

Goal One: Protect the economic functions of the commodity futures and option markets.

Total FY 2002 Budget: \$17,839,000 146 FTEs
Total Change from FY 2001: \$ 1,426,000 -9 FTEs

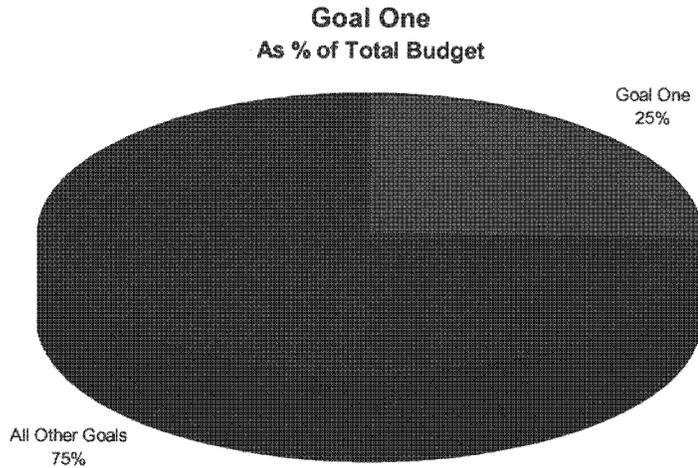


Figure 1: Goal One As Percentage of Total Budget

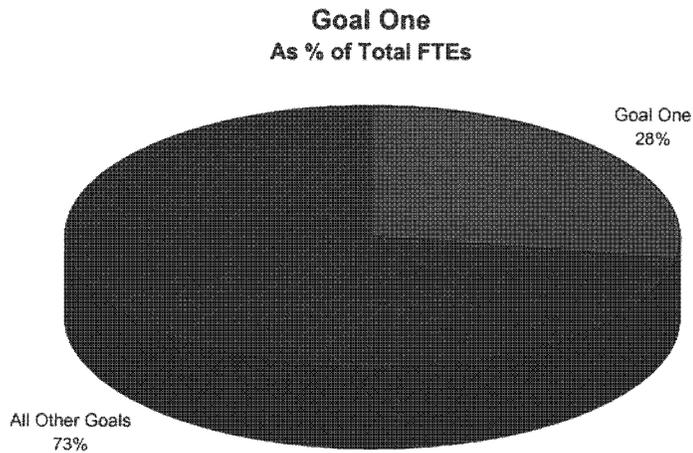


Figure 2: Goal One As Percentage of Total FTEs

Goal One: Protect the economic functions of the commodity futures and option markets.	
Outcome Objective	Activity
<p>1. Foster futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.</p>	<ol style="list-style-type: none"> 1. Collect US futures and option large trader and exchange-generated reports for all actively trading contracts to support market surveillance, enforcement of speculative limits, dissemination of information to the public, and futures market studies and research by Commission staff and others. 2. Monitor the markets to detect and respond quickly to potentially disruptive situations such as market congestion and/or potential price manipulation. 3. Conduct timely review of contract market designation applications and changes to applications to determine if they are economically viable and do not pose a likelihood of disruption in the cash, futures, and option markets. 4. Identify possible manipulation and other abusive trading practices for investigation and possible enforcement or criminal action. 5. Investigate possible manipulation and other abusive trading practices. 6. Institute enforcement cases concerning manipulation and other abusive trading practices. 7. Sanction violators.
<p>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.</p>	<ol style="list-style-type: none"> 1. Participate in the President's Working Group on Financial Markets to ensure coordination of information and efforts among US financial regulators. 2. Maintain a current understanding of market functions and developments through studies and research. 3. Provide materials and information on the functions and utility of the markets to the public through public Commission meetings, through public roundtables, advisory committee meetings, symposia, Commission input to US Department of Agriculture publications, routine reports on large trader activity, etc.

Goal One: FY 2001 and FY 2002 Plan by Program

Market Surveillance, Analysis & Research

Market Surveillance and Special Analyses

The Commission anticipates that its new regulatory structure for exchanges and other trading systems will encourage rapid growth in the number of entities trading futures and options in the US as well as an increased number of innovative futures and option contracts in nontraditional commodity areas. New and existing US exchanges will list new products for trading in their efforts to compete with foreign exchanges and to meet the hedging and price discovery needs of firms participating in the growing electronic business-to-business marketplace. Moreover, a significant number of these new markets may seek Commission recognition as derivatives transaction execution facilities. The Commission expects the number of active futures and option markets requiring surveillance to increase from 252 in FY 2000 to 275 in FY 2001 and 330 in FY 2002. Many of these new contracts will be traded only on electronic systems or simultaneous electronic and open outcry trading. Industry efforts to integrate financial cash market trading and OTC derivative trading through common electronic trading platforms or other mechanisms will increase the importance of a surveillance effort that examines the relationship between futures and option contracts and the underlying commodity or market instrument. In view of this expected growth, the Market Surveillance, Analysis, and Research program anticipates that surveillance economists will produce 2,200 weekly surveillance sheets in FY 2002 as compared to 2,062 in FY 2000.

Streamlining Large Trader Reporting

In FY 2000, the Commission introduced its reengineered computer system that supports market surveillance, replacing the mainframe system with a client-server system. Enhancements to that system will continue into FY 2001. The anticipated growth in US futures and option trading will increase the volume of surveillance data that must be processed by this system. The number of line items of data is expected to grow from 49.9 million in FY 2000 to 55 million in FY 2002. Staff time will be devoted to assuring that these data are received and processed in an accurate and timely manner. Surveillance staff also will continue testing and modifying, as appropriate, enhancements to the core elements of the new surveillance computer system.

Review of CFTC Regulations

The Commission has undertaken a broad review of its regulations and their effect on the competitiveness and efficiency of derivatives markets. Over the past decade there have been significant advances in the development and use of derivative instruments, including futures and option contracts, as well as in the trading platforms on which these instruments are executed. In an effort to ensure that the regulatory scheme under which these contracts are traded remains current, the Commission has undertaken a broad review of its rules with the intention of eliminating obsolete rules and streamlining and coordinating regulations across

markets. The review is being conducted under the leadership of the Market Surveillance, Analysis, and Research program with representatives from all divisions of the Commission. In FY 2001, the division plans to take a leadership role in implementing any regulatory reform program adopted by the Commission.

New Contract Market Filings and Rule Amendments

The trend of increasing product development will continue through FY 2001 and FY 2002. A total of 60 new contracts are expected to be submitted to the Commission in FY 2001. This is due largely to the increasing number of new exchanges resulting from the adoption of electronic trading systems and the Internet and the continuing interest and competitiveness of existing US exchanges in developing innovative futures in both the financial and physical commodity sectors and in other nontraditional areas. In addition, 102 rule changes are expected to be submitted during FY 2001. These will include a number of significant changes to existing rules to maintain conformity with changing cash market practices.

Projections are based on the structural changes in the industry, the advancement of technology, and the use of the Internet, which lowers the cost of developing new exchanges and allows for a wider array of novel products to be offered for trading. New business-to-business exchanges are expected to establish new derivatives products in a wide array of products and services. The projections also are based on the rate of submission of new contracts in recent years along with indications that the existing exchanges, as well as new entrants, will continue to make innovative proposals—particularly with regard to contracts based on currencies; foreign stock indexes; fixed-income securities issued by foreign governments; and new concepts in futures in non-traditional commodity areas, such as contracts in the environmental and weather areas, electricity, and contracts based on various non-equity indexes such as bankruptcy futures. Also, existing exchanges and new entrants are expected to continue to explore the possibility of establishing new contracts in the traditional agricultural and natural resource commodities to meet newly defined unmet hedging needs and potential changes in government programs and regulatory requirements. These projections also anticipate an increase in the number of exchange submissions for rule changes to update existing futures contracts so that they conform with changing cash market practices as well as changes in government programs and regulations. Many of these submissions will involve significant changes to existing rules to reflect ongoing changes in cash market practices for many tangible commodities.

Research on Market Functions and Developments

In FY 2002, research staff will continue to examine the alternative execution procedures in futures markets. This will include:

- Comparison of the liquidity of open-outcry systems versus electronic trading systems with supporting details on related economic theories and empirical evidences;
- Review of futures market fragmentation and integration concentrating on market liquidity and volatility, market efficiency, and market integration; and

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- Study of the economics of block trading in futures markets.
- Study of Market-makers, liquidity and electronic trading systems in futures markets.

These research projects should provide valuable input in formulating policy proposals by the staff of the Trading and Markets program.

The basis and spread behaviors of storable and nonstorable futures contracts play an important role in analyzing hedging effectiveness and detection of potential manipulation of futures contracts. In FY 2001, staff performed the following research projects in these areas: (1) Asymmetric volatility of metal futures spreads and the theory of storage, and (2) empirical analysis of factors affecting nearby basis behavior of live cattle futures. In FY 2002, research staff will continue to examine the behavior of the cash-futures basis of storable and nonstorable goods and the implications for the performance of futures contracts as a risk management tool and as forecasts of expected futures spot prices. Furthermore, alternative modeling and forecasting techniques for basis will be evaluated and new models will be proposed. The forecasts of basis play an important role in producers' hedging and marketing decision-making.

During FY 2002, research staff will study pricing models for futures contracts of nonstorable commodities such as electricity futures contracts and livestock futures contracts. In addition, staff will review important issues of cash-settlement versus physical-settlement on futures contracts. These will include: 1) settlement by physical delivery and pricing of delivery options; 2) assessments of potential manipulation possible under cash-settlement versus physical delivery; 3) evaluation of premium and discount systems for futures contracts with multiple deliverable grades and implication for hedging performance of futures contracts; and 4) review of alternative criteria for constructing a cash-settlement index. During FY 2001, research staff provided economic and statistical analysis to the Enforcement program on a number of cases. In FY 2002, staff will continue providing such assistance and expert testimony in support of enforcement actions.

Derivative Risk Management and Risk-Based Capital Requirements

The rapid growth of derivative markets has dramatically increased the potential impact of derivatives on the stability of international and domestic financial markets. Derivative risk management and risk-based capital requirements are the major tools to maintain the financial integrity of futures and option markets and reduce systemic risk of the financial markets. In FY 2001, research staff will examine the following risk management and risk-based capital issues: 1) Research on analytic models on analyzing, measuring, and monitoring futures market risk and liquidity risk, and major issues in implementing a market risk measurement system; 2) alternative models on risk-based capital requirements and quantitative methods in evaluating the adequacy of capital requirements; and 3) research on evaluation of risk-based margin systems: the Standard Portfolio Analysis of Risk Margin Systems (SPAN) for futures and options on futures and the Theoretical Intermarket Margin System (TIMS) for options on equities.

Trading & Markets

Oversight and Emergency Management of Market Volatility

During FY 2001 and FY 2002, the Trading and Markets program will monitor major market moves in an attempt to identify and respond to potentially disruptive situations, working on a case-by-case basis to develop appropriate, innovative, and pragmatic responses to such market events. Potential focus areas during FY 2001 and FY 2002 may include: 1) systemic risk issues; 2) changes in the markets which further link cash and derivatives (on-exchange and off-exchange); 3) cross-border trading; and 4) growth in the number of automated trading systems. However, as a result of the reduction of Trading and Markets' staffing level for FY 2002, the Audit and Review subprogram likely may have to limit its focus.

Information Efforts on the Functions and Utility of the Markets

During FY 2001 and FY 2002, the Trading and Markets program will continue to support the President's Working Group on Financial Markets, participate in Commission advisory committee efforts, and expand its role in both interagency and private sector intermarket coordination activities, although at reduced levels in FY 2002 due to the reduction in staffing. The Trading and Markets program and OIA will coordinate Commission efforts with those of foreign regulators and professional organizations in the areas of accounting, capital, market surveillance, and financial compliance, with particular focus upon linkages, full service financial firms, and new products.

Enforcement

The Enforcement program anticipates that challenges to the proper economic functioning of futures and option markets presented by manipulative and abusive trading practices will continue to require a consistent level of resources for investigation and litigation. Staff will monitor markets to identify, deter, and address disruptive or potentially disruptive situations. Domestic and foreign markets are becoming increasingly interrelated, and that trend will continue for the foreseeable future as technology develops, regulatory barriers are eliminated, and formal links are established between markets. As the regulatory and technological environment for exchange markets changes to facilitate trading by institutional market participants, the Commission will continue to police the markets to sanction violators for price manipulation and fraudulent trading practices. These regulatory and technological changes will enable traders to employ complex strategies more easily and could permit abusive conduct in one market to cause greater harm in other, related markets.

Through enforcement cases charging manipulation and trade practice violations, the Commission imposes specific sanctions, including trading prohibitions and registration sanctions, to remove the threat posed to markets by particular traders. The Commission also imposes substantial civil penalties, issues cease and desist orders, and can require restitution by wrongdoers. Such sanctions serve both to compensate victims and to send a deterrent message, discouraging other would-be violators from engaging in similar misconduct.

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Manipulation and trade practice investigations and cases tend to be among the most complex and resource-intensive matters handled by program staff for several reasons: 1) staff must become experts in understanding complex trading strategies and the intricacies of the underlying cash markets; 2) investigations require detailed reconstruction of trading using voluminous records; and 3) assistance sometimes is required from foreign regulators. The number of such matters that are active at any one time is relatively small. The Enforcement program does not anticipate a significant increase in such matters in FY 2001 and FY 2002 given the substantial surveillance resources employed by the Commission and the exchanges to detect and deter potentially disruptive practices. Nevertheless, past experience indicates that Enforcement program staff will continue to be called upon in the future to investigate and prosecute such cases at a fairly consistent level.

Office of Proceedings

The Office of Proceedings will hear and decide administrative enforcement cases brought by the Commission.

Office of the General Counsel

Contract Market Designation Applications

The Office of the General Counsel will continue to review contract market designation applications, as well as applications for registration as a derivatives transaction execution facility and derivatives clearing organization, for legal sufficiency and conformance with the CEA and Commission policy and precedent.

Manipulation and Other Abusive Trading Practices

The Office of the General Counsel will continue to review all proposed enforcement actions alleging manipulation and other abusive trading practices to assure their legal sufficiency and conformance with general Commission policy and precedent.

Coordination of Information and Efforts Among US Regulators

The Office of the General Counsel will continue to provide support to the President's Working Group on Financial Markets.

Providing Information on the Functions and Utility of the Markets through Public Meetings

The Office of the General Counsel will continue to provide the Commission with guidance on both procedural and substantive matters in connection with the public meetings of its three advisory committees and all other public Commission meetings.

Executive Direction & Support

Agency Direction

The increasing global electronic integration of the commodity futures and option markets requires the entire international regulatory community to cooperate as technology increases significantly cross-border trading volume, cross-market participation, and cross-border exchange combinations. OIA will coordinate with regulators throughout the world to facilitate cross-border business through the elimination of unnecessary legal and practical impediments, to enhance customer and market protections through cooperative arrangements, and to encourage market discipline through enhanced transparency.

Administrative Management & Support

In FY 2001, the Executive Management Council (EMC) chartered an Integrated Project Team (IPT) to manage the Phase III of the Enforcement Modernization Process and it will chart an IPT to manage the implementation of a reengineered Exchange Database System (EDBS). During FY 2002, the contractor efforts to implement this system will begin.

Support Strategies to Address Goal One Management Challenges

Goal One: Support Issue/Management Challenge #1

Use information technology to collect daily electronic large trader reports from brokerage firms worldwide and other large volumes of data from US futures exchanges, in the most efficient, cost-effective, and secure method feasible.

Support Strategy:

OIRM will evaluate the Commission's communications software and computer hardware in relation to the needs of brokerage firms and exchanges for a fast, efficient, and secure means of transmitting large quantities of confidential data to the Commission on a daily basis. These data flow into the newly developed integrated surveillance system that supports the Commission's Market Surveillance, Analysis, and Research program with a client-server architecture.

Goal One: Support Issue/Management Challenge #2

For the staff of the Market Surveillance, Analysis, and Research, develop the skills needs more effectively to utilize the new Integrated Surveillance System.

Support Strategy

OIRM or contractor support will be needed to provide training in Microsoft Access, PC-SAS, or other software that will enable surveillance economists, statisticians, and other surveillance staff to extract data from the overall surveillance database. This will enable staff to address specific questions, conduct analyses, and provide graphical, tabular, and other summaries of the surveillance data in formats that are easily understood, using software such as Microsoft Excel or PowerPoint.

Goal One: Support Issue/Management Challenge #3

Develop understanding of complex trading systems from a technological perspective, specifically the architecture of these systems and the challenges they present from a monitoring and compliance perspective.

Support Strategy

The Trading and Markets program has consulted and will continue to consult with OIRM concerning an initial review of these proposed trading systems so that before these systems can be available from within the US, appropriate safeguards are in place to protect market users and the public. The Trading and Markets program does not intend to restrict technological innovation or to dictate particular choices of hardware or software, rather it intends to assure that these mechanisms are operated consistently with the CEA and rules promulgated thereunder.

Goal One: Support Issue/Management Challenge #4

Enhance staff skills in conducting audits and analyses to detect systemic problems and/or problems of individual registrants—particularly as products become more complex.

Support Strategy

The Trading and Markets program staff will continue to encourage staff to use external sources for professional training and computer support. Professional training will focus on off-exchange and derivatives products. Computer training will provide staff with computer alternatives to manual methods of analysis.

Goal One: Support Issue/Management Challenge #5

Provide opportunities for attorneys and investigators to train and gain experience to meet the challenge of a changing trading environment.

Support Strategy

Within the past year, the Enforcement program has taken several steps to address staff training and professional development issues.

The Enforcement program formed a task force composed of attorneys and investigators representing its headquarters and regional offices to determine what further training is required by staff, to identify—and where feasible, create—training opportunities, and to ensure that these opportunities are made available to staff members at the appropriate points in their careers. In FY 2000, the task force completed its survey of Enforcement staff in order to determine what types of training staff had received, what types of training were considered especially effective by staff, and the areas where staff felt training was especially important.

As a result of the task force's suggestions, the Enforcement program developed an in-house training opportunity for new staff, in which staff members presented a series of one-hour seminars to professional staff in all regions. Topics ranged from an overview of the Commission presented by the director and deputy director to several sessions addressing particular requirements of the Act and regulations, approaches to investigating certain types of conduct, and a practical guide to formulating Commission recommendations and negotiating settlements.

Starting in FY 2000, the Enforcement program made training a topic in each employee's performance reviews. This linkage enables managers to evaluate what types of hands-on experience the staff member is getting; what types of training might be employed in place of hands-on experience; and what types of training might enhance or improve a staff member's ability to perform tasks that he or she already handles. The Enforcement program also aims to develop a means of tracking what types of training the employee has received and what types will be needed or desired. This process aims to ensure that training opportunities are made available in an effective and fair manner.

The Enforcement program also organizes and presents a two-day enforcement training conference for all professional staff that typically includes panels on current developments as well as sessions designed to hone certain investigation and litigation skills. In FY 2000, the Enforce-

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ment program changed the schedule of this annual conference to approximately once every 18 months in order to free resources and time to provide intensive training in areas such as questioning techniques to a significant portion of the staff.

Finally, while both the serial seminars discussed above and the enforcement training conference provide staff with a great deal of practical, focused training, there are training needs that can only be met by outside vendors. For example, over the past fiscal year the Enforcement program has sent several staff members to a multi-day seminar on trial skills.

Through its annual training plan, OHR will assist the program offices in assessing the need for training and professional development of Commission employees and finding ways to address those needs. OHR has also enhanced information on employee training opportunities through the Internet and intranet and by providing a Commission-wide training.

Goal One: Support Issue/Management Challenge #6

Enhancement and integration of the Commission's market surveillance and financial surveillance capacity. This need is especially critical because of the greater complexity of instruments being traded and the concentration of pooled investment vehicles.

Support Strategy

The Market Surveillance, Analysis, and Research program staff will continue to enhance its financial surveillance systems. In particular, program staff will continue to rely on improved end-user computerization tools and the development of client-server database management software as such systems are implemented by OIRM.

Goal One: Support Issue/Management Challenge #7

Prioritizing and providing IT support for mission related activities, particularly for the new Division of Economic Analysis, to compensate for reduced mission program and IT staffing.

Support Strategy

The Executive Management Council (EMC) prioritizes the Commission's major IT investments to ensure that the available resources are used to provide the greatest corporate value to the Commission. The projected reduction in mission program staffing will provide new opportunities for the EMC to reevaluate the utility of strategic investments and adjust resource allocations to balance immediate and long-term needs. The IT Assessment recommended an increase in IT staffing of at least twenty-three positions. Due to budget restrictions only four IT positions can be funded in FY 2002. OIRM allocates two positions to support of the ISS and two to support of the EDDBS. With all resources fully allocated, no new projects will be feasible unless the EMC reallocates resources from existing projects.

Goal One: Support Issue/Management Challenge #8

Provide robust support for the federal Information Technology (IT) management process to support CFTC's mission, including the work of the Division of Market Oversight.

Support Strategy

Operational management of the Commission's IT program has been transferred to a team of experienced professional IT managers who draw on the existing IT staff for business related information. The Chief Information Officer (CIO) position has been refocused on strategic planning and coordination responsibilities. OIRM will provide support to the Chief Information Officer in execution of his responsibilities for strategic planning, enterprise architecture development and IT security management. The Commission plans to procure services to develop an enterprise architecture including a technical reference model and security assessment in late FY 2001. Future strategic planning initiatives will be a priority for the EMC and the Commission's IT program.

Goal One: Support Issue/Management Challenge #9

Develop staff skills to manage Information Technology (IT) and provide IT-based support for CFTC's mission, particularly the data-intensive work of the Division of Market Oversight.

Support Strategy

Support for the federal IT management process is a priority for CFTC. The Commission will provide IT staff supporting the strategic planning process and the new IT management staff with access to seminars and other training opportunities to insure robust support for the federal IT management process. In addition, contract resources will be used to supplement internal resources.

Evolving web-services standards and tools, increasingly complicated infrastructure capabilities such as wireless access and voice/data convergence, and prospective new technical capabilities such as speech recognition drive the Commission's technical environment. For the Commission to adapt to these technical challenges, the IT staff must acquire new skills. At the same time, it must retain the familiarity with the business of the Commission that the current staff has developed. For this reason, the Commission will balance the need for immediate access to necessary skill sets that can be met through hiring with the need for maintenance of the skill sets of long-time employees that can be met through training.

Goal One: Support Issue/Management Challenge #10

Modernize the Commission's mission support applications to reflect the new requirements based on the CFMA, in particular the EDDBS.

Support Strategy

Development of an enterprise architecture and a technical reference model will provide a basis for the EMC's investment planning. The EMC is introducing the use of Integrated Project Teams (IPTs) to insure that the needs of all program offices are considered in the IT investment process. The EMC expects to continue its program of enhancing the value of IT to program offices and reducing the complexity of its technical support requirements by replacing its oldest mission support applications with newer applications based on evolving technology. The acquisition of a Litigation Support System is the Commission's first project based on the IPT concept. The redesign of the EDDBS will also use the IPT framework. Both of these systems are expected to provide enhanced support for the Commission's goals and objectives. In each case, OIRM staff will need to

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acquire sufficient familiarity with the selected technology to support the implementation efforts. The EDBS redesign will require that the Commission add project management staff to insure that the investment is efficiently managed.

Goal One: Support Issue/Management Challenge #11

Modernize the Commission's IT infrastructure to support mission activities, in particular the Division of Market Oversight.

Support Strategy

The enterprise architecture and technical reference model will identify the need for both direct mission support projects and infrastructure development projects. The bulk of the Commission's server population is nearing the end of its useful service life, providing slower service than current equipment and marginal support for new services. OIRM plans to reengineer the server infrastructure to provide improved responsiveness, increased capability and reduced management costs. The EMC is investigating the benefits and costs of additional infrastructure capabilities, such as video-conferencing.

Goal One: Support Issue/Management Challenge #12

Establish an information security program compliant with the Government Information Security Reform Act of 2000 (GISRA) to support mission activities, in particular the Division of Market Oversight.

Support Strategy

GISRA codifies OMB's security policy, emphasizing agency security responsibilities and promulgating new reporting requirements including annual agency program reviews, annual IG evaluations, and an annual OMB report to Congress. OMB has prepared a framework for conducting security assessments and a revision to Circular A-130 on implementing the GISRA responsibilities expected this spring. At CFTC, IT security administration is currently a collateral responsibility of the staff member responsible for supporting review of electronic trading systems. OIRM intends to initiate a security assessment project this summer, with the IT security administrator providing project management and technical review of the efforts of an outside contractor. The assessment will be based on the OMB framework and NIST technical guidance. CFTC will develop its IT security program based on this assessment.

Working Relationships in Support of Goal One

President's Working Group on Financial Markets

Coordinate initiatives on contingency planning for market emergencies.

Information Sharing with Other Financial Regulators

Share surveillance information with SEC regarding security futures products.

Bi-weekly calls to other financial regulators (SEC, US Treasury Department, Federal Reserve Board, FDIC) to review developments in the cash and futures markets for US Treasury securities; quarterly meetings are held to review major expiration of financial futures markets; also staff from the USDA and DOE regularly attend weekly market surveillance briefings.

US Department of Agriculture

Commission staff work on risk management education efforts with Steering Committee of the USDA Risk Management Agency and Cooperative State Research, Education, and Extension Service.

Agriculture Advisory Committee

A vital link to the agriculture community which depends on futures and option markets for hedging and price discovery.

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Table 1: Goal One – Summary of Request by Program

	FY 2001		FY 2002		CHANGE	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
Market Surveillance, Analysis, & Research	\$6,579	72	\$6,892	66	\$313	-6
Trading & Markets	849	7	964	7	116	0
Enforcement	3,070	25	3,273	23	203	-2
Proceedings	0	0	0	0	0	0
General Counsel	1,130	8	1,145	7	16	-1
Executive Direction & Support	4,785	45	5,564	44	779	-1
TOTAL:	\$16,413	155	\$17,838	146	\$1,426	-9

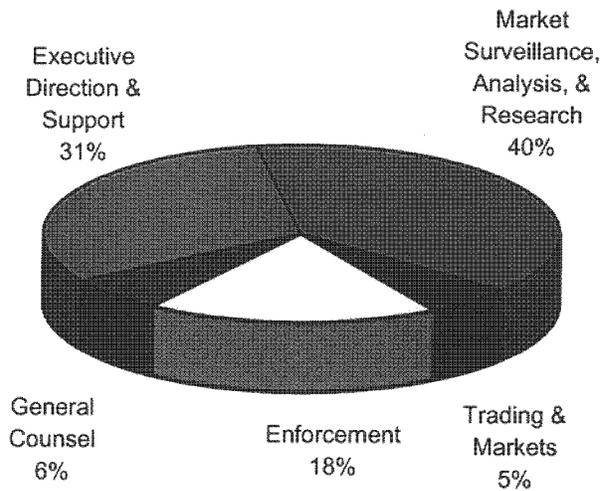


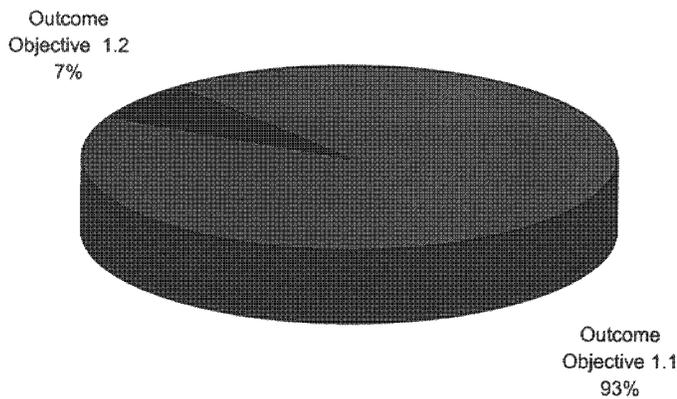
Figure 3: Goal One – FY 2002 Budget Dollars by Program

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Table 2: Goal One – Summary of Request by Outcome Objective

	FY 2001		FY 2002		CHANGE	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
GOAL ONE: Protect the economic functions of the commodity futures and option markets.						
Outcome Objectives						
1.1 Foster futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	\$ 14,852	140.38	\$ 16,625	136.58	\$ 1,774	-3.82
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.	\$ 1,562	14.83	\$ 1,214	9.46	-\$347	-5.37
Total Goal One	\$16,413	155.21	\$17,839	146.04	\$1,426	-9.17

Figure 4: Goal One – FY 2002 Budget Dollars by Outcome Objective



Ranking of Goal One Activities

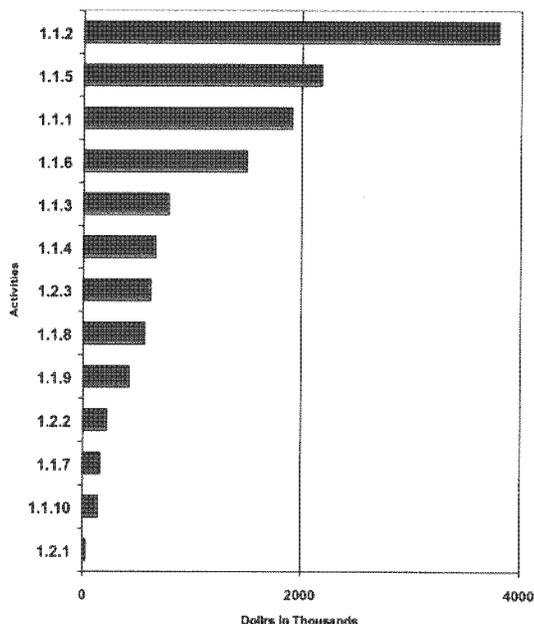


Figure 5: Ranking of Goal One Activities

- **Activity 1.1.2:** Monitor the markets to detect and respond quickly to potentially disruptive situations such as market congestion and/or potential price manipulation.
- **Activity 1.1.5:** Investigate possible manipulation and other abusive trading practices.
- **Activity 1.1.1:** Collect U.S. futures and option large trader and exchange-generated data for all actively trading contracts to support market surveillance, enforcement of speculative limits, dissemination of information to the public, and futures market studies and research by Commission staff and others.
- **Activity 1.1.6:** Institute enforcement cases concerning manipulation and other abusive trading practices.
- **Activity 1.1.3:** Conduct timely review of contract market designation applications and changes to applications to determine if they are economically viable and do not pose a likelihood of disruption in the cash, futures, and option markets
- **Activity 1.1.4:** Identify possible manipulation and other abusive trading practices for investigation and possible enforcement or criminal action.
- **Activity 1.2.3:** Provide materials and information on the functions and utility of the markets to the public through public Commission meetings, through public roundtables, advisory committee meetings, symposia, U.S. Department of Agriculture publications, press releases, advisories, routine reports on large trader activity, etc.
- **Activity 1.1.8:** Conduct timely reviews of exchange's requests for approval of products or rule changes to determine if they are economically viable and do not pose a likelihood of disruption in the cash, futures, and option markets.
- **Activity 1.1.9:** Conduct reviews of products and rule changes submitted under certification procedures to support market surveillance, enforcement of speculative limits, and to determine if the contracts are viable and pose a likelihood of disruption in the cash, futures, and option markets.
- **Activity 1.2.2:** Maintain a current understanding of market functions and developments through studies and research.
- **Activity 1.1.7:** Sanction violators.
- **Activity 1.1.10:** Conduct reviews of exempt markets and monitor the markets consistent with statutory requirements.
- **Activity 1.2.1:** Participate in the President's Working Group on Financial Markets to ensure coordination of information and efforts among U.S. financial regulators.

Summary of Annual Performance Targets

<p align="center">Goal One <i>Protect the economic functions of the commodity futures and option markets.</i> Outcome Objective 1.1 Foster futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.</p>								
<p align="center">Annual Performance Goal No price manipulation or other disruptive activities.</p>								
Activity/Strategy	Output Measure 1 /	FY00 Actual	FY01	FY02	Outcome Measure 1 /	FY00 Actual	FY01	FY02
1. Collect US futures and option large trader and exchange-generated data for all actively trading contracts to support market surveillance, enforcement of speculative limits, dissemination of information to the public, and futures market studies and research by Commission staff and others.	Amount of trader and exchange-generated reports collected from firms.	49.3M	52.1M	55.0M	Percentage of collected reports reviewed and analyzed.	100%	100%	100%
	Number of projects/measures intended to reduce reporting burdens and related costs on exchanges.	1	2	2	Percentage of projects/measures implemented.	100%	100%	100%
	Number of projects implemented.	1	2	2				
2. Monitor the markets to detect and respond quickly to potentially disruptive situations such as market congestion and/or potential price manipulation.	Number of active futures and option markets.	252	263	268	Of total futures and option markets, percentage of markets with emergencies and disruptive activities (requiring intensified surveillance).	8%	8%	8%
	Number of market surveillance reports prepared on expiring contracts for indications of price manipulation or other market disruptions.	2,051	2,200	2,200				
	Number of market surveillance analyses prepared and presented at Commission briefings.	276	330	330				
	Number of markets requiring intensified surveillance to prevent market manipulation.	17	20	21				
	Number of derivatives transaction facilities monitored.	0	5	10				
3. Conduct timely review of new contracts.	Number of new contract requests approved.	59	60	61	Percentage of such applications reviewed and responded to within 45-day period.	90%	90%	90%
					Percentage of such requests reviewed and responded to within 30-day period.	62%	90%	90%
4. Identify possible manipulation and other abusive trading practices for investigation and possible enforcement or criminal action.								
5. Investigate possible manipulation and other abusive trading practices.	Number of such investigations opened during the fiscal year.	13	12	11	Of all such investigations closed or resulting in enforcement action during the fiscal year, percentage closed or resulting in enforcement action within one year of opening.	59%	50%	54%
	Number of such investigations pending at close of fiscal year.	13	13	14				
	Number of such investigations closed or resulting in enforcement action within one year of opening.	10	8	7	Of all CFTC enforcement investigations pending at the close of the fiscal year, percentage of manipulation and other abusive trading practice investigations.	10%	9%	10%
	Total number of such investigations closed or resulting in enforcement action during the fiscal year.	17	16	13				

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Outcomes Objective 1.1 (continued) Foster 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.								
Activity/Strategy	Output Measure 1/	FY00			Outcome Measure 1/	FY00		
		Actual	FY01	FY02		Actual	FY01	FY02
6. Institute enforcement cases concerning manipulation and other abusive trading practices.	Number of such cases filed during the fiscal year.	3	3	3	Of all such cases filed during the fiscal year, percentage of such cases filed within one year of the opening of the relevant investigation.	0%	33%	0%
	Number of such cases filed within one year of opening the related investigation.	0	1	0		Of all CFTC enforcement cases pending at the close of the fiscal year, percentage of cases concerning manipulation and abusive trading practices.	8%	10%
	Number of such cases completed during the fiscal year.	7	3	3				
	Number of such cases pending at the close of the fiscal year.	10	10	10				
7. Sanction violators.	Amount of money to be paid as disgorgement or restitution.	\$6M	\$100k	\$100k	Percentage of cases closed during the year that resulted in sanctions.	100%	100%	100%
	Amount of civil penalties.	\$1.7M	\$1M	\$1M				
	Number of cease and desist orders.	7	4	4				
	Number of registration sanctions.	4	3	3				
	Number of trading prohibitions.	4	3	3				
8. Conduct timely reviews of exchange's requests for approval of products or rule changes to determine if they are economically viable and do not pose a likelihood of disruption in the cash, futures, and option markets.	Newly added for FY 2002: Output measures to be determined.	---	---	TBD	Newly added for FY 2002: Outcome measures to be determined.	---	---	TBD
9. Conduct reviews of products and rule changes submitted under certification procedures to support market surveillance, enforcement of speculative limits, and to determine if the contracts are viable and pose a likelihood of disruption in the cash, futures, and option markets.	Newly added for FY 2002: Output measures to be determined.	---	---	TBD	Newly added for FY 2002: Outcome measures to be determined.	---	---	TBD
10. Conduct reviews of exempt markets and monitor the markets consistent with statutory requirements.	Newly added for FY 2002: Output measures to be determined.	---	---	TBD	Newly added for FY 2002: Outcome measures to be determined.	---	---	TBD

Outcomes Objective 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.								
Annual Performance Goal No decrease in market use by producers, processors, financial institutions, and other firms because of loss of confidence in the price discovery and risk shifting functions of the markets.								
Activity/Strategy	Output Measure 1/	FY00			Outcome Measure 1/	FY00		
		Actual	FY01	FY02		Actual	FY01	FY02
1. Participate in the President's Working Group on Financial Markets to ensure coordination of information and efforts among US financial regulators.	Number of President's Working Group meetings held (includes Steering Committee meetings).	24	24	24	Percentage of President's Working Group meetings attended by CFTC.	100%	100%	100%
					Percentage of President's Working Group recommendations implemented.	100%	100%	100%
	Number of President's Working Group meetings attended (includes Steering Committee meetings).	24	24	24	Percentage of assignments and tasks to CFTC completed.	100%	100%	100%

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<i>Outcome Objective 1.2 (Continued)</i>								
Oversee markets which can be used affectively by producers, processors, financial institutions, and other firms for the purposes of price discovery and risk shifting.								
Annual Performance Goal								
No decrease in market use by producers, processors, financial institutions, and other firms because of loss of confidence in the price discovery and risk shifting functions of the markets.								
Activity/Strategy	Output Measure 1/	FY00			Outcome Measure 1/	FY00		
		Actual	FY01	FY02		Actual	FY01	FY02
2. Maintain a current understanding of market functions and developments through studies and research.	Number of ongoing market research projects and studies.	14	12	12	Percentage of ongoing market research project completed.	107%	100%	100%
	Number of market research projects and studies completed.	15	12	12				
3. Provide materials and information on the functions and utility of the markets to the public through public Commission meetings, through public roundtables, advisory committee meetings, symposia, Commission input to US Department of Agriculture publications, routine reports on large trader activity, etc.	Number of public roundtables conducted.	5	3	3	Percentage of data requests fulfilled.	100%	100%	100%
	Number of Advisory Committee meetings conducted.	5	3	3				
	Number of routine large trader reports published.	6,872	7,200	7,400				
	Number of requests for data from universities and private sources.	10	10	10				
	Number of requests fulfilled.	10	10	10				
	Number of large trader reports (routine & special) provided to other US financial regulators.	28	28	28				

1/ Many new output and outcome measures were developed during the FY 2002 budget formulation process. As such, new measurement data must be formulated. In cases where measurement data is not yet available, the acronym TBD, which stands for "to be determined," has been used in one, two, or all three fiscal year columns.