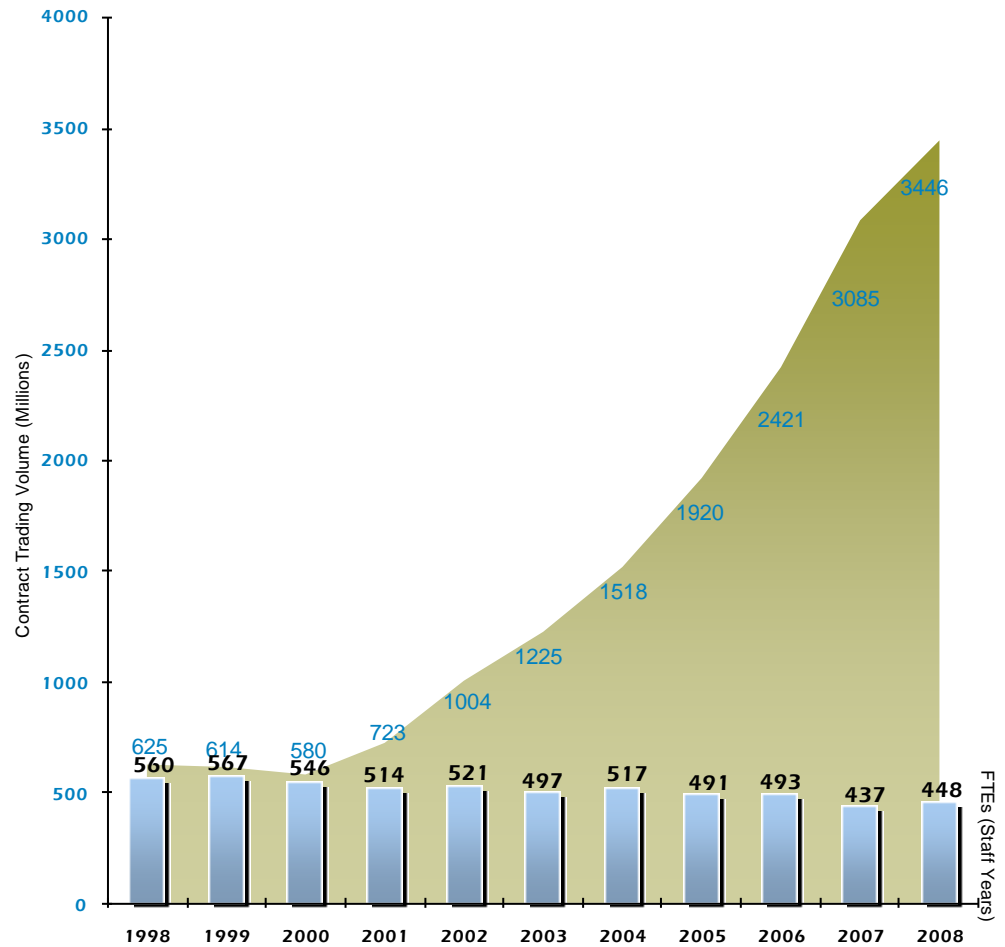


Figure 1: Growth of Volume of Contracts Traded and FTEs

Actively Traded Futures & Option Contracts

The number of actively traded contracts on U.S. exchanges has more than quintupled in the last decade.

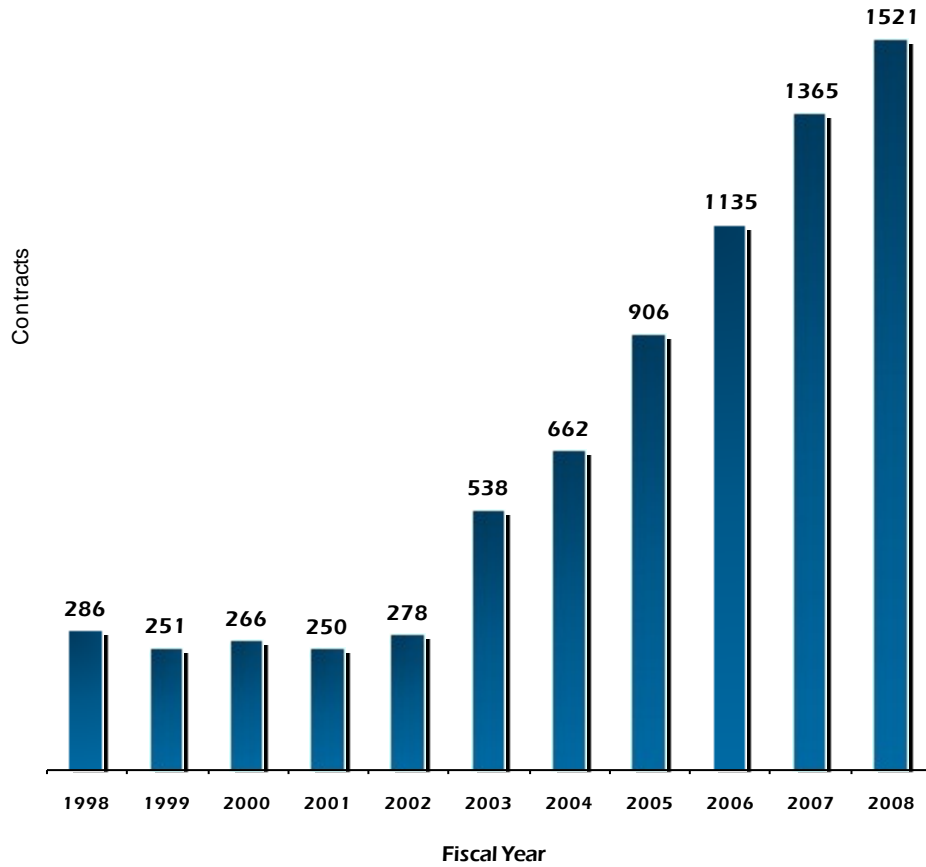


Figure 2: CFTC Actively Traded Contracts

Number of Registrants

Companies and individuals who handle customer funds, solicit or accept orders, or give trained advice must apply for CFTC registration through the National Futures Association (NFA), an SRO with delegated oversight authority from the Commission. The Commission regulates the activities of nearly 68,000 registrants.

<u>Registration Category¹</u>	<u>Number as of September 30, 2008</u>
Associated Persons (APs) (Salespersons)	53,249
Commodity Pool Operators (CPOs)	1,353
Commodity Trading Advisors (CTAs)	2,534
Floor Brokers (FBs)	7,335
Floor Traders (FTs)	1,446
Futures Commission Merchants (FCMs)	179 ²
Introducing Brokers (IBs)	<u>1,647³</u>
TOTAL	<u>67,743</u>

Table 1: Number of Registrants

¹ A person who is registered in more than one registration category is counted in each category.

² Includes 16 notice-registered FCMs.

³ Includes 44 notice-registered IBs.

Enforcement Actions to Preserve Market Integrity and Protection of Market Users

Manipulation, Attempted Manipulation, and False Reporting

The CFTC utilizes every tool at its disposal to detect and deter against illegitimate market forces. The Commission uses enforcement actions to preserve market integrity and protect market users, demonstrating that its authority is significant and that the Commission intends to use it.

For example, CFTC enforcement efforts in the energy arena from December 2001 through September 2008 have resulted in 43 enforcement actions charging 73 companies and individuals and the assessment of approximately \$445 million in penalties.

<u>Actions Taken Since December 2001 in Energy Markets</u>	<u>Energy Markets</u>
<i>Number of Cases Filed or Enforcement Actions</i>	43
<i>Number of Entities/Persons Charged</i>	73
<i>Number of Dollars in Penalties Assessed</i>	
• <i>Civil Monetary Penalties</i>	\$445,465,000

Table 2: Energy Markets

Commodity Pools, Hedge Funds, Commodity Pool Operators (CPOs), and Commodity Trading Advisors (CTAs)

Investors continue to fall prey to unscrupulous CPOs and CTAs, including CPOs and CTAs operating hedge funds. The majority of the Commission's pool/hedge fund fraud cases are brought against unregistered CPOs and/or CTAs. These cases tend to involve Ponzi schemes or outright misappropriation, as opposed to legitimate hedge fund operations. From October 2000 through September 2008, the Commission filed a total of 73 enforcement actions alleging misconduct in connection with commodity pools and hedge funds.

<u>Actions Taken Since October 2000</u>	<u>Pool/Hedge Funds</u>
<i>Number of Cases Filed or Enforcement Actions</i>	73
• <i>Case/Actions Charging Commission Registrants</i>	24
<i>Number of Dollars in Penalties Assessed</i>	\$564,127,597

Table 3: Pool/Hedge Funds

Forex Fraud

The Commission vigorously uses its enforcement authority to combat the problem of foreign currency (forex) fraud. Since passage of the CFMA in December 2000 through September 2008, the Commission, on behalf of more than 25,000 customers, has filed 98 cases. Those efforts have thus far resulted in the assessment of approximately \$453 million in restitution and \$562 million in civil monetary penalties.

<u>Actions Taken Since Passage of the CFMA in December 2000</u>	<u>Foreign Currency Markets</u>
<i>Number of Cases Filed or Enforcement Actions</i>	98
• <i>Number of Entities/Persons Charged</i>	374
• <i>Number of Customers Affected</i>	25,859
<i>Number of Dollars in Penalties Assessed</i>	
• <i>Civil Monetary Penalties</i>	\$562,241,267
• <i>Restitution</i>	\$453,675,335

Table 4: Foreign Currency Markets

Contract Markets Designated by the CFTC, 2003 - 2008

The following designated contract markets (DCMs) are boards of trade or exchanges that meet the CFTC criteria and CFTC Core Principles for trading futures or options by both institutional and retail participants. Currently, 13 DCMs meet CFTC criteria and CFTC Core Principles for trading futures and options.

Commodity Exchanges	2003	2004	2005	2006	2007	2008
BTEX	✓					
CBOT	✓	✓	✓	✓	✓	✓
CCFE		✓	✓	✓	✓	✓
CFE	✓	✓	✓	✓	✓	✓
CME	✓	✓	✓	✓	✓	✓
CSCE	✓	✓				
EPFE		✓				
HedgeStreet		✓	✓	✓	✓	✓
ICE US		✓	✓	✓	✓	✓
KCBT	✓	✓	✓	✓	✓	✓
MACE	✓					
ME	✓	✓				
MGE	✓	✓	✓	✓	✓	✓
NOLX	✓	✓	✓			
NYCE	✓	✓				
NYFE	✓	✓				
NYMEX (incl. COMEX)	✓	✓	✓	✓	✓	✓
NYSE LIFFE						✓
OCX	✓	✓	✓	✓	✓	✓
PBOT	✓	✓	✓	✓	✓	✓
USFE		✓	✓	✓	✓	✓
TOTAL	15	18	13	12	12	13

Table 5: Designated Contract Markets

Number of Derivatives Clearing Organizations Registered with the CFTC, 2003 - 2008

Clearinghouses that provide clearing services for CFTC-regulated exchanges must register as DCOs. Currently, 10 DCOs are registered with the Commission.

DCOs	2003	2004	2005	2006	2007	2008
AE			✓	✓	✓	
BTEX	✓					
CBOT		✓	✓	✓	✓	✓
CCorp	✓	✓	✓	✓	✓	✓
CME	✓	✓	✓	✓	✓	✓
EnergyClear	✓					
FCOM	✓					
GCC	✓					
HedgeStreet		✓	✓	✓	✓	✓
ICC	✓					
KCBT	✓	✓	✓	✓	✓	✓
LCH	✓	✓	✓	✓	✓	✓
MGE	✓	✓	✓	✓	✓	✓
NYCC/ICE Clear	✓	✓	✓	✓	✓	✓
NYMEX	✓	✓	✓	✓	✓	✓
OCC	✓	✓	✓	✓	✓	✓
ONXCC	✓					
TOTAL	14	10	11	11	11	10

Table 6: CFTC-Registered Derivatives Clearing Organizations

Exempt Commercial Markets, 2003 - 2008

Electronic trading facilities that execute principal-to-principal transactions between eligible commercial entities in exempt commodities may operate as ECMs as set forth under the CEA and the Commission's regulations. An ECM is subject to anti-fraud and anti-manipulation provisions and a requirement that, if performing a significant price discovery function, the ECM must provide pricing information to the public. A facility that elects to operate as an ECM must give notice to the Commission and comply with certain information, record-keeping, and other requirements. An ECM is prohibited from claiming that the facility is registered with, or recognized, designated, licensed or approved by, the Commission. A total of 24 ECMs have filed notices with the Commission and 19 were active in FY 2008.

Exempt Commercial Markets	2003	2004	2005	2006	2007	2008
CCX	✓	✓	✓	✓	✓	✓
CDXchange	✓	✓	✓	✓		
ChemConnect				✓	✓	
EOXLIVE						✓
Flett					✓	✓
GFI (Energy Match)					✓	✓
HSE	✓	✓	✓	✓	✓	✓
ICAP				✓	✓	✓
ICAP ETC				✓	✓	✓
ICAP HYDE				✓	✓	✓
ICE	✓	✓	✓	✓	✓	✓
IMAREX	✓	✓	✓	✓	✓	✓
LiquidityPort (Options ATSI)					✓	✓
NGX	✓	✓	✓	✓	✓	✓
NEX					✓	✓
NTP				✓	✓	✓
OPEX	✓	✓	✓	✓	✓	
Parity						✓
SL	✓	✓	✓	✓	✓	
TCX			✓	✓	✓	✓
TFS	✓	✓	✓	✓	✓	✓
TFSE	✓	✓	✓	✓	✓	✓
TFSC						✓
TS	✓	✓	✓	✓		
TOTAL	11	11	12	17	19	19

Table 7: Exempt Commercial Markets

Exempt Boards of Trade, 2003 - 2008

Transactions by eligible contract participants in selected commodities may be conducted on an XBOT as set forth under the CEA and the Commission's regulations. XBOTs are subject only to the CEA's anti-fraud and anti-manipulation provisions. An XBOT is prohibited from claiming that the facility is registered with, or recognized, designated, licensed, or approved, by the Commission. Also, if it is performing a price discovery function, the XBOT must provide certain pricing information to the public. To date, 14 XBOTs filed notices with the Commission and 10 were active in FY 2008.

Exempt Boards of Trade	2003	2004	2005	2006	2007	2008
AE			✓	✓	✓	✓
CME AM			✓	✓	✓	✓
Derivatives Bridge, LLC						✓
GFI ForexMatch					✓	✓
Intrade			✓	✓	✓	✓
IRESE						✓
LiquidityPort						✓
Longitude					✓	✓
Matchboxx ATS				✓		
Storm				✓	✓	✓
Swapstream				✓	✓	✓
WBOT	✓	✓	✓	✓		
WXL	✓	✓	✓	✓		
Yellow Jacket					✓	
TOTAL	2	2	5	8	8	10

Table 8: Exempt Boards of Trade

Customer Funds in Futures Commission Merchants Accounts, 1998 - 2008

The amount of customer funds held at FCMs has more than quadrupled in the last decade.

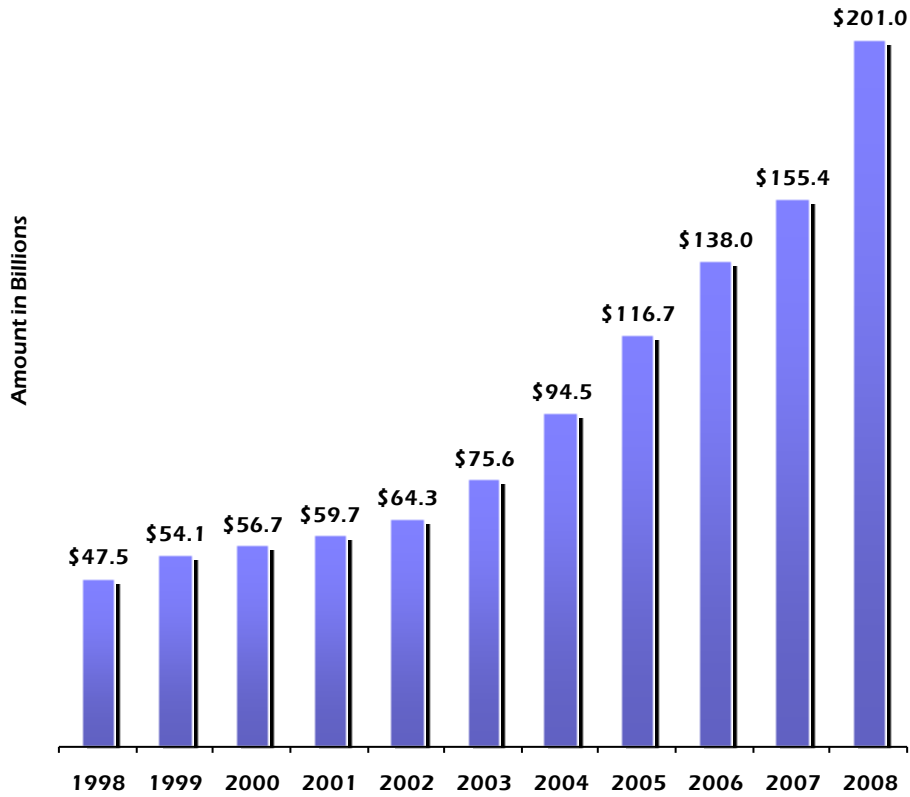


Figure 3: Customer Funds in FCM Accounts

Overview of Planned Outcomes by Strategic Goal

Introduction

The futures industry is experiencing a period of tremendous growth. Volume has increased six-fold in the last decade and reached a record level of almost 3.5 billion contracts traded in 2008. **The Commission's mission in the futures industry is to foster competitive and financially sound markets, to protect market users and the public from fraud, manipulation and abusive trading practices, and to foster open, competitive, and financially sound markets.**

The Commission requests \$160.6 million in FY 2010 to fund its efforts to reach its four strategic goals:

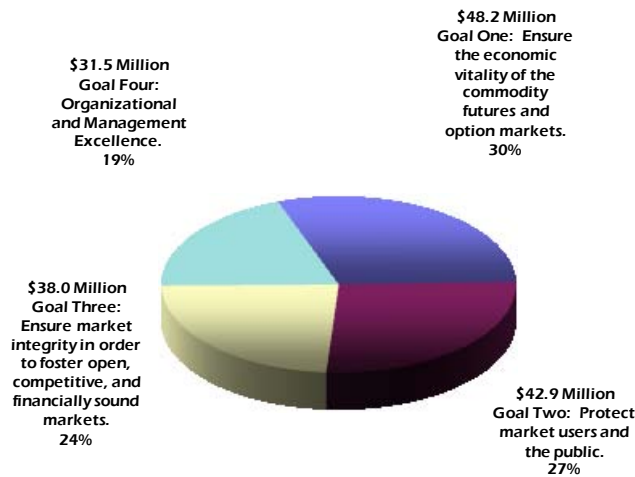


Figure 4: Budget & Performance Estimate by Strategic Goal

To achieve the planned outcomes for FY 2010, the Commission will allocate the \$160.6 million request among six programs: Enforcement; Clearing & Intermediary Oversight; Market Oversight; Chief Economist; Proceedings; and General Counsel. There is one support program: Executive Direction⁴.

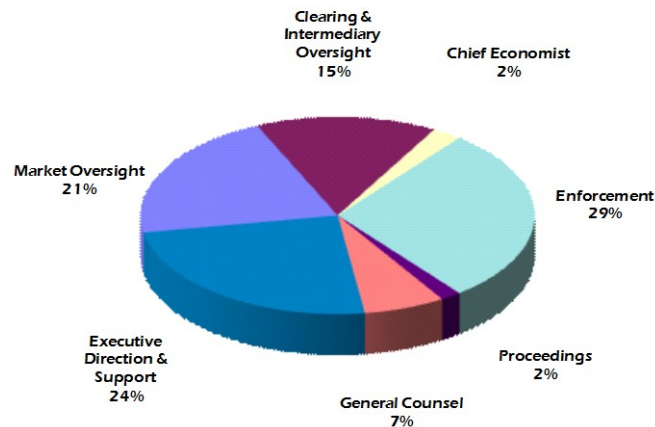


Figure 5: \$160.6 Million Budget Estimate by Program

⁴ Includes information technology staff in support of all programs.

FY 2010 Outcomes by Goal

Goal One: Ensuring Economic Vitality of Commodity Futures & Option Markets

In seeking to fulfill its mission, a substantial portion of the Commission's resources are devoted to daily oversight of registered exchanges, intermediaries, and DCOs. In 1974, when the Commission was founded, the vast majority of futures trading took place in the agricultural sector. These contracts gave farmers, ranchers, distributors, and end-users of everything from corn to cattle an efficient and effective set of tools to hedge against price volatility.

Over the years, however, the futures industry has become increasingly diversified. While farmers and ranchers continue to use the futures markets as actively as ever to effectively lock in prices for their crops and livestock months before they come to market, highly complex financial contracts based on interest rates, foreign currencies, Treasury bonds, and securities indexes, and other products have far outgrown agricultural contracts in trading volume. Latest statistics show that approximately eight percent of on-exchange commodity futures and option trading activity occurs in the agricultural sector, while financial commodity futures and option contracts make up approximately 79 percent, and other contracts, such as those on metals and energy products, make up about 13 percent.

In FY 2010, the Commission requests \$48.2 million to fund its efforts to reach the following outcomes of Strategic Goal One:

- Markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity—with an FY 2010 performance goal of zero price manipulations that would cause loss of confidence or negatively affect price discovery or risk shifting.
- Markets that are effectively and efficiently monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality—with an FY 2010 performance goal of improving effectiveness and efficiency of market surveillance.

Breakout of Goal One Request by Outcome

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
GOAL ONE: Ensure economic vitality of commodity futures and option markets.						
Outcomes						
1.1 Futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	\$37,922	151	\$41,181	158	\$3,259	7
1.2 Markets that can be monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.	5,890	23	6,971	27	1,081	4
Total Goal One	\$43,812	174	\$48,152	185	\$4,340	11

Table 9: Breakout of Goal One by Outcome

FY 2010 President's Budget & Performance Plan

Goal Two: Protecting Market Users and the Public

While our country reaps the rewards of an explosive futures industry, there is an accompanying increased risk of fraud for market users and the public. The trend toward electronic trading platforms as well as the expanding complexity of trading instruments has challenged the Commission to reconfigure its ability to identify, investigate, and prosecute all parties involved in violating applicable laws and regulations. Typically, the Commission has over 150 investigations open at any particular time, however in FY 2008; an unprecedented 215 investigations were opened. If evidence of criminal activity is found, matters are referred to state or Federal authorities for criminal prosecution.

Over the years, the Commission has prosecuted a number of cases involving manipulations or attempted manipulations of commodity prices. The Sumitomo copper case and the Hunt brothers silver case are well-known examples manipulation. Since 2001, the Commission charged over 73 companies and individuals and assessed approximately \$445 million in penalties for attempting to manipulate, or for manipulating energy markets. A variety of administrative sanctions are available to the Commission, such as bans on futures trading, civil monetary penalties, and restitution orders. The Commission may also seek Federal court injunctions, asset freezes, and orders to disgorge ill-gotten gains.

In FY 2010, the Commission requests \$42.9 million to fund its efforts to reach the following outcomes of Strategic Goal Two:

- Violations of Federal commodities laws are detected and prevented—with an FY 2010 performance goal of increasing the probability of violators being detected and sanctioned.
- Commodity professionals meet high standards—with an FY 2010 performance goal of zero unregistered, untested, or unlicensed commodity professionals, unless they qualify for exemption from registration.
- Customer complaints against persons or firms registered under the Act are handled effectively and expeditiously—with an FY 2010 performance goal of resolving: voluntary proceedings customer complaints within one year from the date filed; summary and formal proceedings customer complaints within one year and six months from the date filed; and resolving appeals within six months from the date filed.

Breakout of Goal Two Request by Outcome

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
GOAL TWO: Protect markets users and the public.						
Outcomes						
2.1 Violations of Federal commodities laws are detected and prevented.	\$29,369	112	\$32,132	119	\$2,763	7
2.2 Commodities professionals meet high standards.	5,985	24	6,631	25	646	1
2.3 Customer complaints against persons or firms falling within the jurisdiction of the Commodity Exchange Act are handled effectively and expeditiously.	3,824	15	4,117	16	293	1
Total Goal Two	\$39,178	151	\$42,880	160	\$3,702	9

Table 10: Breakout of Goal Two by Outcome

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Goal Three: Ensuring Market Integrity in Order to Foster Open, Competitive, and Financially Sound Markets

The Commission also focuses on issues of market integrity, which seeks to protect: the economic integrity of the markets so that they may operate free from manipulation; the financial integrity of the markets so that the insolvency of a single participant does not become a systemic problem affecting other market participants; and the operational integrity of the markets so that transactions are executed fairly and that proper disclosures are made to existing and prospective customers.

In FY 2010, the Commission requests \$38.0 million to fund its efforts to reach the following outcomes of Strategic Goal Three:

- Clearing organizations and firms holding customer funds have sound financial practices—with FY 2010 performance goals of zero loss of customer funds as a result of firms' failure to adhere to regulations and zero customers prevented from transferring funds from failing firms to sound firms.
- Commodity futures and option markets are effectively self-regulated—with an FY 2010 performance goal of zero loss of funds resulting from failure of self-regulatory organizations (SROs) to ensure compliance with their rules.
- Markets are free of trade practice abuses.
- Regulatory environment is flexible and responsive to evolving market conditions.

Breakout of Goal Three Request by Outcome

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
GOAL THREE: Ensure market integrity in order to foster open, competitive, and financially sound markets.						
Outcomes						
3.1 Clearing organizations and firms holding customer funds have sound financial practices.	\$9,607	37	\$10,490	39	\$883	2
3.2 Commodity futures and option markets are effectively self-regulated.	12,772	51	14,508	56	1,736	5
3.3 Markets are free of trade practice abuses.	5,499	21	5,904	22	405	1
3.4 Regulatory environment responsive to evolving market conditions.	6,462	25	7,138	27	676	2
Total Goal Three	\$34,340	134	\$38,040	144	\$3,700	10

Table 11: Breakout of Goal Three by Outcome

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Goal Four: Facilitate Commission performance through organizational and management excellence, efficient use of resources, and effective mission support.

The fulfillment of the Commission's mission and the achievement of our goals are tied to a foundation of sound management and organizational excellence. The Commission is committed to maintaining a well-qualified workforce supported by a modern support infrastructure that enables the Commission to achieve its programmatic goals. Building this foundation will require significant investment in people, management initiatives systems, and facilities.

In FY 2010, the Commission requests \$31.5 million to fund its efforts to reach the following outcomes of Strategic Goal Four:

- A productive, technically competent, competitively compensated, and diverse workforce that takes into account current and future technical and professional needs of the Commission.
- A modern and secure information system that reflects the strategic priorities of the Commission.
- An organizational infrastructure that efficiently and effectively responds to and anticipates both the routine and emergency business needs of the Commission.
- Financial resources are allocated, managed, and accounted for in accordance with the strategic priorities of the Commission.
- **The Commission's mission is fulfilled and goals are achieved through sound management and organizational excellence provided by executive leadership.**

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Breakout of Goal Four Request by Outcome Objective

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
GOAL FOUR: To facilitate Commission performance through management excellence, efficient use of resources, and effective mission support.						
Outcomes						
4.1 A productive, technically competent, competitively compensated, and diverse workforce that takes into account current and future technical and professional needs of the Commission.	\$3,778	15	\$3,897	15	\$119	0
4.2 A modern and secure information system that reflects the strategic priorities of the Commission. ⁵	7,570	30	8,456	33	886	3
4.3 An organizational infrastructure that efficiently and effectively responds to and anticipates both the routine and emergency business needs of the Commission.	3,778	15	3,897	15	119	0
4.4 Financial resources are allocated, managed, and accounted for in accordance with the strategic priorities of the Commission.	3,778	15	4,157	16	379	1
4.5 The Commission's mission is fulfilled and goals are achieved through sound management and organizational excellence provided by executive leadership.	9,766	38	11,121	42	1,355	4
Total Goal Four	\$28,670	113	\$31,528	121	\$2,858	8

Table 12: Breakout of Goal Four by Outcome

⁵ Represents Office of Information Technology Services dollars and staff resources not otherwise allocated to Goals 1, 2, or 3.

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Summary of CFTC Mission Statement, Strategic Goals & Outcomes

<p>Mission Statement</p> <p><i>The mission of the CFTC is to protect market users and the public from fraud, manipulation, and abusive practices related to the sale of commodity futures and options, and to foster open, competitive, and financially sound commodity futures and option markets.</i></p>
<p>Goal One</p> <p><i>Ensure the economic vitality of the commodity futures and option markets.</i></p>
<p>Outcomes</p>
<p>1. Markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.</p>
<p>2. Markets that are effectively and efficiently monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.</p>
<p>Goal Two</p> <p><i>Protect market users and the public.</i></p>
<p>Outcomes</p>
<p>1. Violations of Federal commodities laws are detected and prevented.</p>
<p>2. Commodities professionals meet high standards.</p>
<p>3. Customer complaints against persons or firms falling within the jurisdiction of the Commodity Exchange Act are handled effectively and expeditiously.</p>
<p>Goal Three</p> <p><i>Ensure market integrity in order to foster open, competitive, and financially sound markets.</i></p>
<p>Outcomes</p>
<p>1. Clearing organizations and firms holding customer funds have sound financial practices.</p>
<p>2. Commodity futures and option markets are effectively self-regulated.</p>
<p>3. Markets are free of trade practice abuses.</p>
<p>4. Regulatory environment is responsive to evolving market conditions.</p>
<p>Goal Four</p> <p><i>Facilitate Commission performance through organizational and management excellence, efficient use of resources, and effective mission support.</i></p>
<p>Outcomes</p>
<p>1. Productive, technically competent, competitively compensated, and diverse workforce that takes into account current and future technical and professional needs of the Commission.</p>
<p>2. Modern and secure information system that reflects the strategic priorities of the Commission.</p>
<p>3. Organizational infrastructure that efficiently and effectively responds to and anticipates both the routine and emergency business needs of the Commission.</p>
<p>4. Financial resources are allocated, managed, and accounted for in accordance with the strategic priorities of the Commission.</p>
<p>5. Commission's mission is fulfilled and goals are achieved through sound management and organizational excellence provided by executive leadership.</p>

Commission Strategies to Influence Outcomes

Strategic Goal One - Ensure the Economic Vitality of the Commodity Futures and Option Markets.

Background and Context

In order for commodity futures and option markets to fulfill their vital role in the national and global economy, they must operate efficiently, accurately reflect the forces of supply and demand, and serve market users by fulfilling an economic need, typically price discovery or risk management. Through direct market and trade practice surveillance, and through oversight of the surveillance efforts of the exchanges themselves, the Commission works to ensure that markets operate free of manipulation or congestion.

The heart of the Commission's direct market surveillance is a large-trader reporting system, under which clearing members of exchanges, FCMs, and foreign brokers electronically file daily reports with the Commission. These reports show all trader positions at or above specific reporting levels set by CFTC regulations. Because a trader may carry futures positions through more than one FCM, and due to the possibility that a customer may control more than one account, the Commission routinely collects information that enables its surveillance staff to aggregate information across FCMs for related accounts.

Using these reports, the Commission's surveillance staff closely monitors the futures and option market activity of all traders whose positions are large enough to potentially impact the orderly operation of a market. For contracts that may be settled through physical delivery—such as contracts in the energy complex—staff carefully analyze the adequacy of potential deliverable supply. In addition, staff monitor futures and cash markets for unusual movements in price relationships, such as cash/futures basis relationships and inter-temporal futures spread relationships, which often provide early indications of a potential problem.

The Commissioners and senior staff are kept apprised of market events and potential problems at weekly surveillance meetings, and more frequently when necessary. At these meetings, surveillance staff briefs the Commission on broad economic and financial developments and on specific market developments in futures and option markets of particular concern.

If indications of attempted manipulation are found, the Commission investigates and prosecutes alleged violations of the CEA or regulations. Subject to such actions are all individuals who are or should be registered with the Commission, those who engage in trading on any domestic exchange, those who engage in illegal cash market activities that affect or could affect the futures markets, and those who improperly market commodity futures or option contracts. The Commission has available to it a variety of administrative sanctions against wrongdoers, including revocation or suspension of registration, prohibitions on futures trading, and cease and desist orders. The Commission may seek Federal court injunctions, restraining orders, asset freezes, receiver appointments, and disgorgement orders. In both administrative and Federal court actions, the Commission can seek civil monetary penalties and restitution. If evidence of criminal activity is found, it may refer matters to state authorities or the U.S. Department of Justice (DOJ) for prosecution of violations not only of the Act, but also of state or Federal criminal statutes, such as mail fraud, wire fraud, and conspiracy. Over the years, the Commission has brought numerous enforcement actions and imposed sanctions against firms and individual traders for attempting to manipulate prices, including the well-publicized attempted manipulation cases by several

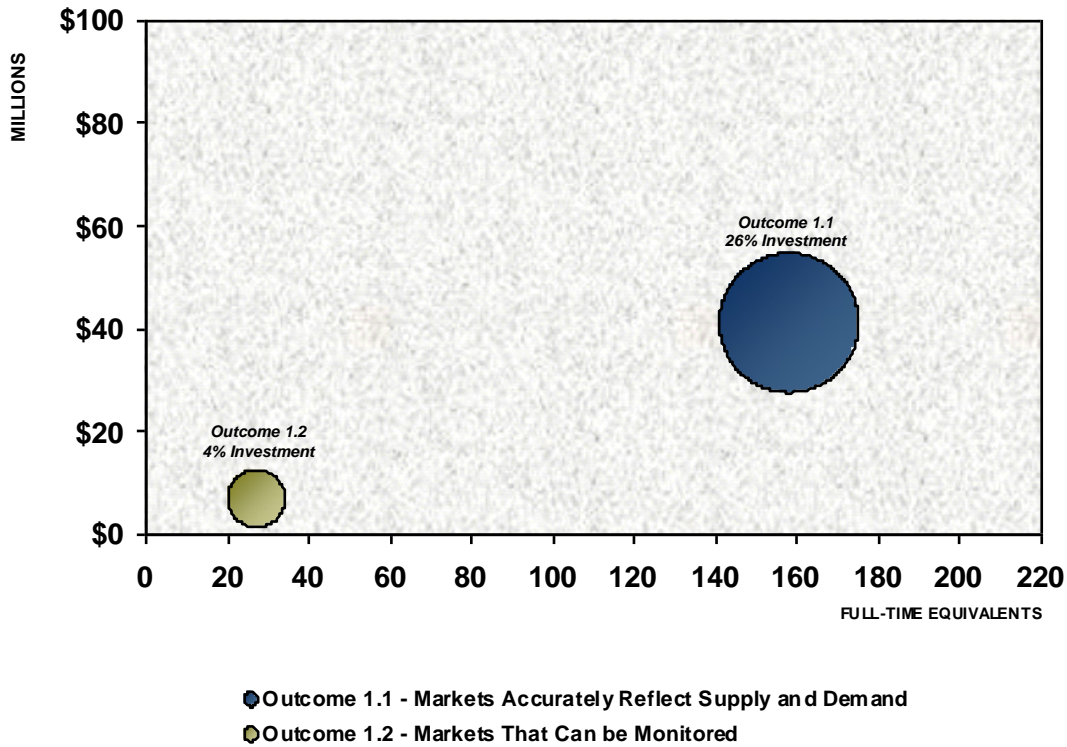
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energy companies and the market power manipulation of worldwide copper prices.

CFTC Strategy Mapping

FY 2010 Goal One Resource Investment by Outcome Objective

Figure 6: Goal One Resource Strategy Mapping



Outcome Objectives and Annual Performance Goals

Outcome 1.1 – Markets that accurately reflect the forces of supply and demand for underlying commodity and are free of disruptive activity.

- Annual Performance Goal: No price manipulation or other disruptive activities that would cause loss of confidence or negatively affect price discovery or risk shifting.

Outcome 1.2 – Markets that are effectively and efficiently monitored so that the Commission receives early warning of potential problems or issues that could adversely affect their economic vitality.

- Annual Performance Goal: To have an effective and efficient market surveillance program.

Means and Strategies for Achieving Objectives

Means:

- Directly monitor the markets to detect and protect against price manipulation and abusive trading practices to ensure that the markets are performing the vital economic function of price discovery and risk transfer or hedging.
- Perform market surveillance and trade practice oversight by conducting examinations of exchange programs to ensure that the exchange is appropriately monitoring daily trading activity, positions of large traders, and the supply and demand factors affecting prices.
- Review products listed by exchanges and rules and rule amendments submitted by exchanges to ensure compliance with the Act and to develop, implement, and interpret regulations that are designed to protect the economic functions of the market, protect market participants, prevent trading abuses, and facilitate innovation.

Strategies:

- ***Collect and analyze trading data.*** On a daily basis, CFTC collects and analyzes U.S. futures and option data for all actively traded contracts to detect congestion and/or price distortion. Economists analyze the activities of traders, key price relationships, and relevant supply and demand conditions for nearly 1,400 contracts representing major agricultural commodities, metals, energy, financial instruments, equity indices, and foreign currencies. CFTC staff also analyze markets to determine how conditions and factors observed may impact individual registrants or the markets in general to deter potentially negative situations and to take appropriate action, responding quickly to potentially disruptive situations.
- ***Review products and rules.*** Properly designed futures and option markets serve vital price discovery and hedging functions, which are essential to a healthy, capital-based economy. Business, agricultural, and financial enterprises use the futures markets for pricing information and to hedge against price risk. The participants in commercial transactions rely extensively on the prices established by futures markets that affect trillions of dollars in commercial activity. Moreover, the prices established by the futures markets directly or indirectly affect all Americans. They affect what Americans pay for food, clothing, and shelter, what we pay to heat our homes and fuel our cars, as well as other necessities. Deficiencies in the terms and conditions of futures and option contracts increase the likelihood of cash, futures, or option market disruptions, and also decrease the economic usefulness and efficiency of a contract. Furthermore, deficiencies in market rules can increase the likelihood that the market will operate in an unfair manner or will not have appropriate safeguards in place for the protection of customers. To meet its statutory mission of ensuring market integrity and customer protection, the Commission places greater reliance on its existing oversight authorities in permitting exchanges to list contracts for trading without prior Commission approval and to amend contracts when necessary. Commission staff conducts a due diligence review of each contract and contract amendment to ensure compliance with the CEA and **the Commission's regulations**, while the Commission relies on its authority to then alter, or supplement, exchange rules or to take emergency action, as appropriate, if a violation is discovered.

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- **Analyze markets and provide expert analysis.** Each week, reports are prepared on special market situations and on market conditions for all contracts approaching their critical expiration periods. Potential problems detected in preparing these reports are shared with the Commissioners and senior staff. The Commission shares pertinent information with other regulatory agencies and works with the affected exchange to develop and administer responsive measures as necessary. Economists and futures trading specialists keep abreast of innovation in the marketplace in technology, trading strategies, trading instruments, and methods to ensure an understanding of how the markets are functioning and to develop a flexible, effective regulatory response to market conditions as they evolve.
- **Coordinate with other financial regulators.** The Chairman participates in the **President's Working Group on Financial Markets** to ensure coordination of information and efforts among U.S. financial regulators. The Working Group brings together the leaders of the Federal financial regulatory agencies, including the Secretary of the Treasury, who chairs the group, and the chairs of the Board of Governors of the Federal Reserve System, the CFTC, and the Securities and Exchange Commission (SEC). In addition to the four primary financial regulators, the Working Group also includes the heads of the National Economic Council, the Council of Economic Advisors, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Reserve Bank of New York, and the Office of Thrift Supervision. Issues considered by the Working Group and its staff have included: 1) individual and coordinated agency initiatives concerning risk assessment; 2) capital requirements; 3) internal controls; 4) disclosure; 5) accounting; 6) private pools of capital, including hedge funds; 7) market practices relating to trading in derivative instruments; 8) bankruptcy law revisions; 9) security futures product (SFP) portfolio margining; 10) futures on security indexes; and 11) contingency planning for market emergencies. Every two weeks, Commission staff participates in the **President's Working Group** to discuss ongoing issues.
- **Address specific CFTC-SEC cross-jurisdictional products and issues.** The CFTC and SEC are working on a Memorandum of Understanding (MOU) to establish a standing interagency committee to address areas of mutual interest, and provide a forum to discuss and address these issues on a timely basis. The agencies continue to address cross-jurisdictional issues as they arise, such as those presented by credit event products and commodity exchange-traded funds. For example, the agencies have discussed how to avoid barriers to entry and reduce legal uncertainty. In addition, the agencies worked together to jointly define broad-based debt security indexes, allowing futures on these products to trade on U.S. futures exchanges under the exclusive jurisdiction of the CFTC. Agency staffs exchanged access letters in order to share information regarding review of dually registered pools.
- **Cooperate with FERC.** The CFTC and the Federal Energy Regulatory Commission (FERC) cooperate under the terms of an MOU mandated by the Energy Policy Act of 2005 and entered into in October 2005, regarding the sharing of information and the confidential treatment of proprietary energy trading data.
- **Provide information on the functions of the marketplace.** Commission staff prepare and provide materials and information on the functions and utility of the markets to the public through public Commission meetings, public roundtables, advisory committee meetings, symposia, publications, press releases, advisories, and publication of the Commitments of Traders reports. Staff also participates as appropriate in seminars sponsored by other Federal and state government organizations and industry-sponsored conferences.

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The Commission's Web site plays a significant role in providing information to the public.

- ***Investigate and prosecute wrongdoing.*** Commission attorneys and investigators conduct investigations and institute enforcement actions against potential violators. Violators are sanctioned. The sanctions are publicized and enforced. The administrative law judges hear and decide administrative enforcement cases brought by the Commission.
- ***Review regulations and amend or abolish as appropriate.*** In order to ensure that the regulations enforced by the CFTC are reflective of the needs of the industry and the public, the Commission reviews and adapts its regulations with evolving conditions and changes in the industry.

Summary of Goal One Performance Indicators

<i>Goal One: Ensure the economic vitality of the commodity futures and option markets.</i>				
Outcome 1.1: Futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.				
Annual Performance Goal: No price manipulation or other disruptive activities that would cause loss of confidence or negatively affect price discovery or risk shifting.				
Performance Measures	FY 2007 Actual	FY 2008 Actual	FY 2009 Plan	FY 2010 Plan
Percentage growth in market volume	27%	12.8%	24%	28%
Percentage of novel or innovative proposals or requests for CFTC action addressed within six months to accommodate new approaches to, or the expansion in, derivatives trading, enhance the price discovery process, or increase available risk management tools	100%	100%	75%	75%
Percentage increase in number of products traded	20%	11.4%	10%	10%
Percentage of new organization applications completed within expedited review period				
a) new exchange applications	N/A ⁶	100%	25%	25%
b) new clearinghouse applications	N/A ⁶	100%	100%	100%
Percentage of new contract certification reviews completed within three months to identify and correct deficiencies in contract terms that make contracts susceptible to manipulation	82%	82%	82%	82%
Percentage of rule change certification reviews completed within three months, to identify and correct deficiencies in exchange rules that make contracts susceptible to manipulation or trading abuses or result in violations of law	82%	86%	86%	86%
Outcome 1.2: Markets are effectively and efficiently monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.				
Annual Performance Goal: To have an effective and efficient market surveillance program.				
Performance Measures	FY 2006 Actual	FY 2007 Actual	FY 2008 Plan	FY 2009 Plan
Percentage of derivatives clearing organization applications demonstrating compliance with CFTC Core Principles	N/A ⁷	N/A ⁷	100%	100%
Ratio of markets surveilled per economist	13	14	12	12
Percentage of contract expirations without manipulation	99.9%	99.9%	99.9%	99.9%

⁶ No applications for registration as a DCO or exchange were received in FY 2007.

⁷ No applications for registration as a DCO were received in FY 2007 or FY 2008.

Breakout of Goal One Request by Program Activity

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
Market Oversight	\$21,295	87	\$23,515	93	\$2,220	6
Clearing & Intermediary Oversight	1,524	6	1,574	6	50	0
Chief Economist	3,524	14	3,896	15	372	1
Enforcement	13,370	51	14,769	55	1,399	4
Proceedings	0	0	0	0	0	0
General Counsel	2,046	8	2,280	8	234	0
Executive Direction & Support	2,053	8	2,118	8	65	0
TOTAL:	\$43,812	174	\$48,152	185	\$4,340	11

Table 13: Breakout of Goal One Request by Program Activity

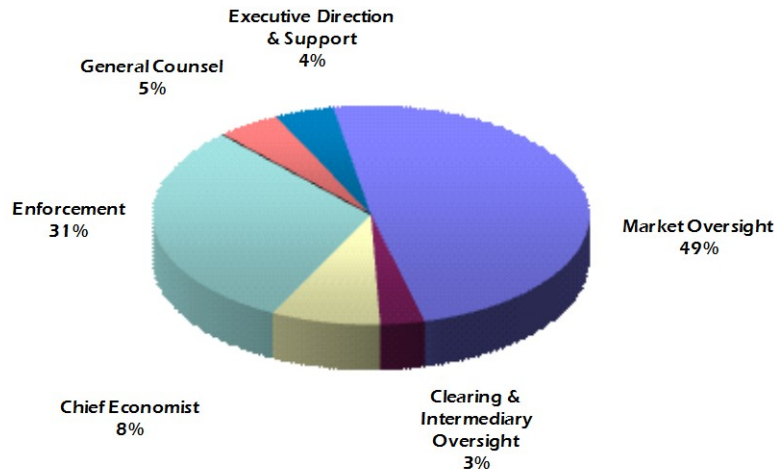


Figure 7: Breakout of Goal One Request by Program Activity

Breakout of Goal One Request by Outcome Objective

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
GOAL ONE: Ensure economic vitality of commodity futures and option markets.						
Outcomes						
1.1 Futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	\$37,922	151	\$41,181	158	\$3,259	7
1.2 Markets that can be monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.	5,890	23	6,971	27	1,081	4
Total Goal One	\$43,812	174	\$48,152	185	\$4,340	11

Table 14: Breakout of Goal One by Outcome

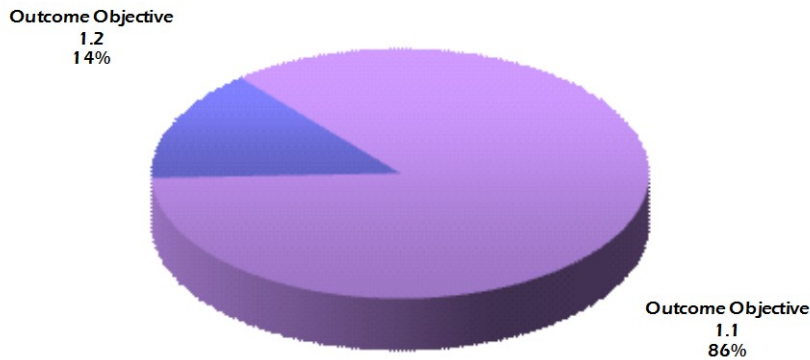


Figure 8: Breakout of Goal One Request by Outcome Objective

Strategic Goal Two – Protecting Market Users and the Public.

Background and Context

The focus of the second goal is protection of the firms and individuals—market users—who come to the marketplace to fulfill their business and trading needs. Market users must be protected from possible wrongdoing on the part of the firms and commodity professionals with whom they deal to access the marketplace, and they must be confident that the marketplace is free of fraud, manipulation, and abusive trading practices.

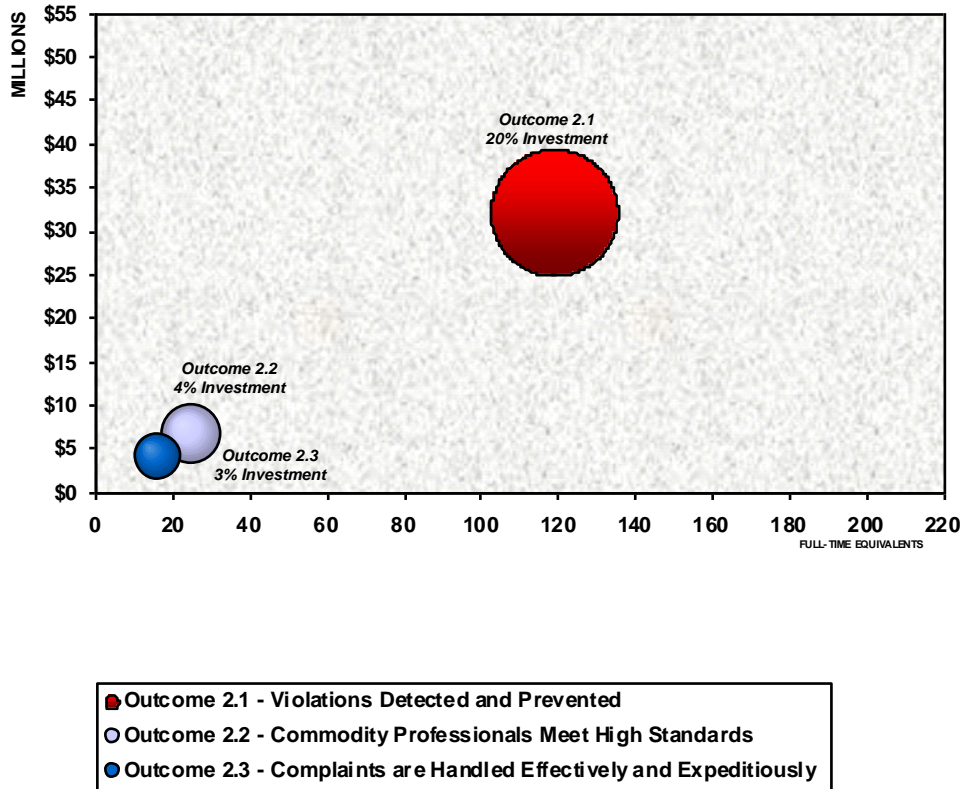
The Commission has promulgated requirements that mandate appropriate disclosure and customer account reporting, as well as fair sales and trading practices by registrants. The Commission has also sought to maintain appropriate sales practices by screening the fitness of industry professionals and by requiring proficiency testing, continuing education, and supervision of these persons. Extensive record-keeping of all futures transactions is also required. Likewise, the Commission monitors compliance with those requirements and supervises the work of the exchanges and NFA in enforcing the requirements.

The Commission plays an important role in deterring behavior that could affect **market users' confidence by investigating and taking action against unscrupulous** traders, entities, and others who engage in a wide variety of illegal activity, including, but not limited to, manipulation and fraudulent sales practices.

CFTC Strategy Mapping

FY 2010 Goal Two Resource Investment by Outcome Objective

Figure 9: Goal Two Resource Strategy Mapping



Outcome Objectives and Annual Performance Goals

Outcome 2.1 – Violations of Federal laws concerning futures and option contracts are detected and prevented.

- ⌘ Annual Performance Goal: Violators have a strong probability of being detected and sanctioned.

Outcome 2.2 – Commodity professionals meet high standards.

- ⌘ Annual Performance Goal: No unregistered, untested, or unlicensed commodity professionals.

Outcome 2.3 – Customer complaints against persons or firms registered under the Act are handled effectively and expeditiously.

- ⌘ Annual Performance Goal: Customer complaints are resolved within one year from the date filed and appeals are resolved within six months.

Means and Strategies for Achieving Objectives

Means:

- Detect and prevent violations of Federal commodity laws.
- Require commodity professionals to meet high standards.
- Provide a forum for customer complaints against firms and persons registered under the Act.

Strategies:

- ***Investigate and prosecute wrongdoing.*** The Commission identifies and investigates possible fraudulent and other illegal activities relating to the commodity futures and option markets and their registrants and brings enforcement actions as necessary. The Administrative Law Judges will continue to hear and decide administrative enforcement cases brought by the Commission against persons or firms charged with violating the Act or Commission rules and regulations.
- ***Inform the public concerning violators.*** Allegations of wrongdoing and associated legal actions are publicized and communicated to the industry and the public in order to ensure informed market users.
- ***Provide a forum to bring complaints.*** The Commission provides a reparations program for commodity futures and option market users to resolve complaints concerning possible violations of the Act. Approximately 50-60 reparations cases are filed per year. Presently, the cases are maintained in the Reparations Case Tracking System (Repcase), which houses all filings relating to the complaints, as well as reparations sanctions information. The Office is transitioning to Practice Manager, a Project eLaw automated tool that will assist staff in managing the reparations complaints more efficiently and effectively. We anticipate that Practice Manager will replace Repcase for new cases filed after the implementation date.

Information regarding the Reparations program is available on the **Commission's Web site and information regarding the various reparations documents** that have been filed or issued by a Presiding Officer or the Commission is available internally to Commission staff. In FY 2007, the **Commission's Web site** was redesigned and includes a variety of detailed information about the Office of Proceedings, the reparations program, the reparations and administrative **sanctions lists, and the Presiding Officers' dispositions.** By the end of 2009, dispositions from 1997 through the present will be available through the Web site. In addition, in FY 2009, the Web Disciplinary History project streamlined and automated the process for updating and publishing the Administrative and Reparations Sanctions information to the **Commission's Web site and improved** the user interface and usability of this information for our users.

During FY 2009, the Commission amended its rules to allow a Presiding Officer, at his discretion, to allow filing by email or fax. In addition, published rules to implement new statutory requirements on post-judgment interest.

- ***Oversee the NFA's registration program.*** The Commission oversees the **NFA's registration program, requiring testing, licensing, and ethics training** for commodity futures and option professionals. CFTC maintains a strong

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working relationship with the NFA, including joint representation on the Registration Working Group (RWG).

- ***Review regulations and amend or abolish as appropriate.*** In order to ensure that the regulations enforced by the Commission are reflective of the needs of the industry and the public, the Commission reviews and adapts its regulations with the evolving conditions and changes in the industry.
- ***Monitor media.*** The Internet and other media venues are monitored for fraudulent activities and other possible violations of the Act.
- ***Maintain cooperative relationships.*** Strong working relationships with the exchanges, the NFA, other Federal agencies, state governments and law enforcement entities, and foreign authorities maintain the Commission's ability to gain information for regulatory and law enforcement purposes and to provide enforcement assistance as necessary and appropriate.

Summary of Goal Two Performance Indicators

<i>Goal Two: Protect market users and the public.</i>				
Outcome 2.1: Violations of Federal commodities laws are detected and prevented.				
Annual Performance Goal: Violators have a strong probability of being detected and sanctioned.				
Performance Measures	FY 2007 Actual	FY 2008 Actual	FY 2009 Plan	FY 2010 Plan
Number of enforcement investigations opened during the fiscal year	99	215	142	176
Number of enforcement cases filed during the fiscal year	41	40	50	55
Percentage of enforcement cases closed during the fiscal year in which the Commission obtained sanctions (e.g., civil monetary penalties, restitution and disgorgement, cease and desist orders, permanent injunctions, trading bans, and registration restrictions)	98%	97%	98%	98%
Cases filed by other criminal and civil law enforcement authorities during the fiscal year that included cooperative assistance from the Commission	24	31	24	25
Outcome 2.2: Commodity professionals meet high standards.				
Annual Performance Goal: No unregistered, untested, or unlicensed commodity professionals.				
Performance Measures	FY 2007 Actual	FY 2008 Actual	FY 2009 Plan	FY 2010 Plan
Percentage of self-regulatory organizations that comply with CFTC Core Principles	100%	100%	100%	100%
Percentage of derivatives clearing organizations that comply with CFTC Core Principles	100%	100%	100%	100%
Percentage of professionals compliant with standards regarding testing, licensing, and ethics training	100%	100%	100%	100%
Percentage of self-regulatory organizations that comply with requirement to enforce their rules	100%	100%	100%	100%
Percentage of total requests receiving CFTC responses for guidance and advice	95%	75%	90%	90%
Outcome 2.3: Customer complaints against persons or firms registered under the Act are handled effectively and expeditiously.				
Annual Performance Goal: Voluntary Proceedings customer complaints are resolved within one year from the date filed, Summary and Formal Proceedings are resolved within one year and six months from the date filed, and appeals are resolved within six months.				
Performance Measures	FY 2007 Actual	FY 2008 Actual	FY 2009 Plan	FY 2010 Plan
Percentage of filed complaints resolved within one year of the filing date for Voluntary Proceedings	100%	67%	100%	100%
Percentage of filed complaints resolved within one year and six months of the filing date for Summary Proceedings	50%	57%	60%	60%
Percentage of filed complaints resolved within one year and six months of the filing date for Formal Proceedings	90%	73%	90%	90%
Percentage of appeals resolved within six months	66%	56%	10%	50%

Breakout of Goal Two Request by Program Activity

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
Market Oversight	\$0	0	\$0	0	\$0	0
Clearing & Intermediary Oversight	7,097	28	7,715	29	618	1
Chief Economist	0	0	0	0	0	0
Enforcement	22,120	84	24,339	90	2,219	6
Proceedings	2,648	11	2,723	11	75	0
General Counsel	5,122	19	5,714	21	592	2
Executive Direction & Support	2,191	9	2,389	9	198	0
TOTAL:	\$39,178	151	\$42,880	160	\$3,702	9

Table 15: Breakout of Goal Two Request by Program Activity

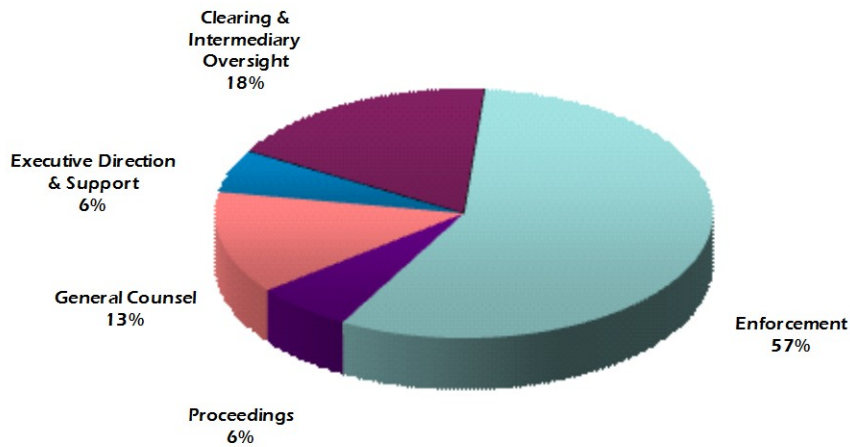


Figure 10: Breakout of Goal Two Request by Program Activity

Breakout of Goal Two Request by Outcome Objective

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
GOAL TWO: Protect markets users and the public.						
Outcomes						
2.1 Violations of Federal commodities laws are detected and prevented.	\$29,369	112	\$32,132	119	\$2,763	7
2.2 Commodities professionals meet high standards.	5,985	24	6,631	25	646	1
2.3 Customer complaints against persons or firms falling within the jurisdiction of the Commodity Exchange Act are handled effectively and expeditiously.	3,824	15	4,117	16	293	1
Total Goal Two	\$39,178	151	\$42,880	160	\$3,702	9

Table 16: Breakout of Goal Two by Outcome

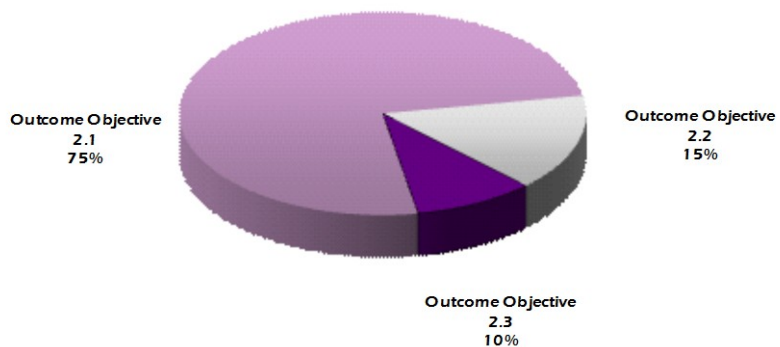


Figure 11: Breakout of Goal Two Request by Outcome Objective

Strategic Goal Three – Ensuring Market Integrity in Order to Foster Open, Competitive, and Financially Sound Markets.

Background and Context

In fostering open, competitive, and financially sound markets, the Commission's priorities are to protect the markets from abusive trading practices, to avoid disruptions to the systems for trading, clearing, and settling contract obligations, and to protect the funds that customers entrust to FCMs. Clearing organizations and FCMs are the backbone of the exchange system—together, they work to protect against the financial difficulties of one trader becoming a systemic problem for other traders. Several aspects of the oversight framework help the Commission achieve this goal with respect to traders: 1) periodically reviewing exchanges' compliance with statutory and regulatory requirements; 2) directly overseeing activity on exchanges to detect and prosecute abusive trading; 3) requiring that market participants post margin to secure their ability to fulfill obligations; 4) requiring participants on the losing side of trades to meet their obligations, in cash, through daily (sometimes intraday) margin calls; and 5) requiring FCMs to segregate customer funds from their own funds.

The Commission devotes substantial resources to meet its oversight responsibility over futures industry SROs, including the NFA, and DCOs, to ensure their fulfillment of responsibilities for monitoring and ensuring the financial integrity of market intermediaries and the protection of customer funds. An important component of this effort is conducting risk-based reviews of SROs and DCOs to evaluate their compliance programs with applicable provisions of the Act and Commission regulations. In addition, financial and risk surveillance of market intermediaries is conducted by the Commission to monitor actual and potential implications of market events and conditions for the financial integrity of the clearing system and to follow up on indications of financial difficulty. The Commission also undertakes examinations of registrants, such as FCMs, to assess the adequacy of the SROs' and DCOs' compliance programs, to address compliance with specific Commission regulations, or on an as needed basis.

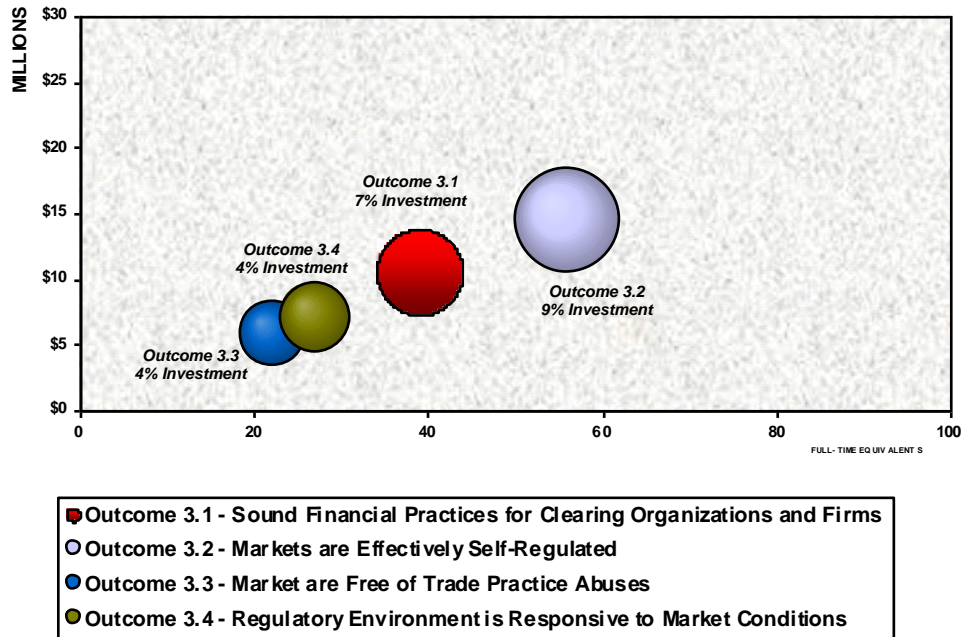
With respect to intermediary oversight, the Commission can investigate and prosecute FCMs alleged to have violated financial and capitalization requirements or to have committed supervisory or other compliance failures in connection with the handling of customer business. Such cases may result in substantial remedial changes in the supervisory structures and systems of FCMs, and can influence the way particular firms conduct business. This is an important part of fulfilling the Commission's responsibility for ensuring that sound practices are followed by FCMs, and to ensure that markets remain financially sound. The Commission also seeks to ensure market integrity by investigating a variety of trade practice violations. For example, the Commission brings actions alleging unlawful trade allocations, trading ahead of customer orders, misappropriating customer trades, and non-competitive trading.

Finally, the ongoing globalization of derivatives markets through electronic access, linkages, mergers, and cooperative business arrangements means that the Commission must continue to enhance its international coordination efforts with foreign market authorities in order to ensure that it can successfully supervise U.S. markets and protect U.S. customers. The Commission also is increasingly requested to provide technical assistance to developing markets, which helps foster global market integrity.

CFTC Strategy Mapping

FY 2010 Goal Three Resource Investment by Outcome Objective

Figure 12: Goal Three Resource Strategy Mapping



Outcome Objectives and Annual Performance Goals

Outcome 3.1 – Clearing organization and firms holding customer funds have sound financial practices.

- Annual Performance Goal: No loss of customer funds as a result of firms' failure to adhere to regulations; no customers prevented from transferring funds from failing firms to sound firms.

Outcome 3.2 – Commodity futures and option markets are effectively self-regulated.

- Annual Performance Goal: No loss of funds resulting from failure of self-regulatory organizations to ensure compliance with their rules.

Outcome 3.3 – Markets are free of trade practice abuses.

- Annual Performance Goal: Minimize trade practice abuses.

Outcome 3.4 – Regulatory environment is flexible and responsive to evolving market conditions.

- Annual Performance Goal: Rulemakings issued and requests responded to reflect the evolution of the markets and protect the interests of the public.

Means and Strategies for Achieving Objectives

Means:

- Oversee market intermediaries and the self-regulatory programs and compliance activities of the futures industry SROs, which include the U.S. commodity exchanges, the NFA, and DCOs.
- Protect market users and financial intermediaries by developing regulations including requirements related to registration, record-keeping and reporting, financial adequacy, sales practices, protection of customer funds, and clearance and settlement activities.
- Address cross-border transactions, the coordination of policy with foreign market authorities, systemic risk, anti-money laundering programs, and procedures to address extraordinary events such as firm defaults.
- Monitor market movements for potential financial impact on clearing firms and DCOs.
- Monitor trading activity to detect abusive trading practices through examinations of audit trail data.

Strategies:

- **Maintain a flexible regulatory environment responsive to evolving market conditions.** In an effort to ensure that the regulatory framework under which futures and option contracts are traded remains current, **Commission staff will continue to review the Commission's regulations** with the intention of: eliminating obsolete regulations; streamlining and coordinating regulations across markets; and fostering efficiency and competitiveness while assuring customer protection, sound financial practices, and market integrity. The Commission will also respond to requests for exemptions and other relief from regulatory requirements to address situations in which additional flexibility is warranted. The Commission also will issue advisories and other guidance concerning the application of Commission regulations.
- **Oversight of SROs and DCOs.** A key aspect of effective self-regulation is oversight by the Commission of SROs, NFA, and DCOs to ensure their fulfillment of responsibilities for monitoring and ensuring the financial integrity of market intermediaries and the protection of customer funds. This oversight program involves conducting risk-based reviews and examinations of SROs (including NFA) and DCOs to evaluate their compliance programs with applicable provisions of the Act and Commission regulations.
- **Conduct financial surveillance.** An important component of oversight of DCOs and SROs is the conduct of financial surveillance of market intermediaries by using automated tools for collecting, analyzing, and reporting upon the financial condition and risk exposures of FCMs and clearing organizations. Monitoring of broad-based stock-index futures and security futures margins was added to the financial surveillance functions now performed.
- **Enhance risk assessment.** To address changes in the operations and structures of multinational, multi-product financial firms, the Commission has implemented a risk assessment program by obtaining better in-

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formation on such firms in the form of required organizational charts and internal control filings, consolidated and consolidating financial statements, identification of other regulators to whom such firms report, and descriptions of procedures in place to control risks associated with clearing of trades for affiliates of the regulated firm.

- ***Develop global cooperation to enhance financial safeguards.*** Internationally, recent market issues with global market impact have underscored the importance of developing international standards of best practice. The Commission has increased its efforts to achieve greater international coordination, and thereby enhance the effectiveness of financial safeguards applicable to U.S. markets and market participants, as well as those applicable internationally.
- ***Review SRO rule submissions.*** New rules and rule changes submitted by the exchanges, DCOs, and NFA to the Commission are reviewed with a view towards ensuring compliance with CFTC Core Principles and regulatory standards in order to maintain the fairness and integrity of the markets, protect customers, and accommodate and foster innovation and efficiency in self-regulation consonant with the Commission's statutory mandates. Many of the rule submissions present complex new trading and clearing procedures, market structures, and financial arrangements that present novel issues and, in some cases, require amendments to or interpretations of Commission regulations to facilitate implementation of **the SRO's rule changes. The Commission has adapted its requirements** to ensure, when approval is requested, quicker implementation of rule changes, and attempts, when carrying out due diligence reviews of new rules and rule changes submitted by exchange certification and immediately implemented, to complete the review as soon as possible to ensure that the implemented rules comply with the CEA and the Commission's regulations. **This due diligence review, when carried out in a timely fashion, allows the Commission to meet its statutory responsibility to ensure avoidance of systemic risks, protection of market participants, and the promotion of responsible innovation and fair competition.**
- ***Respond to globalization of the markets.*** Electronic technology has integrated the **world's commodity** futures and option markets, resulting in increased cross-border trading volume, cross-border participation, and cross-border exchange linkages. In these circumstances no one regulator will have the information or geographic reach to address all regulatory and enforcement issues. The recent financial crises, which included the failure of a major investment bank with positions on multiple markets, and the concerns raised with respect to volatility in the energy and agricultural markets, illustrate that markets are global and require the Commission to coordinate with foreign regulators and within multilateral organization such as IOSCO. The calls for global regulatory reform will also necessitate even greater engagement within IOSCO and the foreign regulators.

Summary of Goal Three Performance Indicators

Goal Three: Ensure market integrity in order to foster open, competitive, and financial sound markets.				
Outcome 3.1: Clearing organizations and firms holding customer funds have sound financial practices.				
Annual Performance Goal: No loss of customer funds as a result of firms' failure to adhere to regulations. No customers prevented from transferring funds from failing firms to sound firms.				
Performance Measures	FY 2007 Actual	FY 2008 Actual	FY 2009 Plan	FY 2010 Plan
Lost funds: a) Number of customers who lost funds b) Amount of funds lost	0 \$0	0 \$0	0 \$0	0 \$0
Number of rulemakings to ensure market integrity and financially sound markets	1	0	3	4
Percentage of clearing organizations that comply with requirement to enforce rules	100%	100%	100%	100%
Outcome 3.2: Commodity futures and option markets are effectively self-regulated.				
Annual Performance Goal: No loss of funds resulting from failure of self-regulated organizations to ensure compliance with their rules.				
Performance Measures	FY 2007 Actual	FY 2008 Actual	FY 2009 Plan	FY 2010 Plan
Percentage of intermediaries who meet risk-based capital requirements	100%	100%	100%	100%
Percentage of self-regulatory organizations that comply with requirement to enforce their rules	100%	100%	100%	100%
Outcome 3.3: Markets are free of trade practice abuses.				
Annual Performance Goal: Minimize trade practice abuses.				
Performance Measures	FY 2007 Actual	FY 2008 Actual	FY 2009 Plan	FY 2010 Plan
Percentage of exchanges deemed to have adequate systems for detecting trade practice abuses	100%	100%	100%	100%
Percentage of exchanges that comply with requirement to enforce their rules	100%	100%	100%	100%
Outcome 3.4: Regulatory environment is flexible and responsive to evolving market conditions.				
Annual Performance Goal: Rulemakings issued and requests responded to reflect the evolution of the markets and protect the interests of the public.				
Performance Measures	FY 2007 Actual	FY 2008 Actual	FY 2009 Plan	FY 2010 Plan
Percentage of CFMA Section 126(b) objectives addressed	100%	100%	100%	100%
Number of rulemakings, studies, interpretations, and guidances to ensure market integrity and exchanges' compliance with regulatory requirements	19	41	36	38
Percentage of requests for no-action or other relief completed within six months related to novel market or trading practices and issues to facilitate innovation	100%	100%	75%	75%
Percentage of total requests receiving CFTC responses for guidance and advice	95%	75%	83%	83%

Breakout of Goal Three Request by Program Activity

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
Market Oversight	\$9,498	38	\$10,316	40	\$818	2
Clearing & Intermediary Oversight	12,992	51	14,587	56	1,595	5
Chief Economist	0	0	0	0	0	0
Enforcement	6,558	25	7,205	26	647	1
Proceedings	0	0	0	0	0	0
General Counsel	2,445	9	2,730	10	285	1
Executive Direction & Support	2,847	11	3,202	12	355	1
TOTAL	\$34,340	134	\$38,040	144	\$3,700	10

Table 17: Breakout of Goal Three by Program Activity

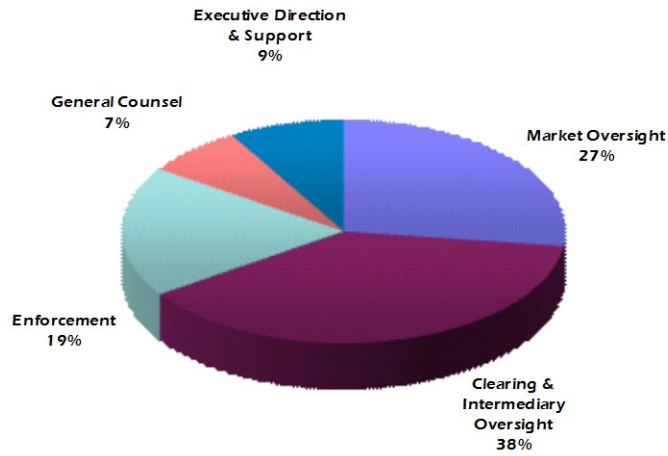


Figure 13: Breakout of Goal Three Request by Program Activity

Breakout of Goal Three Request by Outcome Objective

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
GOAL THREE: Ensure market integrity in order to foster open, competitive, and financially sound markets.						
Outcomes						
3.1 Clearing organizations and firms holding customer funds have sound financial practices.	\$9,607	37	\$10,490	39	\$883	2
3.2 Commodity futures and option markets are effectively self-regulated.	12,772	51	14,508	56	1,736	5
3.3 Markets are free of trade practice abuses.	5,499	21	5,904	22	405	1
3.4 Regulatory environment responsive to evolving market conditions.	6,462	25	7,138	27	676	2
Total Goal Three	\$34,340	134	\$38,040	144	\$3,700	10

Table 18: Breakout of Goal Three Request by Outcome

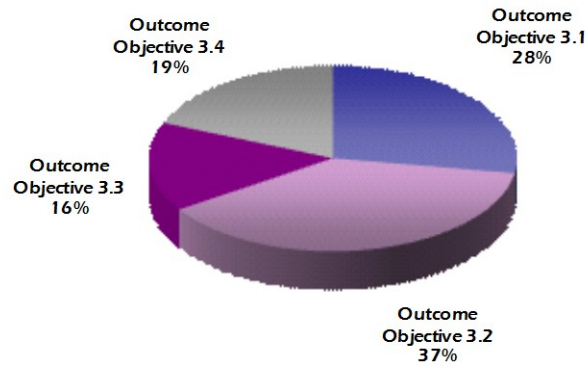


Figure 14: Breakout of Goal Three Request by Outcome Objective

Strategic Goal Four: To Facilitate Commission Performance through Organizational and Management Excellence, Efficient Use of Resources, and Effective Mission Support.

Background and Context

The fulfillment of the Commission's mission and the achievement of our goals are tied to a foundation of sound management and organizational excellence. This foundation is essential to support the work of the Commission in the Washington D.C. headquarters and three regional offices in Chicago, Kansas City, and New York. The Commission is committed to maintaining a well-qualified workforce supported by a modern support infrastructure that enables the Commission to achieve its programmatic goals. Building this foundation will require significant investment in people, management initiatives systems, and facilities.

Agency Direction. The Office of the Chairman and the Commissioners provide executive direction and leadership to the Commission—specifically, as it develops and adopts agency policy that implements and enforces the CEA and amendments to that Act, including the CFMA. This policy is designed to foster the financial integrity and economic utility of commodity futures and option markets for hedging and price discovery, to conduct market and financial surveillance, and to protect the public and market participants against manipulation, fraud, and other abuses. Executive leadership, in this regard, is the responsibility of the Chairman and Commissioners and includes the offices of the Chairman: the Office of External Affairs; the Secretariat; the Office of Inspector General; the Office of International Affairs; and the Office of Equal Employment Opportunity.

This past year, Congress enacted the CFTC Reauthorization Act of 2008 (CRA) as part of the Food, Conservation, and Energy Act of 2008 (Farm Bill), making critical improvements to the CEA and the Commission's authority. Specifically, the new legislation reauthorized the Commission through FY 2013, closed the so-called "Enron Loophole" by allowing enhanced Commission oversight of ECMs that trade contracts linked to regulated U.S. futures contracts, increased CFTC penalties for manipulation, clarified CFTC anti-fraud authority for off-exchange principal-to-principal energy trades, and clarified CFTC retail foreign currency fraud authority.

Human Resources Management. The Commission, with less than 500 employees, performs a vital role in protecting the integrity of the futures and option markets—one of America's most innovative and competitive financial services industries. To maintain the U.S. role as the world leader in setting the standard for ensuring market integrity and protection for market users, the Commission must have sufficient resources to attract, train, promote, and retain a professional workforce.

The Commission continues to pursue human resource initiatives aimed at building, developing, and sustaining a knowledgeable, diverse, and productive workforce. The Commission aims to have a workforce whose size, skills, and composition react and adapt quickly to changes in the industry and technology and/or statutory or regulatory developments. The Commission has embarked on a comprehensive strategic management of human capital initiative with the goals of improving the ability to: 1) plan for anticipated change in workforce composition; 2) target and recruit employees to fill critical skill deficiencies; 3) target developmental resources; 4) identify and justify staff resources needed to perform statutory mandates; and 5) implement the Title V-exempt CT pay plan as mandated by Section 10702 of Public Law 107-171, the Farm Security and Rural Investment Act (FSRIA) of 2002.

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Information Technology Management. The Commission's ability to fulfill its mission successfully depends on the collection, analysis, communication and presentation of information in forms useful to Commission employees and other interested parties, such as the industry it regulates, as well as other Federal, state, and international agencies with which we cooperate, the Congress, and the American public. A secure modern information technology infrastructure is a vital tool that enables the Commission to serve these stakeholders effectively. The Commission is making a concerted effort to use commercial best practices when developing and maintaining its information technology (IT) systems, applications and infrastructure, deploying a modern messaging, archiving, and document management system. **The Commission's FY 2010 Budget** includes approximately \$26 million for information technology. The resources will allow the Commission to make improvements in information technology by upgrading hardware and software, and by improving existing systems and developing new systems critical to maintaining adequate market oversight. See Appendix 3 for a more detailed summary of the information technology budget.

With the growth of trade and order volumes, the amount of reported trade and order data has grown considerably. Alongside that data growth, the Commission is frequently engaged in more complex and time sensitive information analysis efforts. These developments **have led to a key technology initiative — the development of an information management architecture** that transforms a growing data stream and a growing data analysis requirement into a Commission data environment. The initiative will examine current capabilities, emerging data needs, data governance, data organization, data privileges, and software capabilities to provide an information architecture roadmap in support of current mission requirements. The resulting solution will provide the CFTC with more effective information analysis capability by modernizing the Commission existing data management environment.

The Commission is also in the process of fully implementing the Trade Surveillance System (TSS), which is used for trade practice surveillance on new and emerging electronic exchanges. This new system uses state-of-the-art commercially available software to enhance trade surveillance capability over the innovative and ever-expanding electronic trading platforms. The new TSS will ultimately replace the current legacy surveillance systems that have limited capability in the newer dynamic marketplace where new trading techniques, such as inter-exchange trading, are commonplace practices.

Another significant project is the implementation of a Document Management System to modernize, centralize and automate the management of the **Commission's information resources**. **The Commission's ability to fulfill its mission depends on the collection, analysis, communication and presentation of information in forms useful to Commission employees, the regulated industry, other Federal, state, and international agencies, the Congress, and the American public.** When complete, the Document Management System will improve the **Commission's document management practices**, technical solutions, and business process.

Management Operations. The Office of Management Operations provides support to Commission staff by ensuring the timely delivery of products and services, the safety and security of all employees, and operations and maintenance of the facilities at Headquarters and in the regional offices. Many improvements in critical administrative service areas have occurred during the last few years, including the development of a property management system for non-capitalized, sensitive items and better tools for planning and managing space requirements.

Financial Management. Improved accountability for performance, together with unquestionable fiscal integrity, serves as key mission delivery cornerstones. Ef-

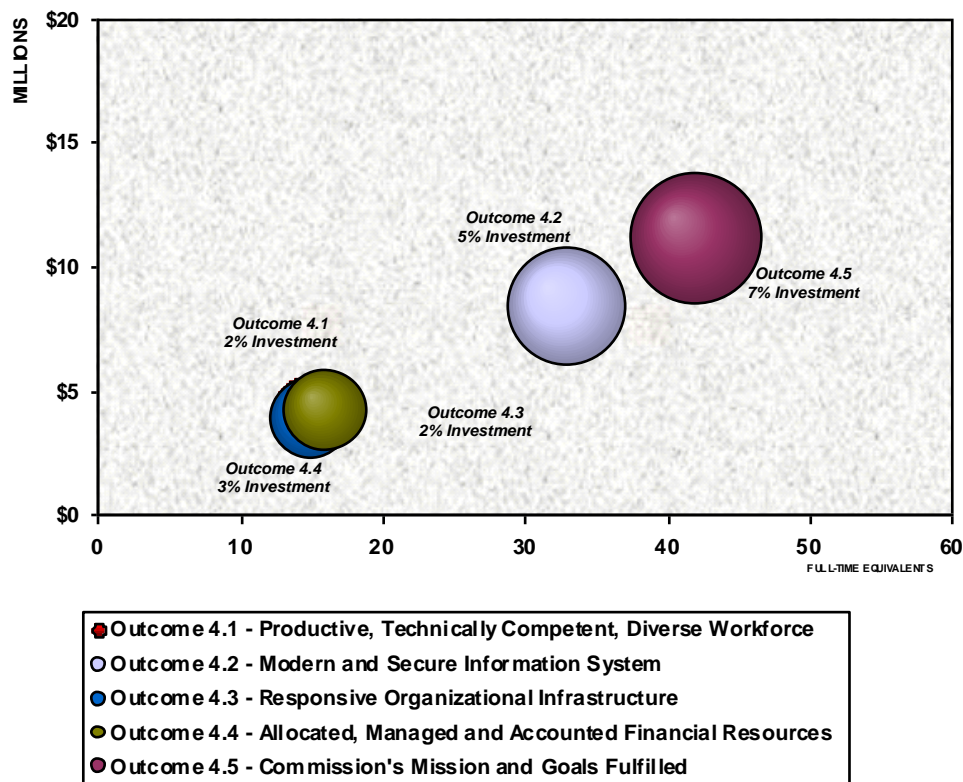
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fective financial management systems and services facilitate Commission performance, and earning unqualified audit opinions demonstrates financial accountability. Migration to Department of Transportation systems and services ensures that the financial resources entrusted to the Commission are well managed and judiciously deployed. The Budget and Performance and Accountability Report permit the public to see how well programs perform, and the cost incurred to achieve that performance.

CFTC Strategy Mapping

FY 2010 Goal Four Resource Investment by Outcome Objective

Figure 15: Goal Four Resource Strategy Mapping



Outcome Objectives and Annual Performance Goals

Outcome 4.1 – A productive, technically competent, and diverse workforce that takes into account current and future technical and professional needs of the Commission.

- Annual Performance Goal: Recruit, retain, and develop a skilled and diversified staff to keep pace with attrition and anticipated losses due to retirement.

Outcome 4.2 – A modern and secure information portfolio that reflects the strategic priorities of the Commission.

- Annual Performance Goal: Link business decisions on IT resources to CFTC strategic goals by establishing a decision making and review process for allocation of IT resources.

Outcome 4.3 – An organizational infrastructure that efficiently and effectively responds to and anticipates both the routine and emergency business needs of the Commission.

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- ⌘ **Annual Performance Goal:** A fully operational Contingency Planning Program to ensure the CFTC is prepared for emergencies and is fully capable of recovery and reconstitution.

Outcome 4.4 – Financial resources are allocated, managed, and accounted for in accordance with the strategic priorities of the Commission.

- ⌘ **Annual Performance Goal:** A clean financial audit opinion for the CFTC.

Outcome 4.5 – The Commission's mission is fulfilled and goals are achieved through sound management and organizational excellence provided by executive leadership.

- ⌘ **Annual Performance Goal:** Progress in completing the 18 priorities established in the Commission Strategic Plan⁸ for fiscal years 2007 through 2012.

⁸ The Commission adopted the Strategic Plan for 2007 - 2012 on September 30, 2007.

Means and Strategies for Achieving Objectives

Means:

- Assess continually the external and internal issues and trends that may affect the mission and the way in which we must respond to meet it successfully.
- Evaluate and adjust management and strategic plans to ensure that potential problems or weaknesses are managed before they develop into crises.
- Develop and employ strategies that will focus on achieving results—strategies that will: define the basis for developing policies, making decisions, taking actions, allocating resources, and defining program definition; and clarify why the organization exists, what it does, and why it does it—providing a bridge to understanding how the Commission connects to its environment.

Strategies:

- Refine existing workforce planning tools and hiring strategies to better target mission-critical staff competencies needed in future years.
- Continue adjusting agency ability to compete as an employer with total compensation programs under the FSRIA mandates.
- Continue to develop and enhance e-learning and other training and **development initiatives to build staff's competencies** in mission-critical areas.
- Link business decisions on IT resources to CFTC strategic goals and establish a decision-making process for allocation of IT resources.
- Build roadmap for all IT systems requirements to improve planning, resource allocation, systems development and capital planning.
- Build/ensure robust information security program.
- Improve access to information with user-centric Web sites that provide current, consistent, and accurate information.
- Secure agency assets by ensuring appropriate internal controls on assets and providing a basis for life cycle management of assets.
- Build/ensure archives management program that supports electronic records and improves handling, management, and storage of records.
- Improve IT customer service by improving linkage between program areas and short and long-term technology goals.
- Build a Contingency Planning Program to ensure that the CFTC is prepared for emergencies and is fully capable of recovery and reconstitution.
- Comply with U.S. Homeland Security directives and improve Federal identification procedures in the event of a disaster.

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- Standardize furniture assets and implement life cycle management; improving financial planning, management, and maintenance.
- Manage events proactively to ensure effective application of scarce resources and to improve customer service.
- **Ensure a clean independent audit opinion of the agency's financial statements** by improving internal controls and improving financial reporting.
- Execute an audit remediation plan to correct any deficiencies and/or implement recommendations.
- Integrate budget and performance information to improve management and performance of the Commission.
- Undertake IT investments reviews to ensure the prudence of ongoing IT investments.
- Undertake physical security upgrades commensurate with Federal Protective Service Level III facility standards.
- Integrate contingency planning efforts of the Commission according to risk management principles and methodologies.

Summary of Goal Four Performance Indicators

<i>Goal Four: Facilitate Commission performance through organizational and management excellence, efficient use of resources, and effective mission support.</i>				
Outcome 4.1: A productive, technically competent, competitively compensated, and diverse workforce that takes into account current and future technical and professional needs of the Commission.				
Annual Performance Goal: Recruit and retain a skilled and diversified staff to replace aging and retiring workforce.				
Performance Measures	FY 2007 Actual	FY 2008 Actual	FY 2009 Plan	FY 2010 Plan
4.1.1 Percentage of fiscal year program development objectives met under CFTC pay for performance authority	100%	100%	100%	100%
4.1.2 Average number of days between close of vacancy announcement and job offer, per Federal standards of 45 days or less	84	59	45	45
4.1.3 Rate of employee turnover, exclusive of retirements	3.9%	2.4%	3.6%	3.6%
4.1.4 Percentage of employees in mission-critical positions rating themselves at "extensive" or higher level of expertise on Strategic Workforce Planning Survey	45%	78%	55%	55%
4.1.5 Percentage of underrepresented groups among new hires	42.1%	23.0%	27%	27%
Outcome 4.2: A modern and secure information system that reflect the strategic priorities of the Commission.				
Annual Performance Goal: Link business decisions on IT resources to CFTC strategic goals by establishing a decision-making and review process for allocation of IT resources.				
Performance Measures	FY 2007 Actual	FY 2008 Actual	FY 2009 Plan	FY 2010 Plan
4.2.1 Percentage of CFTC information technology resources directly tied to Commission resource priorities as stated in the Strategic Plan	100%	100%	100%	100%
4.2.2 Percentage of major information technology investments having undergone an investment review within the last three years	100%	100%	100%	100%
4.2.3 Percentage of Customer Support Center inquiries resolved within established performance metrics	83%	84%	80%	80%
4.2.4 Percentage of employees with network availability	100%	100%	100%	100%
4.2.5 Percentage of employees who require remote network availability that have it	95%	100%	100%	100%
4.2.6 Percentage of major systems and networks certified and accredited in accordance with National Institute of Standards and Technology guidance	75%	100%	100%	100%
4.2.7 Percentage of information technology E-Government initiatives on target for compliance with implementation schedule	100%	100%	100%	100%
4.2.8 Percentage of network users who have completed annual security and privacy training	98%	99%	98%	98%

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Outcome 4.3: An organizational infrastructure that efficiently and effectively responds to and anticipates both the routine and emergency business needs of the Commission.

Annual Performance Goal: A fully operational Contingency Planning Program to ensure the CFTC is prepared for emergencies and is fully capable of recovery and reconstitution.

Performance Measures	FY 2007 Actual	FY 2008 Actual	FY 2009 Plan	FY 2010 Plan
4.3.1 Number of hours required to deploy staff and begin mission essential functions at the Continuity of Operations Plan site	24	24	12	12

Outcome 4.4: Financial resources are allocated, managed, and accounted for in accordance with the strategic priorities of the Commission.

Annual Performance Goal: A clean audit opinion for CFTC.

Performance Measures	FY 2007 Actual	FY 2008 Actual	FY 2009 Plan	FY 2010 Plan
4.4.1 Audit opinion of the Commission's annual financial statements as reported by the CFTC's external auditors	Unqualified	Unqualified	Unqualified	Unqualified
	0	0	0	0
4.4.2 Number of material internal control weaknesses reported in the Performance and Accountability Report	0	0	0	0
4.4.3 Number of non-compliance disclosures in the audit report				

Outcome 4.5: The Commission's mission is fulfilled and goals are achieved through sound management and organizational excellence provided by executive leadership.

Annual Performance Goal: Progress in achieving priorities for fiscal years 2007 through 2012 as established by the Strategic Plan.

Performance Measures	FY 2007 Actual	FY 2008 Actual	FY 2009 Plan	FY 2010 Plan
4.5.1 Percentage of 18 Strategic Plan priorities that are on track to completion by FY 2012 ⁹	N/A ¹⁴	100%	25%	50%

⁹ The Commission adopted the Strategic Plan for FY 2007–FY 2012 on September 30, 2007.

Breakout of Goal Four Request by Program Activity

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
Market Oversight	\$0	0	\$0	0	\$0	0
Clearing & Intermediary Oversight	0	0	0	0	0	0
Chief Economist	0	0	0	0	0	0
Enforcement	0	0	0	0	0	0
Proceedings	0	0	0	0	0	0
General Counsel	0	0	0	0	0	0
Executive Direction & Support	28,670	113	31,528	121	2,858	8
TOTAL	\$28,670	113	\$31,528	121	\$2,858	8

Table 19: Breakout of Goal Four by Program Activity

Breakout of Goal Four Request by Outcome Objective

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
GOAL FOUR: To facilitate Commission performance through management excellence, efficient use of resources, and effective mission support.						
Outcomes						
4.1 A productive, technically competent, competitively compensated, and diverse workforce that takes into account current and future technical and professional needs of the Commission.	\$3,778	15	\$3,897	15	\$119	0
4.2 A modern and secure information system that reflects the strategic priorities of the Commission. ¹⁰	7,570	30	8,456	33	886	3
4.3 An organizational infrastructure that efficiently and effectively responds to and anticipates both the routine and emergency business needs of the Commission.	3,778	15	3,897	15	119	0
4.4 Financial resources are allocated, managed, and accounted for in accordance with the strategic priorities of the Commission.	3,778	15	4,157	16	379	1
4.5 The Commission's mission is fulfilled and goals are achieved through sound management and organizational excellence provided by executive leadership.	9,766	38	11,121	42	1,355	4
Total Goal Four	\$28,670	113	\$31,528	121	\$2,858	8

Table 20: Breakout of Goal Four by Outcome

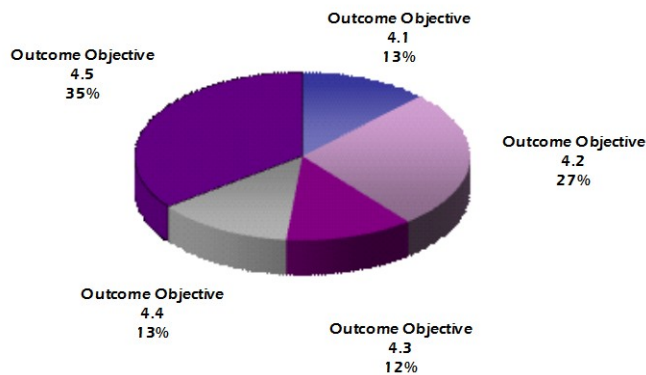


Figure 16: Breakout of Goal Four Request by Outcome Objective

¹⁰ Represents Office of Information Technology Services dollars and staff resources not otherwise allocated to Goals 1, 2, or 3.

Justification of the FY 2010 Budget & Performance Estimate

Breakout of \$160.6 Million Budget Estimate by Program

	FY 2008		FY 2009		FY 2010 Current Services		FY 2010 Request	
	FTE	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE	\$ (000)
Market Oversight	101	\$24,504	125	\$30,793	125	\$32,412	133	\$33,831
Clearing & Intermediary Oversight	66	\$16,090	85	\$21,613	85	\$22,576	91	\$23,876
Chief Economist	7	\$1,732	14	\$3,524	14	\$3,711	15	\$3,896
Enforcement	113	\$28,730	160	\$42,048	160	\$44,305	171	\$46,313
Proceedings	9	\$2,227	11	\$2,648	11	\$2,786	11	\$2,723
General Counsel	27	\$6,685	36	\$9,613	36	\$10,130	39	\$10,724
Exec. Direction & Support	126	\$31,198	141	\$35,761	141	\$37,637	150	\$39,237
Total	449	\$111,166	572	\$146,000	572	\$153,557	610	\$160,600

Table 21: Budget Estimate by Program

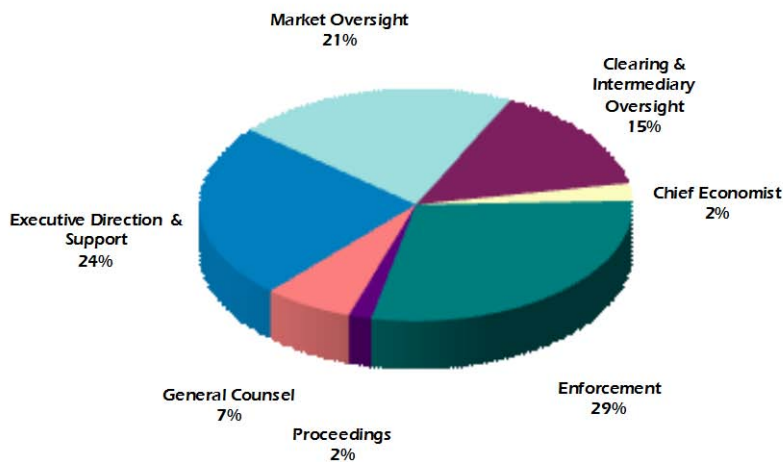


Figure 17: \$160.6 Million Budget Estimate by Program

Breakout of \$ 160.6 Million Budget Estimate by Object Class

	FY 2008 (\$000)	FY 2009 (\$000)	FY 2010 (\$000)
11.1-11.5 Personnel Compensation	\$57,931	\$75,843	\$86,354
11.8 Special Pers. Serv. Payments	<u>22</u>	<u>22</u>	<u>24</u>
11.9 Subtotal, Personnel Comp.	57,953	75,865	86,378
12.1 Personnel Benefits: Civilian	14,396	20,410	24,329
13.0 Benefits for Former Personnel	0	0	51
21.0 Travel & Transportation of Persons	1,418	1,568	2,068
22.0 Transportation of Things	37	100	104
23.2 Rental Payments to Others	11,610	12,400	14,462
23.3 Comm., Utilities & Miscellaneous	2,369	5,108	4,501
24.0 Printing and Reproduction	312	472	472
25.0 Other Services ¹¹	16,705	21,214	23,743
26.0 Supplies and Materials	749	1,004	1,017
31.0 Equipment	5,549	6,849	3,198
32.0 Building/Fixed Equipment	66	1,010	277
42.0 Claims/Indemnities	<u>2</u>	<u>0</u>	<u>0</u>
99.0 Subtotal, Direct Obligations	111,166	146,000	160,600
99.0 Reimbursable	<u>230</u>	<u>125</u>	<u>125</u>
99.0 Total Obligations	\$111,396	\$146,125	\$160,725

Table 22: Budget Estimate by Object Class

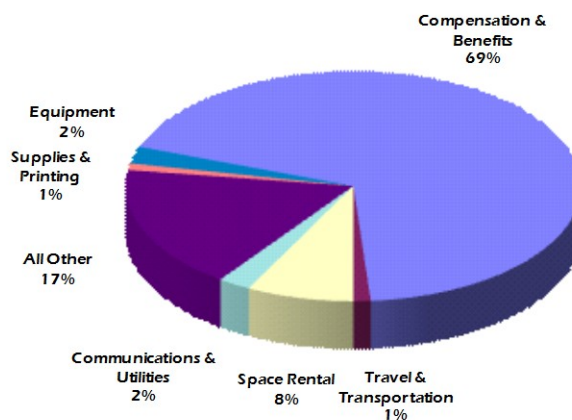


Figure 18: \$160.6 Million Budget Estimate by Object Class

¹¹ Includes costs for Enforcement investigations, information technology modernizations, operations & maintenance, and advisory & assistance services.

FY 2010 President's Budget & Performance Plan

Crosswalk from FY 2009 to FY 2010

	FY 2009 Budget	FY 2010 Request	Change
Budget Authority (\$000)	\$146,000	\$160,600	\$14,600
Full-Time Equivalents (FTEs)	572	610	38

<u>Explanation of Change</u>	FTEs	Dollars (\$000)
Current Services Increases: (Adjustments to FY 2009 Base)		
To provide for the following changes in personnel compensation:		
--Estimated July 2010 5.5% merit based pay adjustment		990
--Estimated July 2009 5.5% merit based pay adjustment (annualization of)		3,174
--To provide for increase in incentive awards		60
--To provide pay parity with FIRREA agencies in accordance with FSRIA 2002		
Compensation (Classification Review)		791
Benefits (Classification Review)		211
Expanded Benefits (Health)		441
--To provide for increased costs of personnel benefits		1,722
--To provide for increased costs of unemployment benefits		51
To provide for the following changes in non-personnel costs:		117
--Travel/Transportation (\$504)		
--Space Rental/Communications/Utilities (\$1,455)		
--Supplies/Printing (\$13)		
--All Services (\$2,529)		
--Equipment (-\$3,651)		
--Building/Fixed Equipment (-\$733)		
Program Increase: (Adjustments to FY 2010 Current Services)		
--To provide for salaries and expenses for 38 additional FTEs	+38	7,043
Total Increases	+38	\$14,600

Table 23: Crosswalk from FY 2009 to FY 2010

Market Oversight

Total Budget: \$33,831,000 **133 FTEs**
Total Change: \$ 3,038,000 **8 FTEs**

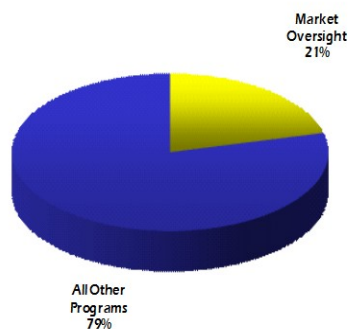


Figure 19: Market Oversight Percentage of Total Budget Dollars

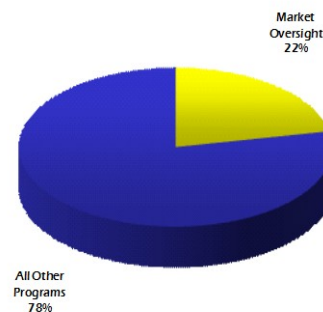


Figure 20: Market Oversight Percentage of Total Budget FTEs

Justification of the FY 2010 President's Budget & Performance Plan

The primary responsibility of the Market Oversight program is to foster markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity. By detecting and protecting against price manipulation and abusive trading practices, this program assists the markets in performing the vital economic functions of price discovery and risk transfer (hedging). The Market Oversight program fulfills the Commission's surveillance and oversight responsibilities for these markets. The program also will conduct trade practice surveillance and reviews of exchange rule amendments and submissions. In addition, the program will develop, implement, and interpret regulations that protect customers, prevent trading abuses, and assure the integrity of the futures markets.

In FY 2010, the Market Oversight program requests 133 FTEs, an increase of 8 FTE over the FY 2009 level. The three major subprograms—Market Surveillance, Market and Product Review, and Market Compliance—are requesting 70 FTEs, 26 FTEs, and 37 FTEs, respectively.

Chief Counsel's Office. The Chief Counsel is responsible for the issuance of rules and regulations related to oversight of regulated futures markets; the issuance of interpretations, policy statements, and no-action letters in connection with issues related to markets; the review of division matters generally to ensure their consistency with the CEA and the Commission's regulations; and the review of matters originated by other divisions of the Commission to determine whether they implicate the division's interests in any manner. A key duty of Chief Counsel's Office is the design and implementation of a program to address the operations of foreign boards of trade (FBOTs) that permit their members or participants in the United States to directly access their electronic trading systems. The Chief Counsel's Office designs and implements procedures regarding the handling of initial and subsequent FBOT requests to permit direct access from the United States, including the form and extensive content of those requests sufficient to undertake a meaningful evaluation of the operations of the FBOT and its regulator. This area of responsibility requires the Chief Counsel to: 1) maintain a comprehensive knowledge of, and sensitivity to, the Commission's regulatory approach, policies, and current agenda regarding foreign regulatory authorities and foreign ex-

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changes; 2) coordinate with other divisions and offices of the Commission in a comprehensive knowledge of the laws, regulations, and policies applicable to FBOTs; and 3) negotiate with FBOTs and foreign regulators, market authorities, and experts in the derivatives industry and academia.

Market Surveillance. Futures prices are generally quoted and disseminated throughout the U.S. and abroad. Business, agricultural, and financial enterprises use the futures markets for pricing information and for hedging against price risk. The participants in commercial transactions rely extensively on prices established by the futures markets, which affect trillions of dollars in commercial activity. Moreover, the prices established by the futures markets directly or indirectly affect all Americans. They affect what Americans pay for food, clothing, and shelter, what we pay to heat our homes and fuel our cars, as well as other necessities. Because futures and option prices are susceptible to manipulation and excessive volatility, and producers and users of the underlying commodities can be harmed by manipulated prices, preventive measures are necessary to ensure that market prices accurately reflect supply and demand conditions.

Actions to detect and prevent price manipulation are taken by economists who monitor all active futures and option contracts for potential problems. The FTEs requested for the Market Oversight program will work on detecting and preventing threats of price manipulation and other market disruptions caused by abusive trading practices, investigating instances of possible manipulation, analyzing routine reports of large trader activity, and implementing the ECM significant price discovery contract (SPDC) provisions of the CRA.

Price manipulation prevention activities of Market Surveillance economists are enhanced by support personnel, such as futures trading specialists, futures trading assistants, and statisticians. Their activities include operating an extensive daily data-gathering and verification system and collecting reports from exchanges, futures industry firms, and traders. The reports provide current market information on the size of futures and option positions held by large traders as well as other background information that is necessary to monitor the markets and to enforce Commission and exchange speculative limits.

Market Surveillance staff also collects and integrates information on large positions held on exempt commercial markets and foreign boards of trade in contracts that are linked by cash-settlement to a contract traded at a designated **contract market in order to better accomplish the Commission's mission** of detecting and preventing price manipulation in markets under its jurisdiction.

Market and Product Review. In order to serve the vital price-discovery and hedging functions of futures and option markets, exchanges must provide consumers with safe marketplaces that have appropriate protections in place and provisions for ensuring the fairness of the market and the integrity of their contracts. Exchanges must list products for trading that are not readily susceptible to manipulation and do not lead to price distortions or disruptions in the futures or option markets, or in the underlying cash markets. Furthermore, exchanges must provide for fair, equitable and secure markets. Adherence to the approval criteria, CFTC Core Principles, and appropriate contract design minimizes market disruptions and the susceptibility of contracts to manipulation or price distortion and promote customer protection and market integrity.

The Market and Product Review subprogram, in cooperation with other offices of the Commission, reviews **exchanges' applications** for approval as a contract market or as a Derivatives Transaction Execution Facility (DTEF) to ensure that the exchange is in compliance with approval criteria and CFTC Core Principles and Commission regulations. The subprogram also reviews filings by exempt markets and, as

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required, analyzes these entities to ascertain whether they comply with statutory requirements.

The subprogram reviews requests from exchanges for approval of new contracts and rule amendments to existing contracts to ensure that contracts are in compliance with statutory and regulatory anti-manipulation requirements. It also conducts reviews of new products and rule changes of economic significance submitted under certification procedures to provide information about the markets and product design features; and to ensure that contracts and rules comply with statutory requirements as well as the Commission's rules and policies. The reviews foster markets free of disruptions, or price manipulation, provide essential information to conduct effective market surveillance, and address regulatory and public interest issues. In this regard, deficiencies in the terms and conditions of futures and option contracts increase the likelihood of cash, futures, or option market disruptions and decrease the economic usefulness and efficiency of contracts.

The subprogram also reviews new exchange rules and rule amendments for consistency with CFTC Core Principles and various regulatory standards, thus maintaining fairness and integrity, protecting customers, and accommodating and fostering innovation and efficiency in self-regulation. The reviews consider complex new trading procedures and market structures that present novel issues and, in some cases, require amendments or interpretations by the Commission to facilitate implementation of the SRO's rule changes. In this regard, deficiencies in the new programs or changes to existing programs increase the likelihood of trading abuses, inconsistent market oversight, or implementation of market or governance changes that create conflicts of interest or raise other regulatory concerns.

The subprogram reviews exempt commercial market and exempt board of trade filings to ensure compliance with the Act. The subprogram oversees an annual requirement to file a notice with the Commission regarding the market's operating status under the exemption, as well as any information that should be updated, including information on whether the market performs a price-discovery function, whether trades are cleared, the exempt markets' basis for believing participants are appropriate and whether complaints have been received. Furthermore, the subprogram reviews exempt commercial markets and exempt board of trade on an ongoing basis to ascertain whether the operator has an appropriate belief in the status of its traders, that complaints are being provided to the Commission, and that the market's public representations do not imply that the market is regulated or overseen by the Commission. With additional staff, the subprogram will implement new provisions of the CRA regarding exempt commercial markets that trade significant price discovery contracts, including ongoing reviews of the new market rules or amendments as well as annual evaluations to determine whether any of the market's serve a significant price discovery function and, to the extent that any contract does, subjecting that contract to an oversight regime comparable to that for designated contract market contracts.

Market Compliance. The Market Compliance subprogram oversees the regulatory and oversight activities of all designated contract markets in furtherance of the Commission's primary goals of ensuring customer protection and market integrity. The oversight program consists of examinations of exchange self-regulatory programs on an ongoing, routine basis to assess their continuing compliance with applicable CFTC Core Principles under the Act and the Commission's regulations. The examinations result in rule enforcement review reports that evaluate an exchange's compliance and surveillance capabilities. The reports set forth recommendations for improvement, where appropriate, with respect to an exchange's trade practice surveillance, market surveillance, disciplinary, audit trail, record-keeping, and dispute resolution programs. These periodic reviews promote and

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enhance continuing effective self-regulation and ensure that exchanges rigorously enforce compliance with their rules.

The Market Compliance subprogram also monitors trading activity on all exchanges in order to detect and prevent possible trading violations. This type of oversight is conducted through the use of automated surveillance and floor surveillance, and it fosters markets that are free of trading abuses. The identification of potential trading violations results in referrals to relevant exchanges and to the **Commission's Division of Enforcement**. In addition, the Market Compliance subprogram reviews and analyzes proposed exchange trading platforms, rule enforcement programs, and disciplinary procedures in conjunction with new designated contract market applications. The subprogram also conducts special studies of exchange rules, procedures, and trading practices as issues arise affecting a particular exchange. This serves to promote orderly trading and facilitates open and competitive markets.

Electronic trading accounts for over 80 percent of total exchange volume. As part of the **Commission's overall mission to ensure market integrity and customer protection**, it collects trade data from all U.S. futures exchanges and conducts investigations to detect possible trading abuses through the Exchange Database System (EDBS), which was developed in the mid-1980s. Presently, the Commission is developing a new trade surveillance system, TSS, to replace EDDBS because **it has not been upgraded since its inception**. **New technology will enhance staff's ability to effectively detect and deter trade practice violations in a rapidly changing environment, especially with respect to electronic trading data, and will provide staff with greater efficiency and flexibility.** Trade violation detection software will perform sophisticated pattern recognition and data mining to automate basic trade practice surveillance, and detect novel and complex abusive practices **in today's high-speed, high-volume global trading environment**. TSS will be used to monitor inter-market trading, a blind spot in surveillance which only the Commission can address, and side-by-side trading, *e.g.*, simultaneous trading of **a contract on a DCM's floor and the DCM's electronic trading platform**.

The Market Compliance subprogram also is directly involved with emergency planning for the markets and Commission and business continuity in the event of an emergency. In this capacity, a Market Compliance staff member represents the **Commission as a President's Working Group (PWG) Duty Officer, serving as one of the Commission's point persons** for information flow and coordination between the Treasury, Federal Reserve, SEC, and CFTC in the event of market moves or physical events (terrorism, hurricanes, etc.) that could disrupt the normal functioning of the financial sector. Market Compliance staff also represent the Commission on the Financial and Banking Information Infrastructure Committee (FBIIC), a standing committee of the PWG that is charged with enhancing financial sector resiliency and improving coordination and communication among financial regulators and between regulators and private sector financial institutions.

Consequence of Not Receiving Requested Level of Resources

The growth in the number and different types of facilities that trade a wide array of derivatives products, including single-stock futures, futures on over-the-counter (OTC) instruments, contracts based on events or occurrences, as well as novel approaches to derivatives trading, requires an increased and more sophisticated level of surveillance, data collection, analysis, reporting, and research to conduct effective oversight and develop the necessary expertise to monitor these developments. Surveillance and oversight of exchanges and product design involves monitoring an increasing number of innovative and often complex futures and option contracts to detect or prevent potential problems, price manipulation, and other major market disruptions caused by abusive trading practices or contract design flaws.

In FY 2010, the Market Oversight staff will be required to monitor a large and diverse array of markets and products **to carry out the Commission's** oversight and surveillance program to deter and prevent price manipulation and investigate suspect activity. The Commission anticipates that a large number of new, novel contracts, including contracts based on complex financial derivatives, broad-based debt indexes and SFPs based on debt instruments, will be listed for trading on futures exchanges. The number and diversity of agricultural and energy futures contracts is also expected to continue to grow, as exchanges develop new types of contracts to meet commercial needs, such as new exchange-traded contracts that replicate OTC products.

The increasing inter-relationship among exchange-traded contracts, OTC products, and cash markets, involving many commodity areas, increases the complexity of conducting surveillance to detect manipulative strategies and to understand the factors causing price movements. Also, exchanges have indicated an interest in listing a large number of contracts, including new kinds of contracts, based on events that raise core **issues regarding the extent of the Commission's** jurisdiction. Furthermore, the Commission anticipates that new technology and a number of new market plans and new trade execution methods will be adopted by exchanges. In addition, the development of new technology, side-by-side trading, and directly competitive markets creates the potential for new types of abuses across markets as well as abuses that utilize these newly available capabilities.

Additional staffers are critical to enable the Market Oversight program to meet its regulatory and oversight responsibilities. These additional staff persons are needed for staff to focus on the complex issues and changing practices in the derivatives markets, especially in the energy and agricultural sectors. Without adequate resources, the Market Oversight program of surveillance, exchange oversight, new exchange reviews, and studies to enhance understanding of the markets and new technology cannot keep up with the growth in new types of exchanges, new trading execution methods in futures markets, and the initiation of trading in new, innovative complex products that require detailed analysis and raise substantive legal and policy questions. In addition, the Commission proposed acceptable practices for CFTC Core Principle 15 relating to exchange governance and conflicts of interest. Without adequate resources, staff will not be able to conduct necessary reviews to ensure that exchanges adequately address potential conflicts of interest between their self-regulatory functions and responsibilities and their commercial interests.

Without these additional resources, surveillance staff will be stretched to a level **that puts at significant risk the Commission's strategic goal to detect and deter** price manipulation. Proper surveillance coverage of markets requires highly specialized and comprehensive knowledge of assigned markets. Without adequate staffing to cover each commodity area, the surveillance economists will be required to cover many markets, and the amount of expertise and attention that can be devoted to each market will suffer dramatically. Thus, some price manipulations and abusive trading practices will go undetected or will be detected too late to permit amelioration or intervention. Also, staff will not be able to assess trader participation in the markets to evaluate the extent of speculative and commercial activity. In particular, there is a substantial risk that abusive trading in agricultural and energy futures markets will go undetected, potentially costing American consumers hundreds of millions of dollars. This is of critical importance during recent periods of unprecedented prices and volatility in many commodity markets.

Further, in the absence of sufficient resources, the efficacy of exchange self-regulatory programs will not be evaluated as effectively or on a timely basis. By

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materially lengthening the time between reviews, staff will not be able to ensure that exchanges are effectively fulfilling their self-regulatory responsibilities with respect to customer protection and market integrity and, as a result, traders, affected industries and the general public will suffer direct economic harm from an increase in illegal trading activity. In addition, without sufficient human resources to **further develop the Commission's new Trade Surveillance System** the system may not be developed to its full capabilities or could quickly become obsolete. TSS, which is in the early stages of development, will enhance the **Commission's trade practice surveillance** program and allow staff to conduct surveillance across multiple markets and exchanges to detect trading violations and potentially violative activity. TSS also will provide staff with the necessary tools to **recognize and monitor today's often**-novel and complex trading practices and strategies. TSS development and implementation is expected to be an ongoing process and is part-and-parcel of the **Commission's innovation to keep pace with rapid** developments in **today's high**-volume global electronic trading environment.

In addition, staff would not be able to review all new contracts, new rules and rule change submissions for approval within statutory time frames, and will not be able to appropriately review all new contract, new rule and rule change certifications in a timely manner. In the absence of a timely new contract reviews, it is possible that a contract market might inadvertently list for trading a flawed contract that does not meet statutory or regulatory requirements. In the absence of a timely new rule or rule amendment review, a contract market might lead to a **violation of the CEA or the Commission's regulations. This could result in direct** economic harm to producers, consumers, and other users of the underlying commodities and indirect harm to the economy as a whole because market prices may not accurately reflect supply and demand conditions or because the contract may not be a useful risk management tool.

Without adequate resources, staff may not be able to maintain its ability to promptly process requests from foreign boards of trade to permit direct trading access to U.S. market users. Any such delays would have a detrimental impact on the ability of U.S. market users to avail themselves of foreign liquidity pools and would generally impede the accelerating rate of globalization in the futures industry.

Without adequate resources, the Market Oversight program cannot monitor exempt markets and carry out the requirements of recently enacted legislation related to significant price discovery contracts on exempt markets. This could significantly affect the public interest by permitting such contracts to trade without effective surveillance and exchange oversight, thereby creating the potential for undetected market abuses and manipulation.

In addition, without adequate resources, staff cannot implement the various initiatives adopted by the Commission to improve transparency in the futures markets, especially the energy and agriculture markets. Many of these initiatives were adopted as **a result of the staff's special call to swap dealers. These initiatives** focus on providing critical market information to traders and the public to address concerns about volatility and high prices.

It is anticipated that some time in 2009, legislation will be adopted that will work fundamental changes to U.S. financial regulatory system, including new obligations with respect to the oversight of OTC derivatives markets. While the precise allocation of those new regulatory responsibilities is unclear, there is a very high probability that the CFTC will have some increased market monitoring responsibilities. Without additional resources, CFTC staff may not be adequate to effectively carry out the duties that would likely be attendant to those new responsibilities, including regulation drafting and market surveillance.

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Table 24: Market Oversight Request by Subprogram

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
Market Compliance	\$8,989	36.00	\$9,525	37.00	\$536	1.00
Market & Product Review	6,098	14.00	6,817	26.00	719	2.00
Market Surveillance	15,706	65.00	17,489	70.00	1,783	5.00
TOTAL	\$30,793	125.00	\$33,831	133.00	\$3,038	8.00

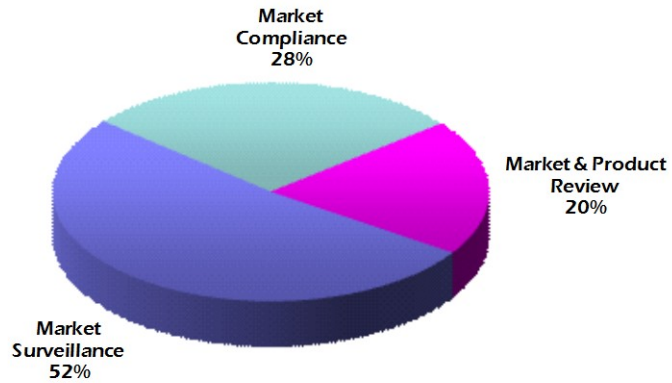


Figure 21: Market Oversight FY 2010 Budget by Subprogram

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Table 25: Market Oversight Request by Goal

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
GOAL ONE: Protect the economic functions of the commodity futures and option markets.						
Outcomes						
1.1 Futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	\$19,292	79.00	\$21,185	84.00	\$1,893	5.00
1.2 Markets that can be monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.	2,003	8.00	2,330	9.00	327	1.00
Subtotal Goal One	\$21,295	87.00	\$23,515	93.00	\$2,220	6.00
GOAL TWO: Protect market users and the public.						
None						
GOAL THREE: Foster open, competitive, and financially sound markets.						
Outcomes						
3.2 Commodity futures and option markets are effectively self-regulated.	\$6,493	26.00	\$7,217	28.00	\$724	2.00
3.3 Markets are free of trade practice abuses.	2,497	10.00	2,575	10.00	78	0.00
3.4 Regulatory environment responsive to evolving market conditions.	508	2.00	524	2.00	16	0.00
Subtotal Goal Three	\$9,498	38.00	\$10,316	40.00	\$818	2.00
TOTAL	\$30,793	125.00	\$33,831	133.00	\$3,038	8.00

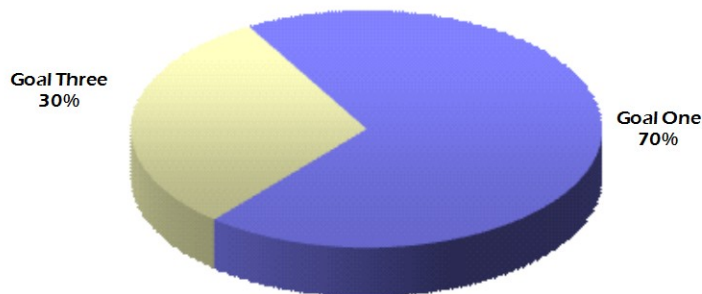


Figure 22: Market Oversight FY 2010 Budget by Goal

Clearing & Intermediary Oversight

Total Budget: \$23,876,000 **91 FTEs**
Total Change: \$ 2,263,000 **6 FTEs**

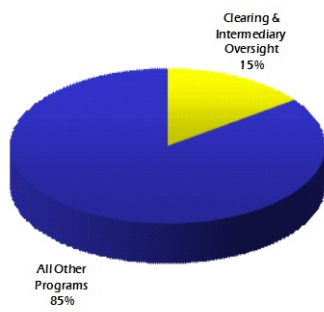


Figure 23: Clearing & Intermediary Oversight Percentage of Total Budget Dollars

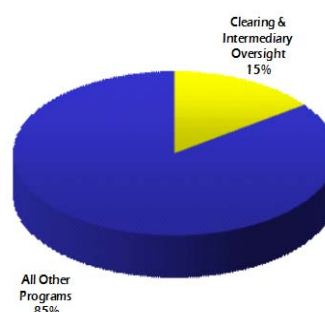


Figure 24: Clearing & Intermediary Oversight Percentage of Total Budget FTEs

Justification of the FY 2010 President's Budget & Performance Plan

In FY 2010, the Clearing and Intermediary Oversight (DCIO) program requests 91 FTEs, an increase of six FTEs over the FY 2009 level. The three subprograms of Compliance and Registration, Clearing Policy and Risk Surveillance (formerly Clearing Policy and Review), and Audit and Financial Review, are requesting 13, 26, and 52 FTEs, respectively.

Compliance and Registration - The Compliance and Registration subprogram level of 13 FTEs represents one additional FTE for FY 2010. The FTE will be allocated to fill an attorney position needed to meet the Compliance and Registration's subprogram responsibilities with respect to Part 30.

Compliance and Registration staff review petitions under Part 30 of the Commission's regulations. Part 30 governs the offer and sale of foreign futures and options contracts to customers located in the United States, and it requires intermediaries seeking to engage in such activities to either register in the appropriate capacity with the Commission or seek exemption from registration requirements. The petition for exemption is typically filed by either a foreign governmental agency responsible for implementing and enforcing the foreign regulatory program, or by a foreign exchange on behalf of its members. In order to grant such petitions, the Commission must determine that compliance with the foreign jurisdiction's regulatory program would offer protections comparable to those found under the U.S. regulatory scheme. In the past, most Part 30 petitions came from jurisdictions with which the Commission was familiar and had some working relationship. More recently, petitions have come from less familiar jurisdictions, and subprogram staff expects this trend to continue. Accordingly, additional staff is needed to review these incoming petitions, review the regulatory scheme of the home jurisdictions, meet with and evaluate the programs of foreign regulators and exchanges, and draft recommendations for Commission action. Additional staff also is needed to undertake a review of Part 30 program generally. The program has now existed for approximately 20 years during which time laws of the Part 30 jurisdictions have changed. Additional staff would be com-

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mitted to reviewing the program to ensure that the past orders continue to reflect current realities.

It should be noted that Compliance and Registration staff is the primary point of contact for the public and industry with regard to the meaning, interpretation, **and effect of many of the Commission's regulations.** Consequently, the subprogram staff is responsible for handling numerous inquiries, ranging from daily calls and e-mail inquiries to formal requests for interpretation or no-action relief. The staff also is responsible for drafting and amending many of the rules involving the registration and regulation of intermediaries. Given current trends, staff anticipates significantly more work in this area. However, no additional staff will be available to handle any increase in the volume of work with regard to these issues.

Clearing Policy and Risk Surveillance - The Clearing Policy and Risk Surveillance subprogram level of 26 FTEs represents two additional FTEs for FY 2010. The additional FTEs will be allocated to fill risk analyst positions to carry out Clearing Policy and Risk Surveillance subprogram responsibilities, particularly those related to the expanded and enhanced financial and risk surveillance functions. Additional risk analysts will enhance the ability of the risk surveillance group to analyze proactively and more comprehensively the risk profiles of traders, intermediaries, and clearinghouses in the continually growing markets. The FTEs also will be used to staff additional periodic reviews of DCOs to evaluate their compliance with the Act and Commission regulations, including CFTC Core Principles governing financial resources, risk management, default procedures, protection of customer funds, and system safeguards.

Audit and Financial Review - The Audit and Financial Review subprogram level of 52 FTEs represents three FTEs for FY 2010. The additional FTEs are requested **to carry out Audit and Financial Review's program responsibilities.**

The Audit and Financial Review subprogram is primarily responsible for conducting oversight of the financial surveillance programs of SROs for compliance with the Act, Commission regulations, and interpretations. Such oversight includes reviews and assessments of the effectiveness of the programs adopted by the SROs (i.e., CME Group, Kansas City Board of Trade, and NFA) to examine **their member FCMs' compliance with the Commission's minimum financial and related reporting requirements, customer funds protection requirements, and sales practice requirements.** The Audit and Financial Review subprogram also reviews and assesses **the effectiveness of NFA's program for monitoring CPOs' and CTAs' compliance with relevant provisions of the Act and Commission regulations.** The subprogram further assesses the effectiveness of NFA's execution of certain functions and responsibilities that the Commission has delegated to NFA, including the registration function.

The Audit and Financial Review subprogram also conducts direct examinations of FCMs and CPOs. Such examinations may be conducted as part of the oversight of SROs, or they **may be conducted on a "for cause" basis to assess whether the target of the examination is in compliance with the Act and Commission regulations.** Furthermore, the Audit and Financial Review subprogram is responsible for responding to public inquiries regarding **the application of the Commission's capital rule, financial reporting rules, segregation rule, and certain financial and reporting rules governing CPOs.**

Three additional FTEs will be allocated to the regional offices by assigning one FTE each to fill auditor positions in New York, Chicago, and Kansas City. The additional auditors will participate in the conduct of oversight examinations of the SROs which will allow the Audit and Financial Review subprogram to more effectively and more frequently monitor the financial surveillance programs of

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the SROs for compliance with the Act and Commission regulations. The FTE allocated to the New York Regional Office also will enable the subprogram staff to focus greater attention on the largest and most complex FCMs.

The additional FTEs also will allow the Audit and Financial Review subprogram to engage in more frequent direct examination of FCMs and CPOs. Direct examinations provide an opportunity for the audit staff to conduct independent verification of the **effectiveness and thoroughness of an SRO's examinations**. Direct examinations also provide opportunities for staff to become more proficient in the examination and review of the back-office operations and books and records of FCMs and CPOs. Such proficiency is critical in instances where immediate Commission action is necessary to assess the compliance of a FCM or CPO with **the Commission's financial requirements in order to protect customers and ensure orderly markets**.

Consequences of Not Receiving Requested Level of Resources

The DCIO program must at all times maintain an effective supervisory system that is responsive to technological development, business changes, increasing globalization, increasing trading volume, and other evolutionary changes in the markets and the clearing process.

Without the requested resources, the DCIO program will not meet its established and evolving responsibilities. The increased level of resources requested is necessary for the DCIO program to meet the responsibilities assigned to it by Congress through the CFMA and further changes to the CEA resulting from the CRA, and to help keep pace with the rapid growth in futures and option trading volume and the profound changes resulting from global competition, innovations in derivative contracts, innovations in clearing practices, new clearing organizations, advances in technology, and new market practices. The increasing volume and the retail, non-intermediated nature of off-exchange trading in futures contracts based on forex has brought increased attention to this area. Additional resources will be needed as a result of reauthorization legislation that expands the **Commission's regulatory authority and jurisdiction over off-exchange retail foreign currency transactions**. Specifically, DCIO will need additional resources to **implement the Commission's forex regulations, including developing oversight measures that will assure the effective monitoring of forex activity and the safeguarding of retail customers' funds**. Similarly, DCIO expects to devote significant resources to respond to futures industry and public inquiries regarding the effect of these regulations.

DCIO also will require additional resources to maintain effective oversight programs of the operations and financial condition of the large FCMs, which also are registered with the Securities and Exchange Commission as securities brokers-dealers. These large and diverse financial institutions are increasingly engaging in complex financial transactions that may have a significant potential impact on their financial condition and their ability to meet obligations to the futures clearing system and to the protection of customer funds.

One **consequence of not receiving the DCIO program's requested level of resources** is that the Clearing and Intermediary Oversight program will not be able to timely and adequately fulfill its oversight and review functions over DCOs, SROs, FCMs, IBs, CPOs, and CTAs. Without the requested resources, the DCIO program staff will not be able to conduct as many oversight examinations of SROs, DCOs, and other registrants, including large and financially diverse FCMs, or to review compliance and proper operation of SRO and DCO regulatory programs, thereby increasing the possibility of misappropriation or insolvency that could harm customers and consumers, compromise the integrity of the futures markets, and create systemic instability.

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Moreover, even at the requested level of resources, program areas such as foreign futures and options, as well as other compliance and investigative support activities performed by staff to maintain the integrity of the marketplace, may be subject to delay or postponement from time to time because a lack of available staff will make timely completion of work impossible. In addition, this constraint may affect the DCIO **program's ability** to provide necessary and complete guidance as promptly and effectively as possible to industry professionals, customers, and other market users regarding compliance with an increasingly changing business and regulatory environment.

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Table 26: Clearing & Intermediary Oversight Request by Subprogram

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
Clearing Policy & Review	\$6,073	24.00	\$6,791	26.00	\$718	2.00
Compliance & Registration	2,976	12.00	3,331	13.00	355	1.00
Audit & Financial Review	12,564	49.00	13,754	52.00	1,190	3.00
TOTAL	\$21,613	85.00	\$23,876	91.00	\$2,263	6.00

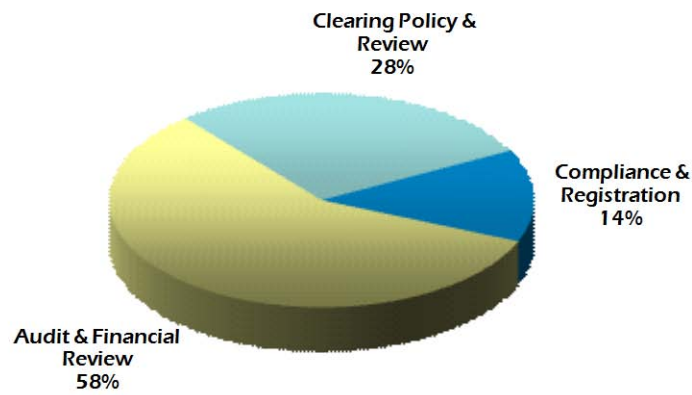


Figure 25: Clearing & Intermediary Oversight FY 2010 Budget by Subprogram

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Table 27: Clearing & Intermediary Oversight Request by Goal

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
GOAL ONE: Protect the economic functions of the commodity futures and option markets.						
Outcomes						
1.1 Futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	\$762	3.00	\$787	3.00	\$25	0.00
1.2 Markets that can be monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.	762	3.00	787	3.00	25	0.00
Subtotal Goal One	\$1,524	6.00	\$1,574	6.00	\$50	0.00
GOAL TWO: Protect market users and the public.						
Outcomes						
2.1 Violations of Federal commodities laws are detected and prevented.	\$1,659	6.50	\$1,712	6.50	\$53	0.00
2.2 Commodities professionals meet high standards.	5,182	20.50	5,738	22.00	556	1.50
2.3 Customer complaints against persons or firms falling within the jurisdiction of the Commodity Exchange Act are handled effectively.	256	1.00	265	1.00	9	0.00
Subtotal Goal Two	\$7,097	28.00	\$7,715	29.50	\$618	1.50
GOAL THREE: Foster open, competitive, and financially sound markets.						
Outcomes						
3.1 Clearing organizations and firms holding customer funds have sound financial practices.	\$4,960	19.50	\$5,379	20.50	\$419	1.00
3.2 Commodity futures and option markets are effectively self-regulated.	5,891	23.00	6,870	26.00	979	3.00
3.4 Regulatory environment responsive to evolving market conditions.	2,141	8.50	2,338	9.00	197	0.50
Subtotal Goal Three	\$12,992	51.00	\$14,587	55.50	\$1,595	4.50
TOTAL	\$21,613	85.00	\$23,876	91.00	\$2,263	6.00

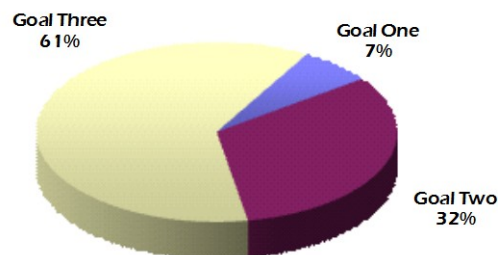


Figure 26: Clearing & Intermediary Oversight FY 2010 Budget by Goal

Enforcement

Total Budget:	\$46,313,000	171 FTEs
Total Change:	\$ 4,265,000	11 FTEs

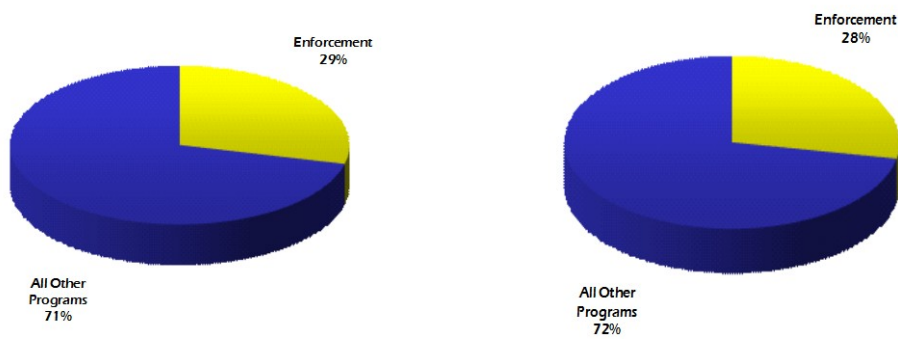


Figure 27: Enforcement Percentage of Total Budget Dollars

Figure 28: Enforcement Percentage of Total Budget FTEs

Justification of the FY 2010 President's Budget & Performance Plan

The primary responsibility of the Enforcement program is to police for conduct that violates the CEA and Commission regulations. Such conduct undermines the integrity of the market and the confidence of market participants.

In FY 2010, the Enforcement program's FTE allocation level is 171, an increase of 11 FTEs over the FY 2009 appropriation level. These FTEs are vitally needed by the Enforcement program to address the following developments:

- Trading strategies have become more complex, crossing product lines and markets, which has required the Enforcement program to expand the scope of its investigations concerning fraud, market manipulation, and other abusive trading practices. A striking example is the program's intensive investigations and litigations involving manipulation, including energy-related market abuses. Due to their complexity, the Enforcement program must devote significantly more resources to these investigations in order to analyze voluminous trading data, hire experts, and examine the activities of multiple markets and market participants.
- The Enforcement program anticipates that it will be required to engage in a number of large, complex investigations and trials during FY 2009 and FY 2010. To adequately address these complex matters will require the Enforcement program to commit expenditures, especially with respect to information processing and experts that exceed its historical usage.
- Matters involving fraud by registered and unregistered pool operators and trading advisors typically require immediate action using the Enforcement program's "quick strike" capability to freeze assets belonging to customers and preserve books and records.¹² The Enforcement program anticipates that

¹² "Quick-strike" enforcement actions are those that the Commission files within four months of opening an investigation.

it will need to devote additional resources to investigate CPO and CTA activity.

- The dramatic increase in electronic trading poses additional challenges to the Enforcement program in terms of potential novel violations (or adaptations of traditional trade practice violations) and potential audit trail gaps. The recent legislation reauthorizing the Commission, the CRA, also expanded the **Commission's oversight of electronic trading facilities**. These challenges and developments will require additional resources not only for investigation and prosecution, but also for Enforcement staff training.
- The Enforcement program continues to battle the pervasive fraud involving retail forex futures, forex options, and/or off-exchange retail forex transactions. The **CRA bolstered the Enforcement Program's efforts in this area by clarifying the Commission's forex jurisdiction**. The Enforcement program anticipates that it will need to devote additional resources to combating retail forex fraud.
- The Enforcement program also focuses resources against other types of off-exchange fraud. The Enforcement program anticipates additional activity in this program area, in part, due to the fact that the CRA clarifies the **Commission's anti-fraud jurisdiction** with respect to certain principal-to-principal transactions.

Responding to Violative Conduct. When an enforcement investigation indicates that violative conduct may have occurred, the Commission either files an administrative or civil injunctive enforcement action against the alleged wrongdoers. In administrative actions, wrongdoers found to have violated the CEA or Commission regulations or orders can be prohibited from trading and, if registered, have their registrations suspended or revoked. Violators also can be ordered to: cease and desist from further violations; pay civil monetary penalties of up to \$1 million per manipulation violation or \$140,000 per other violation, or triple their monetary gain, and pay restitution to those persons harmed by the misconduct. In civil injunctive actions, defendants can be enjoined from further violations, their assets can be frozen, and their books and records can be impounded. Defendants also can be ordered to disgorge all illegally obtained funds, make restitution to customers, and pay civil penalties.

As detailed above, alleged violations prosecuted by the Enforcement program may arise from: commodity futures or option trading on U.S. exchanges; manipulative trading in the OTC markets that affect, or tend to affect, the futures or options markets; fraud involving certain off-exchange principal-to-principal transactions; or off-exchange retail forex transactions. Enforcement program addresses various types of violative conduct including conduct that threatens the economic functions of the markets.

Protecting Market Users. The Enforcement program works to protect market users and the public by promoting compliance with and deterring violations of the CEA and Commission regulations. The bulk of the work in this area involves investigating and prosecuting enforcement actions in matters involving fraud and imposing sanctions against wrongdoers. These actions send a message to industry professionals about the kinds of conduct that will not be tolerated.

The Commission also pursues actions involving false or misleading advertising. Over the past several years, there has been substantial false and deceptive advertising of commodity-related investment products, often by unregistered persons and entities through various forms of mass media, such as cable television, radio, and the Internet. The Enforcement program has worked aggressively to detect and stop such advertising by filing enforcement actions. Similarly, the Enforcement program pursues cases charging misconduct involving off-exchange retail

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forex transactions and charging illegal futures and options, often in precious metals. Such cases typically involve unregistered "boiler rooms" selling illegal futures contracts and options to the general public. Again, the most likely victims are individual retail investors.

Supervision and Compliance Failures. The Enforcement program investigates and prosecutes cases involving supervision and compliance failures by registrants handling customer business. Such violations can threaten the financial integrity of registered firms holding customer funds and can, in certain circumstances, threaten the financial integrity of clearing organizations. Diligent supervision by registered firms also protects markets from manipulation and abusive trading practices, including wash sales.

Cooperative Enforcement Efforts. The Enforcement program works cooperatively with both domestic and foreign authorities to maximize its ability to detect, deter, and bring sanctions against wrongdoers involving U.S. markets, registrants, and/or customers.

On the domestic level, this includes sharing information with, and on occasion providing testimony or other assistance to, state regulators and other Federal agencies, such as the DOJ, the Federal Bureau of Investigation, the SEC, the FERC, and Federal banking regulators. The Commission may also file injunctive actions jointly with state authorities with concurrent jurisdiction. These cooperative efforts bolster the effectiveness of the Enforcement program by allowing it to investigate and litigate more efficiently.

Similarly, in the international realm, the Commission has entered into more than 25 formal information-sharing arrangements and numerous other informal arrangements with foreign authorities. These arrangements permit information sharing and cooperative assistance among regulators. Such arrangements benefit all nations involved and greatly enhance the ability of the Enforcement program to investigate matters that involve foreign entities and/or individuals, or transfers of tainted funds to foreign jurisdictions.

Consequences of Not Receiving Requested Level of Resources

The markets continue to grow in volume and complexity as increasingly sophisticated instruments are employed across markets. An ever-larger segment of the population has money at risk in the futures markets, either directly or indirectly through pension funds or ownership of shares in publicly held companies that participate in the markets.

The Enforcement program will utilize the FTEs allocated for FY 2010 in targeting certain program areas, for example: 1) allegations of manipulation, attempted manipulation, trade practice violations, and false reporting; 2) misconduct by commodity pools, hedge funds, CPOs, and CTAs; and 3) financial, supervision, recordkeeping and other violations committed by registered entities. Also, in response to recent legislation reauthorizing the CFTC, which provided the agency with clarified authority with respect to off-exchange retail foreign currency fraud and trading on exempt commercial markets, the Enforcement program will target: 1) off-exchange fraud involving illegal futures and options contracts, including those involving foreign currency; and 2) trade practice violations. The allocated FTEs also will enable the Enforcement program to continue its commitment to cooperative enforcement activities.

Without these FTE resources, the Enforcement program will not meet established responsibilities. Without adequate staffing, the Enforcement program must be more selective in the matters it investigates, potentially leaving serious wrongdoing unaddressed. Furthermore, investigations will take longer to complete, particularly when increasing complex litigation draws resources away from inves-

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tigations. Likewise, domestic and international cooperative enforcement activities will be undermined, adversely affecting not only the mission of the Commission, but also that of its domestic and international counterparts.

Enforcement staff are operating at full capacity and shifting resources from important investigations to ongoing and future litigation demands, which limit the ability to pursue new investigations. If the Enforcement program is unable to bring actions because of insufficient resources, other authorities will not be available to step in and fill the void. SROs can take action only against their own members, and their sanctions cannot affect conduct outside their jurisdiction or markets. In addition, other Federal regulators and state regulators have limited jurisdiction and expertise in handling futures-related misconduct. Finally, while criminal prosecutions by the DOJ and State authority are an important adjunct to effective enforcement of the CEA, cooperative enforcement still requires the active use of Commission FTEs to assist criminal authorities in their prosecutions.

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Table 28: Enforcement Request

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
Enforcement	\$42,048	160.00	\$46,313	171.00	\$4,265	11.00
TOTAL	\$42,048	160.00	46,313	171.00	\$4,265	11.00

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Table 29: Enforcement Request by Goal

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
GOAL ONE: Protect the economic functions of the commodity futures and option markets.						
Outcomes						
1.1 Futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	\$12,766	48.58	\$14,103	52.07	\$1,337	3.49
1.2 Markets are effectively and efficiently monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.	604	2.30	666	2.46	62	0.16
Subtotal Goal One	\$13,370	50.88	\$14,769	54.53	\$1,399	3.65
GOAL TWO: Protect market users and the public.						
Outcomes						
2.1 Violations of Federal commodities laws are detected and prevented.	\$21,918	83.40	\$24,117	89.05	2,199	5.65
2.2 Commodities professionals meet high standards.	202	0.77	222	0.82	20	0.05
Subtotal Goal Two	\$22,120	84.17	\$24,339	89.87	\$2,219	5.70
GOAL THREE: Foster open, competitive, and financially sound markets.						
Outcomes						
3.1 Clearing organizations and firms holding customer funds have sound financial practices.	\$3,620	13.77	\$3,997	14.76	\$377	0.99
3.3 Markets are free of trade practice abuses.	2,412	9.18	2,666	9.84	254	0.66
3.4 Regulatory environment responsive to evolving market conditions.	526	2.00	542	2.00	16	0.00
Subtotal Goal Three	\$6,558	24.95	\$7,205	26.60	\$647	1.65
TOTAL	\$42,048	160.00	\$46,313	171.00	\$4,265	11.00

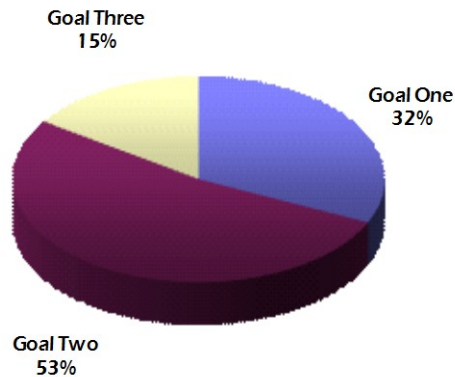


Figure 29: Enforcement FY 2010 Budget by Goal

Office of the Chief Economist

Total Budget: \$ 3,896,000 15 FTEs
Total Change: \$ 372,000 1 FTE

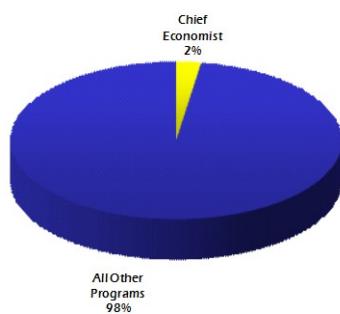


Figure 30: Chief Economist Percentage of Total Budget Dollars

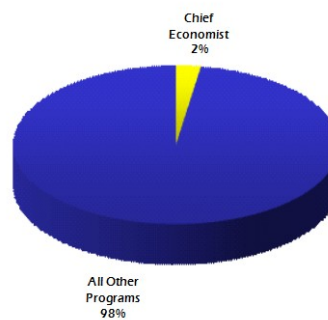


Figure 31: Chief Economist Percentage of Total Budget FTEs

Justification of the FY 2010 President's Budget & Performance Plan

Innovation in the futures and option markets continues to ramp up taxing the ability of OCE staff to conduct thorough market research in support of Commission goals. Innovations in trading technology and trading instruments create significant regulatory challenges that require economic research and analysis in the form of:

- Participation in the development of flexible and effective regulatory responses to evolving market conditions;
- Review and analysis of new market trading structures and new trading products;
- **Continuous support to the Commission's Enforcement program in the form of economic and statistical analysis or expert testimony to promote compliance with and deter violations of commodity laws;**
- Development of educational materials on futures and option trading for dissemination to producers, market users, and the general public; and
- **Review and analysis of the futures industry's financial safeguard system, including evaluation of risk management processes employed by DCOs and intermediaries, and evaluation of new clearing processes.**

In FY 2010, the Office of the Chief Economist (OCE) program requests 15 FTEs; this is one additional FTE over the 14 FTE in the FY 2009 base.

The growth in the number of markets that trade and clear a widening array of complex derivative products requires analysis and research to determine the appropriate regulatory approach to these markets and products. In FY 2010, staff of the OCE will be required to monitor a larger and more diverse array of markets, including **new energy products, new types of "event-related" markets, such as corporate actions, derivatives on economic statistics, derivatives on credit**

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events, derivatives on weather and derivatives on exchange-traded commodity funds. The Commission anticipates that a large number of these contracts will be listed for trading, both on futures and securities exchanges. In addition, management and parsing of the huge amounts of trading data, both transaction data and order book data, as a result of the continued expansion of electronic trading and the noted increase in products traded requires involvement of OCE staff as principal users of such data.

With the requested level of resources, analysis to enhance understanding of the markets will keep pace with, but will, in very few cases, anticipate, the growth in new types of exchanges and the initiation of trading in new products. Moreover, at the requested level, the staff will be able to monitor most but not all developments in derivatives trading and market innovations. In this regard, innovations in technology and derivative instruments and trading methods in futures markets create many challenging economic and regulatory issues. The performance of derivative markets has a potentially large impact on the stability of international and domestic financial markets. Market research and effective monitoring of these developments help ensure that the Commission has in place sound regulatory policies to reduce systemic risk in financial markets and protect the economic function of the markets without undermining innovation and the development of new approaches to risk management.

Consequence of Not Receiving Requested Level of Resources

If the OCE does not receive the requested level of resources, it will not be able to conduct market research and analysis commensurate with the growth in new types of exchanges, new trading execution methods in futures markets, and the initiation of trading in the array of new products noted above. Moreover at a lower level of resources, staff monitoring developments in derivatives trading and market innovation will be less effective. This will undermine the ability of the Commission to keep its regulatory policies in line with new developments in the industry, which could impede innovation, lead to systemic risk in financial markets, and adversely affect the economic function of the markets.

Such research is integral to OCE's ability to provide timely and effective support to the Chairman's office in its response to information and analysis requests from the Congress and from other regulatory organizations. Stresses brought on both by difficulties in the financial markets as well as questions raised by innovative institutional arrangements show no signs of abating. Problems with sub-prime debt have elevated credit risk problems which can be expected to be an ongoing source of challenges. Very significant questions are being raised with regard to the appropriate levels for speculative activity as well as the institutional arrangements through which speculative activities are channeled.

The development of new technology brought about by electronic trading is existing yet growing markets and in new markets generate huge amounts of trading data. This requires additional management of the data and, importantly, the ability to effectively analyze the data. Without the additional resources, the OCE will be unable to keep pace with this growth, meet its established and developing responsibilities, stay abreast of market developments, and would be unable to adequately provide effective and timely support to the other divisions within the Commission. Also, the lack of additional resources will undermine the ability of OCE to monitor and analyze the large and diverse array of markets, including **new energy products, new types of "event-related" markets, such as corporate actions, derivatives on economic statistics, and derivatives on exchange-traded commodity funds.**

Without the requested level of resources OCE will be unable to provide effective economic and statistical analysis to the enforcement and surveillance programs, and review the financial safeguard system. This may result in substantial time

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delays in critical market research, which may adversely affect the economic function of the markets and may lead to systemic risk across the broader financial market system.

FY 2010 President's Budget & Performance Plan**Table 30: Office of the Chief Economist Request**

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
Chief Economist	\$3,524	14.00	\$3,896	15.00	\$372	1.00
TOTAL	\$3,524	14.00	\$3,896	15.00	\$372	1.00

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Table 31: Office of the Chief Economist Request by Goal

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
GOAL ONE: Protect the economic functions of the commodity futures and option markets.						
Outcomes						
1.1 Futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	\$2,406	9.56	\$2,166	8.35	-\$240	-1.21
1.2 Markets that can be monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.	1,118	4.44	1,730	6.65	612	2.21
Subtotal Goal One	\$3,524	14.00	\$3,896	15.00	\$372	1.00
GOAL TWO: Protect market users and the public.						
None.						
GOAL THREE: Foster open, competitive, and financially sound markets.						
None						
TOTAL	\$3,524	14.00	\$3,896	15.00	\$372	1.00

Office of Proceedings

Total Budget:	\$ 2,723,000	11 FTEs
Total Change:	\$ 75,000	0 FTE

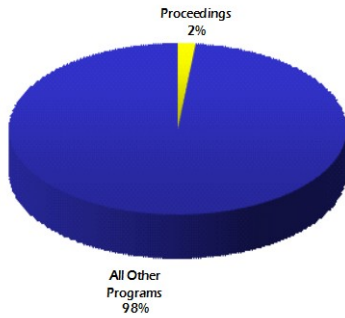


Figure 32: Proceedings Percentage of Total Budget Dollars

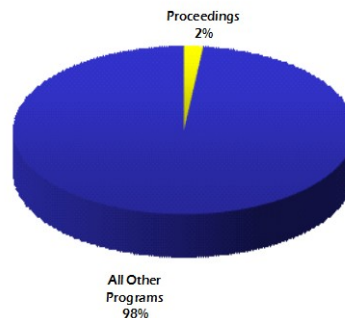


Figure 33: Proceedings Percentage of Total Budget FTEs

Justification of the FY 2010 President's Budget & Performance Plan

The Office of Proceedings is responsible for providing an inexpensive, impartial, and expeditious forum for handling customer complaints against persons or firms registered under the CEA. In FY 2010, the Office of Proceedings program requests 11 FTEs, the same number of FTEs as the FY 2009 level.

The Complaints section of the Office of Proceedings receives and prepares customer claims for action by appropriate officials, dismissing those that are outside the jurisdiction of the Commission or are pending in another forum. The Hearings section includes judgment officers (JOs), who decide reparations complaints in voluntary and summary proceedings and administrative law judges (ALJs), who conduct formal proceedings.

The ALJs also decide administrative enforcement cases brought by the Commission against persons or firms responsible for violating the CEA or Commission regulations.

The Office of Proceedings receives between 50 and 60 cases per year and will respond to 5,000 telephone inquiries and requests. Inquiries from members of the public include questions from those considering investing in commodity futures and options, and questions about specific firms and whether or not they have had customer complaints filed against them. Information is also provided about how to utilize the CFTC complaints process.

The Office of Proceedings maintains a case-tracking system that tracks the progress of each case from receipt of complaint through disposition, including any appeal to the Commission or Federal court. The case-tracking system not only assists with case management within the Commission, but it also enables the Office of Proceedings to provide current information on the status of cases in response to public inquiries.

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The Office of Proceedings maintains the *Reparations Sanctions in Effect List* publication, a record of individuals and firms that have not paid reparations awards. This document is published as needed. The office also maintains the *Administrative Sanctions in Effect List* publication, a record of individuals and firms that have outstanding against them enforcement sanctions, such as trading prohibitions. This document is also published as needed. These lists are made **available to the public on the Commission's Web site and are distributed to the exchanges via e-mail, the NFA, the Futures Industry Association, the National Association of Securities Dealers, and the SEC for use in their compliance efforts.**

Consequence of Not Receiving Requested Level of Resources

The Office of Proceedings requests no increase of FTEs over the FY 2009 level of 11. If the requested level of eleven FTEs is not approved, the Office of Proceedings **will be unable to move forward in effectively supporting the Commission's customer protection program.** In particular, the Office will not be able to effectively coordinate with the other customer protection programs of the Commission and NFA, or to represent the Commission in working on customer protection issues with external groups, including other Federal financial regulators and organizations such as AARP. In addition, the Office will not be able to address serious paper record-keeping issues or plan for and implement electronic filing and record-keeping. The Office will also have difficulty in the transition to eLaw, the electronic litigation support package that currently supports the Division of Enforcement. This will, in turn, minimize the long-range ability of the program to effectively serve the Commission and the public. Finally, if the requested level of eleven FTEs is not approved, the ability of the Office to provide more and better information to the public through **the agency's Web** site and through other public information forums could be impacted.

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Table 32: Proceedings Request by Subprogram

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
Enforcement	\$963	4.00	\$990	4.00	\$27	0.00
Reparations	1,685	7.00	1,733	7.00	48	0.00
TOTAL	\$2,648	11.00	\$2,723	11.00	\$75	0.00

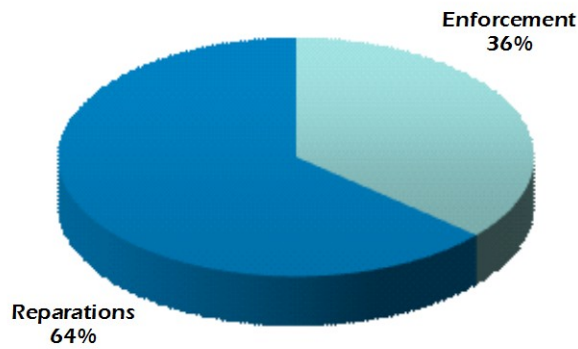


Figure 34: Proceedings FY 2010 Budget by Subprogram

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Table 33: Proceedings Request by Goal

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
GOAL ONE: Protect the economic functions of the commodity futures and option markets.						
None						
GOAL TWO: Protect market users and the public.						
Outcomes						
2.1 Violations of Federal commodities laws are detected and prevented.	\$963	4.00	\$990	4.00	\$27	0.00
2.2 Require commodities professionals to meet high standards.	0	0.00	0	0.00	0	0.00
2.3 Customer complaints against persons or firms falling within the jurisdiction of the Commodity Exchange Act are handled effectively and expeditiously.	1,685	7.00	1,733	7.00	48	0.00
Subtotal Goal Two	\$2,648	11.00	\$2,723	11.00	\$75	0.00
GOAL THREE: Foster open, competitive, and financially sound markets.						
None						
TOTAL	\$2,648	11.00	\$2,723	11.00	\$75	0.00

Office of the General Counsel

Total Budget: \$10,724,000 **39 FTEs**
Total Change: \$ 1,111,000 **3 FTEs**

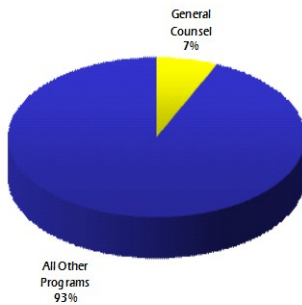


Figure 35: Percentage of Total Budget Dollars

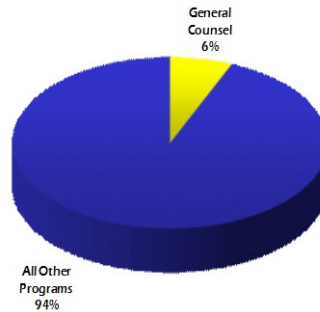


Figure 36: Percentage of Total Budget FTEs

Justification of the FY 2010 President's Budget & Performance Plan

The Office of General Counsel (OGC) provides legal services and support to the Commission and its programs. These services include: 1) engaging in defensive, appellate, and *amicus curiae* litigation; 2) assisting the Commission in the performance of its adjudicatory functions; 3) providing legal advice and support for Commission programs; 4) drafting and assisting other program areas in preparing Commission regulations; 5) interpreting the CEA; 6) providing advice on legislative and regulatory issues; and 7) providing exemptive, interpretive, and no-action letters and opinions to the public. In FY 2010, the OGC program requests 39 FTEs, an increase of three FTEs over the FY 2009 level.

OGC is the legal advisor to the Commission, and a large portion of its workload is reactive in nature. The Office:

- Reviews all substantive regulatory, legislative, and administrative matters presented to the Commission, and advises the Commission on the application and interpretation of the CEA and other pertinent administrative and legislative issues;
- Assists the Commission in performing its adjudicatory functions through its Opinions Program;
- Represents the Commission in appellate litigation and certain trial-level cases, including bankruptcy cases involving futures industry professionals;
- Provides legal support to Commission administrative programs, such as compliance with the Privacy, Government in the Sunshine, Regulatory Flexibility, Paperwork Reduction, and Federal Advisory Committee Acts;
- Monitors, reviews, and comments on proposed legislation affecting the Commission or the futures industry, prepares draft legislation as requested by members of Congress or their staff, and provides liaison with other Federal regulators as necessary on specific legislative projects;
- Provides staff support to the PWG on Financial Markets;

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- Counsels other Commission staff on legal aspects of various issues arising during the course of Commission business;
- Provides written interpretations of Commission statutory and regulatory authority and, where appropriate, provides exemptive, interpretive, and no-action letters to regulatees and potential regulatees of the Commission;
- Advises the Commission on personnel, labor, contract, and employment law matters, including cases arising under Title VII of the Civil Rights Act of 1964 and other antidiscrimination statutes, and Merit Protection Board cases arising under the Civil Service Reform Act of 1978;
- Advises the Commission and its staff with respect to all matters related to the **Commission's ethics standards and compliance with its Code of Conduct**, as well as with government-wide ethics regulations promulgated by the Office of Government Ethics; and
- Advises the Commission with respect to all matters related to the Freedom of Information Act, and responds to requests for non-public Commission records, as well as handling all appeals from initial determinations regarding requests for records.

OGC's activities, programs, and support contribute to all of the outcomes and functions of the Commission and have a direct and significant impact on the ability of the Commission to perform its mission. In particular, **OGC's services and expertise** are increasingly in demand as a consequence of added enforcement and other litigation activities in, among other areas, energy commodities and collective investment vehicles (such as commodity pools and hedge funds, including unregistered pool operators perpetrating fraudulent Ponzi schemes) that now **play an expanding role in nearly every market that impacts the Commission's mission.** Moreover, exchange-traded contracts and other newer derivatives platforms continue to experience explosive growth and, as a consequence of the flow-through from increased activities in these markets, the Commission's surveillance and enforcement resources are increasingly stressed. This heightened deployment of Commission resources, in turn, spurs demand for readily available legal services from experienced legal talent within OGC. As a direct consequence, OGC's appellate practice and its other litigation dockets (including subpoena compliance, complex document review, and personnel-related matters) require added resources. The recently-enacted CRA **clarified the Commission's enforcement authority** (and expanded its rulemaking authority) over off-exchange retail foreign currency trading, and gave the Commission regulatory authority over significant price discovery contracts traded on exempt commercial markets. The exercise of these authorities will require an expanded role for OGC in providing counsel to Commission staff and in handling litigation matters arising out of those efforts.

Separately, increasing innovation in the futures and capital markets in recent years has yielded a growing number of novel derivative products that contain elements of both futures contracts and securities. Such products span the jurisdictional divide between the CFTC under the CEA and the SEC under the federal securities laws. Last year, the two agencies entered into a Memorandum of Understanding Regarding Coordination in Areas of Common Regulatory Interest to improve efficiency in the approval and regulation of such novel derivative products in order to speed their access to the marketplace. The continuing development of these hybrid instruments will create an increased need for legal analysis of products, statutory jurisdiction, and judicial precedents by OGC attorneys.

The recent credit crisis has spurred calls for the creation of effective clearing solutions for over-the-counter credit default swaps, which some believe have contributed to the severity of the current circumstances. Such clearing may be done by derivatives clearing organizations registered with the Commission. This new

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functional responsibility can be expected to necessitate additional legal support from OGC for Commission programs performing this clearing oversight function.

Since the enactment of reauthorization legislation in mid-2008, a substantial amount of legislative attention has been devoted to three issues implicating the CEA and the Commission: 1) whether excessive speculation has been responsible, in whole or in part, for significant volatility in prices of crude oil and various agricultural commodities; 2) the possible role of credit default swaps in exacerbating the credit crisis, and potential regulation of the vast over-the-counter derivatives markets; and 3) suggested reform of the financial regulatory structure for all sectors of the financial industry, including the futures industry, in response to the severe economic stresses of recent times. This legislative activity has included several requests for testimony by Commission representatives, a myriad of statutory proposals to address these issues, and a multitude of Congressional requests for information to the Commission. Legislative activity in these areas is expected to continue, and thus the demand for OGC resources in this area will continue apace.

Consequence of Not Receiving Requested Level of Resources

The CEA provides that the Commission “shall have a General Counsel [who] shall report directly to the Commission and serve as its legal advisor.” In that role, OGC reviews all proposed Commission actions to assure their legal sufficiency under the CEA and any other applicable statutes, e.g., the Administrative Procedure Act, the Privacy Act, and others. OGC is the **Commission’s appellate advocate** and also acts as the **Commission’s trial lawyer in a range of administrative proceedings** and Federal district court matters. It assists the Commission in resolving adjudicatory matters, reviews proposed legislation for its likely impact on the Commission and the futures industry, and suggests needed legislative reforms. OGC also has responsibility for handling Freedom of Information Act requests and appeals filed with the Commission. In addition, the General Counsel **serves as the Commission’s Designated Agency Ethics Officer**, and in that capacity assures that the agency, the Commission, and its employees comply with Federal ethics rules and regulations. **OGC’s activities, programs and support contribute to all the outcomes and functions of the Commission, and have a direct and significant impact on the ability of the Commission to perform its mission.**

The volume and complexity of the futures and derivatives markets have grown exponentially, while OGC has shrunk in recent years. A combination of staff attrition through retirements and resignations, and the lingering effects of prior hiring freezes, left OGC with only 18 staff attorneys in early 2008. The easing of restrictions on hiring, plus new positions previously authorized, have enabled OGC to begin rebuilding its ranks by hiring nine attorneys. These recent hires have restored OGC approximately to its strength prior to the recent wave of retirements and resignations (assuming no further attrition). In order to build its capability to handle the new responsibilities it is assuming as discussed above, OGC seeks authorization for three additional positions in FY 2010, including: one mid- to senior level litigator; and two entry- to mid-level general attorneys for regulatory affairs and legislation/inter-governmental affairs. OGC anticipates utilizing these positions to: 1) replenish its litigation program, which has been particularly hard hit by recent retirements and attrition; 2) respond to new regulatory and legislative demands, particularly with respect to energy and foreign currency, in light of a substantial increase in congressional activity affecting the Commission; 3) enhance staff expertise in growing areas such as international law, energy, clearing, over-the-counter derivatives, cross-margining, and novel **derivative products, in recognition of today’s expanding, evolving, and global markets**; and 4) establish a cadre of junior attorneys who will develop into experienced counsel providing sound legal advice to the Commission for years to come.

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As the legal advisor to the Commission, a large portion of OGC's workload is reactive in nature. In addition to serving the Commission, OGC must respond to outside "stakeholders" whose requirements are not within the Commission's control, such as Congress and the courts. An understaffed Office of General Counsel risks leaving the Commission's legal interests less than fully protected.

FY 2010 President's Budget & Performance Plan**Table 34: General Counsel Request**

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
General Counsel	\$9,613	36.00	\$10,724	39.00	\$1,111	3.00
TOTAL	\$9,613	36.00	\$10,724	39.00	\$1,111	3.00

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Table 35: General Counsel Request by Goal

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
GOAL ONE: Protect the economic functions of the commodity futures and option markets.						
Outcomes						
1.1 Futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	\$1,915	7.17	\$2,134	7.76	\$219	0.59
1.2 Markets that can be monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.	131	0.49	146	0.53	15	0.04
Subtotal Goal One	\$2,046	7.66	\$2,280	8.29	\$234	0.63
GOAL TWO: Protect market users and the public.						
Outcomes						
2.1 Violations of Federal commodities laws are detected and prevented.	\$3,028	11.34	\$3,379	12.29	\$351	0.95
2.2 Commodities professionals meet high standards.	601	2.25	671	2.44	70	0.19
2.3 Customer complaints against persons or firms falling within the jurisdiction of the Commodity Exchange Act are handled effectively and expeditiously.	1,493	5.59	1,664	6.05	171	0.46
Subtotal Goal Two	\$5,122	19.18	\$5,714	20.78	\$592	1.60
GOAL THREE: Foster open, competitive, and financially sound markets.						
Outcomes						
3.1 Clearing organizations and firms holding customer funds have sound financial practices.	\$624	2.34	\$698	2.54	\$74	0.20
3.2 Commodity futures and option markets are effectively self-regulated.	262	0.98	291	1.06	29	0.08
3.3 Markets are free of trade practice abuses.	590	2.21	663	2.41	73	0.20
3.4 Regulatory environment responsive to evolving market conditions.	969	3.63	1,078	3.92	109	0.29
Subtotal Goal Three	\$2,445	9.16	\$2,730	9.93	285	0.77
TOTAL	\$9,613	36.00	\$10,724	39.00	\$1,111	3.00

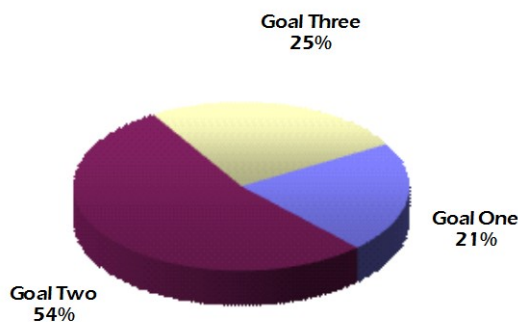


Figure 37: General Counsel FY 2010 Budget by Goal

Executive Direction & Support

Total Budget:	\$39,237,000	150 FTEs
Total Change:	\$ 3,476,000	9 FTEs

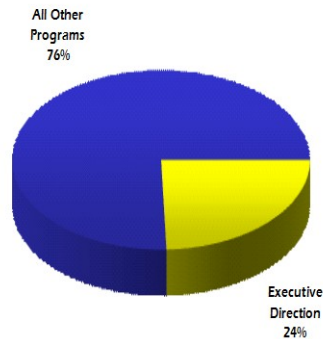


Figure 38: Percentage of Total Budget Dollars

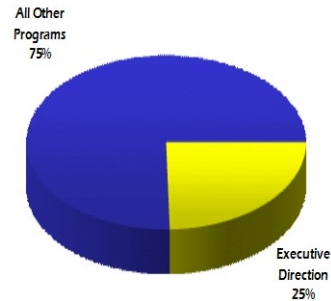


Figure 39: Percentage of Total Budget FTEs

Justification of the FY 2010 President's Budget & Performance Plan

Background and Context. The fulfillment of the Commission's mission and the achievement of our goals are tied to a foundation of sound management and organizational excellence. This foundation is essential to support the work of the Commission in the Washington D.C. headquarters and three regional offices in New York, Chicago, and Kansas City. The Commission is committed to maintaining a well-qualified workforce supported by a modern support infrastructure that enables the Commission to achieve its programmatic goals. Building this foundation will require significant investment in people, Management Initiatives systems and facilities.

Agency Direction. The Office of the Chairman and the Commissioners provide executive direction and leadership to the Commission—specifically as it develops and adopts agency policy that implements and enforces the CEA and amendments to that Act including the CFMA. This policy is designed to foster the financial integrity and economic utility of commodity futures and option markets for hedging and price discovery, to conduct market and financial surveillance, and to protect the public and market participants against manipulation, fraud, and other abuses. Executive leadership, in this regard, is the responsibility of the Chairman and Commissioners and includes the offices of the Chairman: the Office of External Affairs; the Secretariat; the Office of Inspector General; the Office of International Affairs; and the Office of Equal Employment Opportunity.

The Commission continues to implement the CFMA passed by Congress and signed by the President in December 2000. Specifically, the CFMA: 1) repealed the ban on single-stock futures and implemented a regulatory framework for these instruments based on the agreement between the Commission and SEC; 2) **enacted the principal provisions of the Commission's new regulatory framework;** 3) brought legal certainty to bilateral and multilateral trading in over-the-counter financial markets; 4) **confirmed the Commission's jurisdiction over certain as-**

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pects of the retail market in foreign currency trading; and 5) gave the Commission authority to regulate clearing organizations.

This past year, Congress enacted the CFTC Reauthorization Act of 2008 (CRA) as part of the Food, Conservation, and Energy Act of 2008 (Farm Bill), making critical improvements to the CEA and the Commission's authority. **Specifically, the new legislation reauthorized the Commission through FY 2013, closed the so-called "Enron Loophole" by allowing enhanced Commission oversight of ECMs** that trade contracts linked to regulated U.S. futures contracts, increased CFTC penalties for manipulation, clarified CFTC anti-fraud authority for off-exchange principal-to-principal energy trades, and clarified CFTC retail foreign currency fraud authority.

In FY 2010, the Agency Direction program requests a total of 46 FTEs, an increase of three over the FY 2009 level. One additional FTE is allocated to the Office of International Affairs in recognition of the burgeoning growth issues related to global market integration, the increased international coordination responsibilities contemplated by Congress with regard to trading in energy contracts through foreign boards of trade, the development of international standards and best practices, and the need for enhanced cooperation and coordination with foreign market authorities for supervisory and enforcement purposes. Two additional FTE are allocated to the Office of the Chairman to ensure that the Commission responds in a timely manner to Congress, the Administration, media, and the public.

Administrative Management and Support. Administrative Management and Support is provided by the Office of the Executive Director (OED), which is responsible for policy development and implementation of the management and administrative functions of the Commission. Administrative Management and Support is administered by the Chief of Staff and Executive Director and includes the following offices of the Executive Director: 1) Human Resources (OHR); 2) Financial Management (OFM); 3) Information and Technology Services (OITS); 4) Management Operations; and 5) the Library. OED staff:

- Formulate budget and resource authorization strategies;
- Supervise the allocation and utilization of agency resources;
- Promote management controls and financial integrity;
- Manage administrative support offices;
- Manage the security, continuity and emergency preparedness programs of the Commission;
- **Manage the Commission's technical and information infrastructure;**
- Manage human capital resource strategies;
- **Oversee the development and implementation of the Commission's automated information systems;** and
- Oversee the library services of the Commission.

In addition, the staffs of OED and subordinate offices oversee Commission-wide compliance with Federal requirements enacted by Congress and imposed by the Office of Management and Budget (OMB), the U.S. Treasury, the Government Accountability Office (GAO), and the Office of Personnel Management.

In FY 2010, the Administrative Management and Support subprogram requests a total of 104 FTEs, an increase of six FTE over the FY 2009 level. This includes an increase of three FTEs for the Office of Information Technology Services; an increase of one FTE for the Office of Management Operations; and increase of two FTEs for the Office Human Resources.

Financial Management. Improved accountability for performance, together with unquestionable fiscal integrity, serve as key mission delivery cornerstones. Effective financial management systems and services facilitate Commission performance, and earning unqualified audit opinions demonstrates financial accountability. Department of Transportation systems and services used by CFTC ensure that the financial resources entrusted to the Commission are well managed and judiciously deployed. The Budget and the Performance and Accountability Report permit the public to see how well programs perform, and the cost incurred to achieve that performance.

Office of Information and Technology Services. The **Commission's ability to fulfill its mission successfully depends on the collection, analysis, communication and presentation of information in forms useful to Commission employees and other interested parties, such as, the industry it regulates, as well as other Federal and state, and international agencies with which we cooperate, the Congress and the American public.** A secure modern information technology infrastructure is a vital tool that enables the Commission to serve these stakeholders effectively. The Commission is making a concerted effort to use commercial best practices developing and maintaining its IT systems, applications and infrastructure, deploying a modern messaging, archiving and document management system.

With the growth of trade and order volumes, the amount of reported trade and order data has grown considerably. Alongside that data growth, the Commission is frequently engaged in more complex and time sensitive information analysis efforts. These developments have led to a key **technology initiative – the development of an information management architecture that transforms a growing data stream and a growing data analysis requirement into a Commission data environment.** The initiative will examine current capabilities, emerging data needs, data governance, data organization, data privileges, and software capabilities to provide an information architecture roadmap in support of current mission requirements. The resulting solution will provide the CFTC with more effective information analysis capability by modernizing the Commission existing data management environment.

The Commission is also in the process of fully implementing the TSS, which is used for trade practice surveillance on the new and emerging electronic exchanges. This new system uses state-of-the-art commercially available software to enhance trade surveillance capability over the innovative and ever-expanding electronic trading platforms. The new TSS will ultimately replace the current legacy surveillance systems that have limited capability in the newer dynamic marketplace where new trading techniques, such as inter-exchange trading, are commonplace practices.

Another significant project is the implementation of a Document Management System to modernize, centralize and automate the management of the **Commission's information resources.** **The Commission's ability to fulfill its mission depends on the collection, analysis, communication and presentation of information in forms useful to Commission employees, the regulated industry, other Federal, state, and international agencies, the Congress, and the American public.** When complete, the Document Management System will improve the **Commission's document management practices, technical solutions, and business process.**

A net increase of three FTEs is requested to address the need to design and implement information architecture and associated software tools. The three additional FTE would be deployed to this corporate need, developing an enterprise data repository, developing technical solutions to facilitate data analysis, ensuring data quality requirement, and providing data governance support.

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Office of Management Operations. The Office of Management Operations (OMO) provides support to Commission staff by ensuring the timely delivery of products and services, and operations and maintenance of the facilities at Headquarters and in the regional offices. Many improvements in critical administrative service areas have occurred during the last few years, including the implementation of a property management system for all property, capitalized, non-capitalized, sensitive items, and development and maintaining the space matrix to track staff and available space for facilities planning. OMO will continue the furniture replacement project over the next three to four years, depending on funding availability. OMO will also lead the expansion and possible renovation of space at headquarters and in the regions to accommodate new staff.

One additional Administrative position will be allocated for the regional office in Kansas City. The additional OMO staff member in Kansas City will free other staff to focus on programmatic and IT support functions.

Office of Human Resources. The Commission performs a vital role in protecting the integrity of the futures and option markets—**one of America's most innovative** and competitive financial services industries. To maintain the U.S. role as the world leader in setting the standard for ensuring market integrity and protection for market users, the Commission must have sufficient resources to attract, train, promote and retain a professional workforce with the capacity to meet this evolving mission.

The Commission continually refines its strategic human resource initiatives. A governance committee of senior managers draws on frequent employee input to develop programs that will support long-term mission goals with knowledgeable, diverse and productive human capital. The goal of this continual program review is an equally flexible workforce, one that reacts and adapts quickly in terms of size, skills and composition to meet changes in the industry, technology and/or statutory or regulatory developments. The process produced our new merit pay system, which supports our performance culture. This ongoing strategic management of human capital initiative commits the agency to improving its ability to: 1) plan for anticipated change in workforce composition; 2) target and recruit employees to fill critical skill deficiencies; 3) support employee development; 4) identify and justify staff resources needed to perform statutory mandates; and 5) implement the Title V-exempt CT pay plan as mandated by Section 10702 of Public Law 107-171, the FSRIA of 2002.

Two FTEs will be allocated to continue rebuilding after retirement losses in the following critical functions: 1) classification and staffing; 2) employee relations; 3) security; 4) suitability; and 5) training. These positions are essential to successful management of the new pay for performance system, continued implementation of eGov initiatives, and overall delivery of strategic human capital planning and accountability programs that serves agency goals. These positions also support delivery of data-driven workforce/succession planning, enabling continued good stewardship of the agency pay parity authority that provides access to needed talent through effective, efficient compensation programs.

Consequence of Not Receiving Requested Level of Resources

Agency Direction. Without the requested level of resources, the Offices of the Commissioners and Chairman will suffer a diminution in the administrative and regulatory responsiveness of the Commission. For example, public outreach, and responsiveness to Congress, other government agencies, the futures industry, and other public inquiries may be slower, or administrative and technical review of Commission memoranda, correspondence, or official actions, such as responding to Freedom of Information Act requests, may take longer.

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U.S. futures markets and firms operate globally, which increasingly necessitates that the Commission coordinates with foreign market authorities for supervisory and enforcement purposes. The global financial crisis has resulted in intense regulatory development work by the G20 and the International Organization of Securities Commissions. Additional FTEs are needed in order to adequately staff the various work groups that have been called for by those organizations. Additional FTEs are also needed to address the accelerating pace of global market integration, the need to take forward recommendations for enhancing commodity market transparency, the increasing requests to the Commission to participate in U.S. government financial services initiatives and to provide technical assistance, and the need to coordinate closely with foreign regulatory counterparts in light of global market volatility and global regulatory changes affecting the U.S. futures industry. Finally,, recent Congressional action will require enhanced CFTC due diligence and international coordination with regard the trading of energy contracts through foreign boards of trade. Any diminution in resources will severely affect the ability of the Commission to continue its existing international cooperation and coordination program. Cutbacks would require the Commission to reduce its participation in working groups formed to respond to the financial crisis and in standard-setting international organizations, restrict its ability to engage in bilateral meetings with foreign regulatory authorities that are increasingly necessary to address important cross-border issues (e.g., electronic markets, energy trading coordination, cross-border mergers and cooperative surveillance arrangements), and restrict our ability to respond positively to requests by the U.S. Treasury to participate in international dialogues where Commission contributions are requested (e.g., U.S.-China dialogue). Limits on staff capacity will also **restrict the Commission's ability to respond to** increasing requests for technical assistance from developing market jurisdictions.

Administrative Management and Support. Without the requested level of resources, the Administrative Management and Support subprogram will impair its ability to manage the: 1) new pay for performance system and other strategic initiatives so they deliver increased accountability for agency goals; 2) continued stewardship of agency pay parity authority to assure access to needed talent with effective and efficient compensation programs; 3) support of data-driven workforce/succession planning that prepares the agency to act in advance on issues such as the ability of 41 percent of managers on board at the start of FY 2008 to retire by the end of FY 2010; 4) increased regulatory and administrative responsibilities imposed by GAO, General Services Administration (GAO), OMB, the U.S. Treasury and legislative mandates such as the Government Performance and **Results Act, Information Security Act, Federal Managers' Financial Integrity Act, and the Tax Accountability Act**; 5) in-house expertise needed to assist major programs in the monitoring, audit, and investigation of increasingly sophisticated and technologically driven markets; 6) coordination and implementation of the agency asset management initiative as identified in the financial audit statement as an internal control weakness; and 7) preparedness and readiness of the Commission and staff in the event of an emergency.

Office of Information and Technology Services. The consequence for the Office of Information and Technology Services not receiving additional resources will **curtail the Commission's ability to keep pace with the industry data growth and the need for more effective and complex information analysis.** The three new IT positions requested will provide database analysis and a software engineering **services in support of all the Commission's mission areas.** Work on trade practice surveillance, trader account identification, large trader reporting, economic analysis, and litigation support will all benefit from the work products expected of staff in these positions. At present, the Commission has a limited number of contractor staff engaged in these efforts, but there is not government staff engaged in the initiative beyond the inherently governmental project management functions, creating a high dependence on external resources for technical work. OITS would

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ideally have a more blended workforce to reduce contractor dependence for business results and technical output, increase the Commission technical knowledge of highly-complex mission requirements, and increase the service delivery on efforts of mission importance. Without the staff level requested the Commission will be impaired to maximize the use of information to support important mission objectives.

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Table 36: Executive Direction & Support Request by Subprogram

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
Agency Direction ¹³	\$11,075	43.00	\$12,218	46.00	\$1,143	3.00
Admin. Mgmt. & Supp.	24,686	98.00	27,019	104.00	2,333	6.00
TOTAL	\$35,761	141.00	\$39,237	150.00	\$3,476	9.00

13) Agency Direction includes the office of the Inspector General.

FY 2009		FY 2010		Change	
\$000	FTE	\$000	FTE	\$000	FTE
\$1,043	4.00	\$1,076	4.00	\$33	0.00

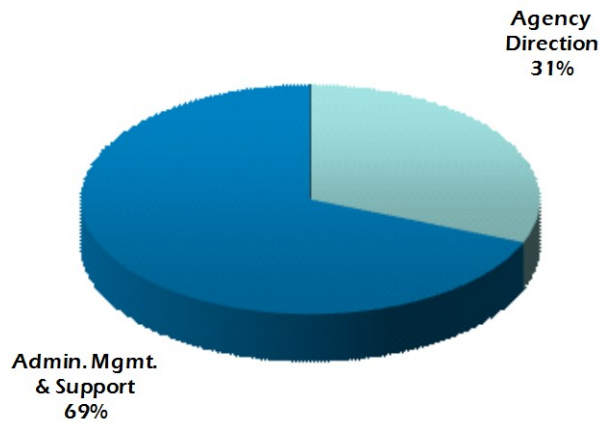


Figure 40: Executive Direction & Support FY 2010 Budget by Subprogram

FY 2010 President's Budget & Performance Plan

Table 37: Executive Direction & Support Request by Goal

	FY 2009		FY 2010		Change	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
GOAL ONE: Protect the economic functions of the commodity futures and option markets.						
Outcomes						
1.1 Futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	\$781	3.10	\$806	3.10	\$25	0.00
1.2 Oversee markets which can be used effectively by producers, processors, financial institutions, and other firms for the purposes of price discovery and risk shifting.	1,272	5.05	1,312	5.05	40	0.00
Subtotal Goal One	\$2,053	8.15	\$2,118	8.15	\$65	0.00
GOAL TWO: Protect market users and the public.						
Outcomes						
2.1 Violations of Federal commodities laws are detected and prevented.	\$1,801	7.15	\$1,934	7.45	\$133	0.30
2.3 Customer complaints against persons or firms falling within the jurisdiction of the Commodity Exchange Act are handled effectively and expeditiously.	390	1.55	455	1.75	65	0.20
Subtotal Goal Two	\$2,191	8.70	\$2,389	9.20	\$198	0.50
GOAL THREE: Foster open, competitive, and financially sound markets.						
Outcomes						
3.1 Clearing organizations and firms holding customer funds have sound financial practices.	\$403	1.60	\$416	1.60	\$13	0.00
3.2 Commodity futures and option markets are effectively self-regulated.	126	0.50	130	0.50	4	0.00
3.4 Regulatory environment responsive to evolving market conditions.	2,318	9.00	2,656	10.00	338	1.00
Subtotal Goal Three	\$2,847	11.10	\$3,202	12.10	\$355	1.00
GOAL FOUR: Organizational and Management Excellence.						
Outcomes						
4.1 A productive, technically competent, competitively compensated, and diverse workforce that takes into account current and future technical and professional needs of the Commission.	\$3,778	15.00	\$3,897	15.00	\$119	0.00
4.2 A modern and secure information system that reflect the strategic priorities of the Commission. ¹⁴	7,750	30.05	8,456	32.55	886	2.50
4.3 An organizational infrastructure that efficiently and effectively responds to and anticipates both the routine and emergency business needs of the Commission.	3,778	15.00	3,897	15.00	119	0.00
4.4 Financial resources are allocated, managed and accounted for in accordance with the strategic priorities of the Commission.	3,778	15.00	4,157	16.00	379	1.00
4.5 The Commission's mission is fulfilled and goals are achieved through sound management and organizational excellence provided by executive leadership.	9,766	38.00	11,121	42.00	1,355	4.00
Subtotal Goal Four	28,670	113.05	31,528	120.55	2,858	7.50
TOTAL	\$35,761	141.00	\$39,237	150.00	\$3,476	9.00

¹⁴ Represents Office of Information Technology Services dollars and staff resources not otherwise allocated to Goals 1, 2, or 3.

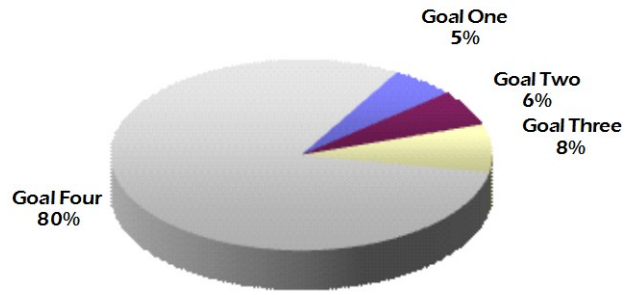


Figure 41: Executive Direction & Support FY 2010 Budget by Goal

APPENDIX 1

The Commissioners

Michael V. Dunn, Acting Chairman

Michael V. Dunn was nominated to a second term as a Commissioner of the Commodity Futures Trading Commission by President Bush on June 16, 2006, and confirmed by the Senate on August 3, 2006. Mr. Dunn has served as a Commissioner since December 6, 2004. On January 9, 2006, he was chosen by **his colleagues to chair the Commission's Agriculture Advisory Committee and on March 13, 2006, he was appointed chairman of the Commission's Forex Task Force.** On January 20, 2009, Mr. Dunn was selected by his fellow Commissioners to be the Acting Chairman of the Commodity Futures Trading Commission.

Prior to joining the CFTC, Mr. Dunn served as Director, Office of Policy and Analysis at the Farm Credit Administration (FCA). Prior to this position, in January 2001, he served briefly as a member of the FCA Board.

Prior to joining FCA, Mr. Dunn was the Under Secretary of Agriculture for Marketing and Regulatory Programs at the USDA. He also served as the Acting Under Secretary for Rural Economic Community Development and as Administrator of the Farmers Home Administration (FmHA) at USDA.

Mr. Dunn has had a long involvement in agricultural credit dating back to the late 1970s, when he was the Midwest Area Director for the FmHA. He has been a loan officer and vice president of the Farm Credit Banks of Omaha and has served as a member of the professional staff of the Senate Agricultural Committee, specializing in agricultural credit. At the USDA, Mr. Dunn also served as a member of the Commodity Credit Corporation and Rural Telephone Bank Board. He is a past member of the Iowa Development Commission and has served as the Chairman of the State of Iowa's **City Development Board.**

A native of Keokuk, Iowa, and a current resident of Harpers Ferry, West Virginia, Mr. Dunn received his B.A. and M.A. degrees from the University of New Mexico.

Walter L. Lukken, Commissioner

Walter Lukken was first appointed Commissioner in 2002 and is now serving his second term due to expire in 2010. President Bush nominated him in September 2007 to serve as Chairman of the CFTC. He served as Acting Chairman of the Commission from June 27, 2007 until January 20, 2009. Commissioner Lukken has testified numerous times before Congress and has represented the agency as **part of the President's Working Group on Financial Markets. He also has** represented the Commission before international organizations and forums, including the International Organization of Securities Commissions (IOSCO) and the Committee of European Securities Regulators (CESR).

Commissioner Lukken served as chairman of the CFTC's Energy Markets Advisory Committee (EMAC) until March 2009. The EMAC was created by the Commission in February 2008 to address the timely and critical regulatory issues connected to the role of the futures markets for discovering prices and managing **energy price risks.** He also served as chairman of the CFTC's Global Markets Advisory Committee (GMAC) from October 2003 through January 2008. The GMAC provides an industry forum in which it can discuss the many complex and novel issues raised by the ever-increasing globalization of futures markets.

Prior to joining the CFTC, Commissioner Lukken served for five years as counsel on the professional staff of the U.S. Senate Agriculture Committee under Chairman Richard Lugar (R-IN), specializing in futures and derivatives markets. In this capacity, he was prominently involved in the development, drafting and passage of the Commodity Futures Modernization Act of 2000 (H.R. 5660).

A native of Richmond, Indiana, he received his B.S. degree with honors from the Kelley School of Business at Indiana University, and his Juris Doctor degree from Lewis and Clark Law School in Portland, Oregon. Commissioner Lukken is a member of the Illinois Bar.

Jill E. Sommers, Commissioner

Jill E. Sommers was sworn in as a CFTC Commissioner on August 8, 2007 to a term that expires April 13, 2009. Commissioner Sommers had worked in the commodity futures and options industry in a variety of capacities throughout her career. In 2005, she was the Policy Director and Head of Government Affairs for the International Swaps and Derivatives Association, where she worked on a number of OTC derivatives issues.

Prior to that, Ms. Sommers worked for Chicago Mercantile Exchange, including overseeing regulatory and legislative affairs for the exchange. During her tenure with the exchange, she had the opportunity to work closely with congressional staff drafting the CFMA.

Commissioner Sommers started her career in Washington, DC in 1991 as an intern for Senator Robert J. Dole (R-KS), where she worked in various capacities until 1995. She later worked as a legislative aide for two consulting firms specializing in agricultural issues, Clark & Muldoon, P.C. and Taggart and Associates.

A native of Fort Scott, Kansas, Ms. Sommers holds a Bachelor of Arts degree from the University of Kansas. She and her husband, Mike, currently reside in the Washington D.C. area and have three children ages 5, 4, and 3.

Bart Chilton, Commissioner

Bart Chilton was sworn in as a CFTC Commissioner on August 8, 2007. He was formerly the Chief of Staff and Vice President for Government Relations at the National Farmers Union—one of the oldest and largest trade associations.

In 2005, Mr. Chilton was a Schedule C political appointee of President Bush at the U.S. Farm Credit Administration where he served as an Executive Assistant to the Board. From 2001 to 2005, Mr. Chilton was Senior Advisor to Senator Tom Daschle, the Democrat leader of the U.S. Senate where he worked on myriad issues including, but not limited to, agriculture and transportation policy.

From 1995 to 2001, Mr. Chilton was a Schedule C political appointee of President Clinton where he rose to Deputy Chief of Staff to the U.S. Secretary of Agriculture, Dan Glickman. In this role, Chilton became a member of the Senior Executive Services (SES)—government executives selected for their leadership qualifications to serve in the key positions just below the top Presidential appointees. As an SES member, Chilton served as a major link between Secretary Glickman and the rest of the Federal work force at USDA.

From 1985 to 1995, Mr. Chilton worked in the U.S. House of Representatives as Legislative Director for three different Members of Congress on Capitol Hill. He also worked in the U.S. House as the Executive Director of the bipartisan Congressional Rural Caucus.

Mr. Chilton previously served on the Board of Directors of Bion Environmental Technologies, and the Association of Family Farms—where he also served on the Executive Committee and as Treasurer.

Mr. Chilton was born in Delaware and spent his youth in Indiana where he attended Purdue University from 1979 to 1982. He studied political science and communications and was a collegiate leader of several organizations. Mr. Chilton and his wife, Sherry Daggett Chilton, reside on the Western Shore of the Chesapeake Bay.

APPENDIX 2

Summary of Goals, Outcomes, and Business Processes

Goal One: <i>Ensure the economic vitality of the commodity futures and option markets.</i>	
Outcome	Business Process
1.1 Markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	<ol style="list-style-type: none"> 1. Conduct financial surveillance 2. Conduct market surveillance 3. Conduct trade practice surveillance 4. Conduct economic research 5. Review trading facility filings and clearing organization contracts and rules 6. Conduct cooperative enforcement 7. Investigate violations 8. File and prosecute cases 9. Take appropriate remedial or punitive action
1.2 Markets are effectively and efficiently monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.	<ol style="list-style-type: none"> 1. Conduct financial surveillance 2. Conduct market surveillance 3. Conduct trade practice surveillance 4. Conduct economic research 5. Review trading facility filings and clearing organization contracts, and rules 6. Investigate violations 7. File and prosecute cases 8. Share information externally 9. Coordinate with domestic regulators
Goal Two: <i>Protect market users and the public.</i>	
Outcome	Business Process
2.1 Violations of Federal commodities laws are detected and prevented.	<ol style="list-style-type: none"> 1. Conduct financial surveillance 2. Conduct cooperative enforcement 3. Investigate violations 4. File and prosecute cases 5. Resolve administrative enforcement cases 6. Resolve appeals 7. Share information externally 8. Take appropriate remedial or punitive action 9. Represent Commission in litigation or other disputes 10. Collect monetary penalties from violators.
2.2 Commodity professionals meet high standards.	<ol style="list-style-type: none"> 1. Provide guidance, advice, and regulate business, financial, and sales practices 2. Review self-regulatory organizations and clearing organizations 3. Investigate, file, and prosecute cases

Goal Two: <i>Protect market users and the public. (Continued)</i>	
Outcome	Business Process
2.3 Customer complaints against persons or firms registered under the Act are handled effectively and expeditiously.	<ol style="list-style-type: none"> 1. Manage reparations program 2. Resolve appeals 3. Represent Commission in litigation or other disputes
Goal Three: <i>Ensure market integrity in order to foster open, competitive, and financial sound markets.</i>	
3.1 Clearing organizations and firms holding customer funds have sound financial practices.	<ol style="list-style-type: none"> 1. Conduct financial surveillance 2. Provide guidance, advice, and regulate business, financial, and sales practices 3. Review self-regulatory organization enforcement 4. Investigate violations 5. File and prosecute cases 6. Take appropriate remedial or punitive action
3.2 Commodity futures and option markets are effectively self-regulated.	<ol style="list-style-type: none"> 1. Conduct financial surveillance 2. Provide guidance, advice, and regulate business, financial, and sales practices 3. Review exchange applications, contracts, and rules 4. Review self-regulatory organization enforcement
3.3 Markets are free of trade practice abuses.	<ol style="list-style-type: none"> 1. Investigate violations 2. File and prosecute cases
3.4 Regulatory environment is flexible and responsive to evolving market conditions.	<ol style="list-style-type: none"> 1. Coordinate with domestic regulators 2. Coordinate with foreign and international regulators 3. Draft, review, and comment on legislation 4. Provide guidance, advice, and regulate business, financial, and sales practices
Goal Four: <i>Facilitate Commission performance through organizational and management excellence, efficient use of resources, and effective mission support.</i>	
4.1 Productive, technically competent, competitively compensated, and diverse workforce that takes into account current and future technical and professional needs of the Commission.	<ol style="list-style-type: none"> 1. Plan for and manage the human needs and resources of the Commission
4.2 Modern and secure information system that reflect the strategic priorities of the Commission.	<ol style="list-style-type: none"> 1. Plan for and manage the information and technological needs and resource of the Commission

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4.3 Organizational infrastructure that efficiently and effectively responds to and anticipates both the routine and emergency business needs of the Commission.	1. Plan for and manage the security and infrastructure needs and resources of the Commission
4.4 Financial resources are allocated, managed, and accounted for in accordance with the strategic priorities of the Commission.	1. Plan for and manage the financial needs and resources of the Commission
4.5 Commission's mission is fulfilled and goals are achieved through sound management and organizational excellence provided by executive leadership.	1. Provide executive leadership

APPENDIX 3

Investment in Technology

The Commission plans an investment of approximately \$23.3 million in FY 2010. This long overdue investment will sustain current services levels while procuring new equipment, software and services.

Broadly summarized, an investment in Information Technology at the CFTC is an investment in:

- Operations and Maintenance of Mission-Critical systems:
 - Integrated Surveillance System (ISS)
 - Trade Surveillance System (TSS)
 - eLaw
 - RSR/SPARK, FILAC, Repcase, and others

- Infrastructure:
 - Network Operations
 - Security
 - Business Continuity
 - Telecommunications
 - Customer Support
 - Enterprise Architecture
 - Policy and Planning

- Technology Management and Quality Control:
 - Database Administration
 - Configuration Management
 - Testing and Performance Monitoring

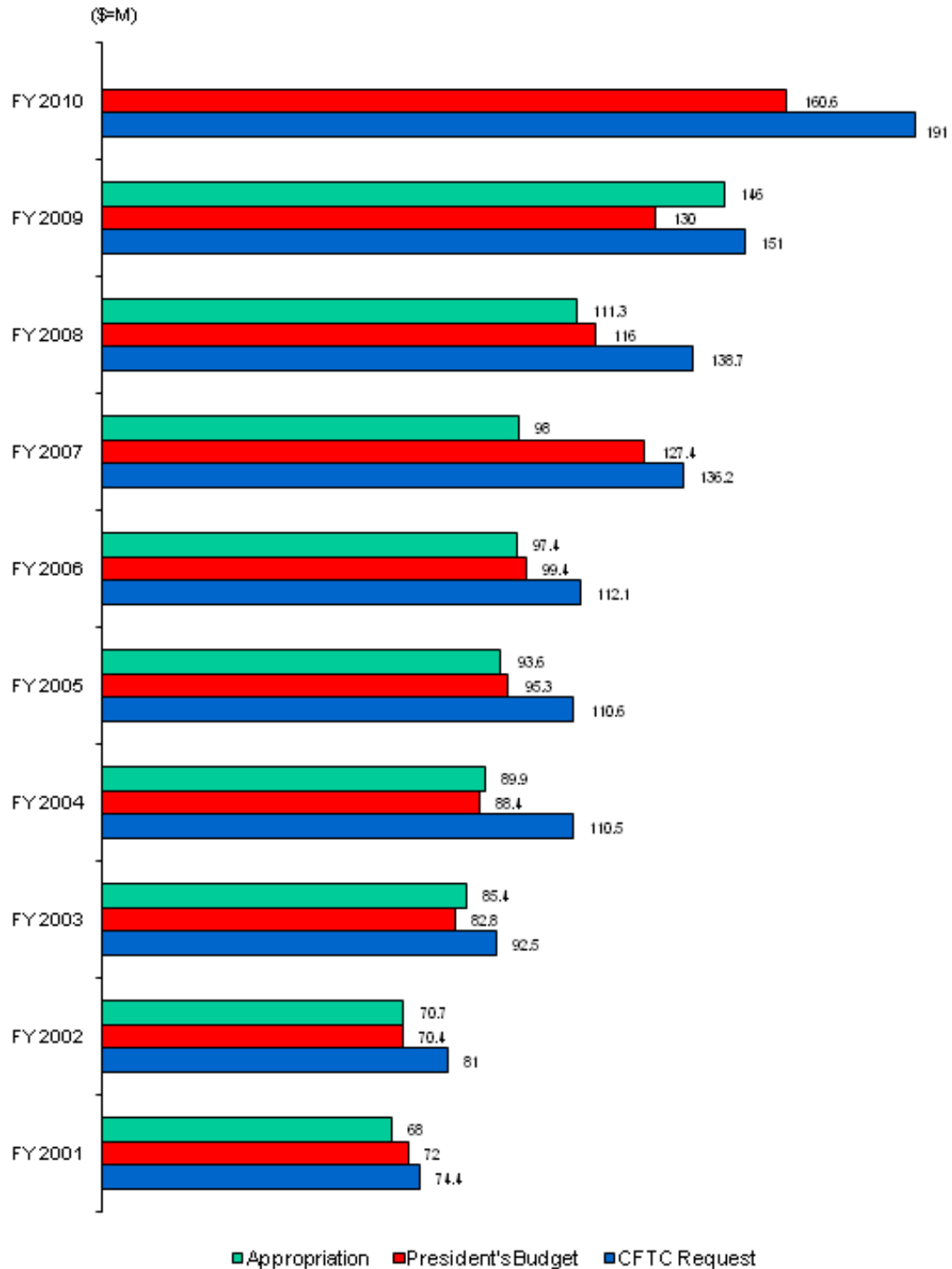
- New Technology Initiatives:
 - TSS
 - Microsoft Vista and Office 2007
 - Document Management and Records Management Program

More specifically this investment is:

- \$3.0 million to provide for Capital Equipment and Software Purchases;
- \$4.3 million to provide for Telecommunication Services;
- \$14.6 million to provide for support services such as financial and legal information services, operations and maintenance, systems analysis for ISS, TSS, and eLaw as well as other smaller mission supporting systems; and
- \$1.4 million to provide for IT supplies, operations, and maintenance including intra-governmental payments or cross-services agreements with other government agencies for Internet access and Web-site maintenance, personnel payroll system, GSA telephone services, and continuity of operations (COOP) facilities.

APPENDIX 4

Summary of OMB and Congressional Action on Appropriations FY 2001 – FY 2010



APPENDIX 5

Privacy Policy for the CFTC Web Site

The purpose of this policy statement is to describe how the CFTC handles information that we learn about you when you visit our Web site. The information we receive depends on how you use the Web site. You are not required to give us personal information to visit our Web site.

If you visit the CFTC Web site to read or download information, such as press releases or publications, we will collect and store the following information:

- the name of the domain (the machine or Web site) from which you access the Internet (for example, aol.com if you are connecting from an America Online account) and/or the name and Internet protocol (IP) address of the server you are using to access the CFTC Web site;
- the name and IP address of the CFTC server that received and logged the request;
- the date and time the request was received;
- the information which you are accessing (for example, which page or image you choose to read or download); and
- the name and version of the Web browser used to access the Web page.

We use the information collected to measure the number of visitors to the different sections of our Web site and to help us make the Web site more useful to visitors.

We do not enable “cookies.” A “cookie” is a text file placed on your hard drive by a Web site that can be used to monitor your use of the site.

If you complete a form or send a comment or e-mail, you may be choosing to send us information that personally identifies you. This information is used generally to respond to your request but may have other uses **that are identified on each form.** For example, if you send us a comment letter on a proposed regulation, that letter becomes part of the comment file and is available to the public. The comments are used to help CFTC and other members of the public evaluate proposed Commission actions. Other forms that you may choose to submit, such as Freedom of Information Act requests or requests for correction of information, contain information that is used by CFTC employees to track and respond to your request. Information provided on the enforcement questionnaire may be shared with other law enforcement agencies, if appropriate.

If you have questions about CFTC's privacy policy and information practices you can e-mail questions@cftc.gov.

The CFTC regularly publishes information in the *Federal Register* on its systems of records maintained under the Privacy Act of 1974. See [CFTC Privacy Act Systems of Records Compilation](#).

APPENDIX 6

Table of Acronyms

AE	The Actuarials Exchange, LLC
AECTS	Enforcement Case Tracking System
ALJ	Administrative Law Judge
AP	Associated Persons
BTEX	BrokerTec Futures Exchange
CBOT	Chicago Board of Trade
CCORP	The Clearing Corporation
CCFE	Chicago Climate Futures Exchange, LLC
CCX	Chicago Climate Exchange, Inc.
CDXCHANGE	Commodities Derivative Exchange, Inc.
CEA	Commodity Exchange Act
CFE	CBOE Futures Exchange
CFTC	Commodity Futures Trading Commission
CFMA	Commodity Futures Modernization Act of 2000
CHEMCONNECT	ChemConnect, Inc.
CME	Chicago Mercantile Exchange
CME AM	CME Alternative Marketplace, Inc.
COMEX	Commodity Exchange Division
COOP	Continuity of Operations Plan
CPO	Commodity Pool Operator
CRA	CFTC Reauthorization Act of 2008
CSCE	Coffee Sugar and Cocoa Exchange
CTA	Commodity Trading Advisor
DCIO	Division of Clearing and Intermediary Oversight (CFTC)
DCM	Designated Contract Market
DCO	Derivatives Clearing Organization
DERIVATIVES BRIDGE	Derivatives Bridge, LLC
DOJ	Department of Justice
DTEF	Derivatives Transaction Execution Facility
ECM	Exempt Commercial Markets
EDBS	Exchange Database System
EOPF	Electronic Office Personnel Folders
EOXLIVE	Energy Options Exchange, LLC
EPFE	Exchange Place Futures Exchange, LLC
FB	Floor Broker
FBIIC	Financial and Banking Information Infrastructure Committee
FBOT	Foreign Boards of Trade
FCA	Farm Credit Administration
FCM	Futures Commission Merchant
FCOM	FutureCom
FERC	Federal Energy Regulatory Commission
FIRREA	Financial Institutions Reform, Recovery, and Enforcement Act
FLETT	Flett Exchange
FSRIA	Farm Security and Rural Investment Act
FMHA	Farmers Home Administration

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FOREX	Foreign Currency
FT	Floor Trader
FTE	Full-time Equivalent
FY	Fiscal Year
GAO	Government Accountability Office
GCC	Guaranty Clearing Corporation
GFI (Energy Match)	GFI Group Inc.- Energy Match
GFI FOREXMATCH	GFI Group Inc., ForexMatch
GSA	General Services Administration
HEDGESTREET	HedgeStreet, Inc.
HSE	HoustonStreet Exchange, Inc.
IB	Introducing Broker
ICAP	ICAP Commodity and Commodity Derivatives Trading System
ICAP ETC	ICAP Electronic Trading Community
ICAP HYDE	ICAP Hyde Limited Trading System
ICC	Intermarket Clearing Corporation
ICE	IntercontinentalExchange, Inc.
ICE US	ICE Futures U.S., Inc.
IMAREX	International Maritime Exchange
INTRADE	Intrade Board of Trade
IRESE	IRESE, Inc.
ISS	Integrated Surveillance System
IT	Information Technology
JO	Judgment Officer
KCBT	Kansas City Board of Trade
LCH	London Clearing House
LIQUIDITYPORT (Option ATS)	LiquidityPort, LLC
LONGITUDE	Longitude, LLC
MACE	MidAmerica Commodity Exchange
MATCHBOXX ATS	Matchboxx ATS
ME	Merchants Exchange
MGE	Minneapolis Grain Exchange
MOU	Memorandum of Understanding
NFA	National Futures Association
NGX	Natural Gas Exchange, Inc.
NEX	Nodal Exchange, LLC
NQLX	NQLX LLC Futures Exchange
NTP	NetThruPut
NYCC	New York Clearing Corporation
NYCE	New York Cotton Exchange
NYFE	New York Futures Exchange
NYMEX	New York Mercantile Exchange
NYSE LIFFE	NYSE Liffe Futures Exchange, LLC
OCC	The Options Clearing Corporation
OCE	Office of Chief Economist (OCE)
OCX	OneChicago LLC Futures Exchange
OED	Office of the Executive Director (CFTC)
OFM	Office of Financial Management (CFTC)
OGC	Office of the General Counsel (CFTC)
OHR	Office of Human Resources (CFTC)
OITS	Office of Information and Technology Services (CFTC)
OMB	Office of Management and Budget

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OMO	Office of Management Operations (CFTC)
ONXCC	OnExchange Clearing Corporation
OPEX	Optionable, Inc.
OTC	Other-the-Counter
PARITY	Parity Energy Inc.
PBOT	Philadelphia Board of Trade
PMA	President's Management Agenda
PPGC	Pay Parity Governance Committee
PWG	President's Working Group
REPCASE	Reparations Case Tracking System
RWG	Registration Working Group
SEC	Securities and Exchange Commission
SES	Senior Executive Service
SFP	Security Futures Products
SL	Spectron Live.com Limited
SPARK	Stress Positions at Risk
SRO	Self-Regulatory Organization
STORM	Storm Exchange, Inc.
SWAPSTREAM	Swapstream Operating Services, Ltd.
TCX	TradeCapture Exchange
TFS	TFS Energy -Pulp and Paper
TFSE	TFS Energy, LLC
TFSC	TraditionalCoal.com
TS	TradeSpark, LP
TSS	Trade Surveillance System
US	United States
USDA	United States Department of Agriculture
USFE	US Futures Exchange
UK	United Kingdom
WBOT	Weather Board of Trade
WXL	WeatherXchange Limited
XBOT	Exempt Boards of Trade
YELLOW JACKET	Yellow Jacket Software, Inc.