



COMMODITY FUTURES TRADING COMMISSION  
**QUARTERLY PERFORMANCE REVIEW**

SECOND QUARTER, FY 2000



QUARTERLY PERFORMANCE REVIEW  
SECOND QUARTER, FY 2000

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***Purpose:** The Quarterly Performance Review provides narrative and statistical information regarding how well the CFTC is performing its mission to protect market users and the public from fraud, manipulation, and abusive trading practices related to the sale of commodity futures and options, and to foster open, competitive, and financially sound commodity futures and option markets.*

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## **Part I: Commission Resources**

**Summary of FY 2000 Commission Funding**  
*By Agency Goal & Outcome Objective*

Outcome Objective by CFTC Goal	FY 2000 \$ (000)
<b>GOAL ONE: Protect the economic functions of the commodity futures and option markets.</b>	
<b>Outcome Objectives</b>	
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.	\$11,252
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.	1,015
<b>Subtotal Goal One</b>	<u>\$12,267</u>
<b>GOAL TWO: Protect market users and the public.</b>	
<b>Outcome Objectives</b>	
2.1 Promote compliance with and deter violations of federal commodities laws.	\$15,967
2.2 Require commodities professionals to meet high standards.	1,626
2.3 Provide a forum for effectively and expeditiously handling customer complaints against persons or firms registered under the Act.	1,497
<b>Subtotal Goal Two</b>	<u>\$19,090</u>
<b>GOAL THREE: Foster open, competitive, and financially sound markets.</b>	
<b>Outcome Objectives</b>	
3.1 Ensure sound financial practices of clearing organizations and firms holding customer funds	\$2,596
3.2 Promote and enhance effective self-regulation of the commodity futures and option markets.	7,935
3.3 Facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions.	2,934
3.4 Promote markets free of trade practice abuses.	2,735
<b>Subtotal Goal Three</b>	<u>\$16,200</u>
<b>Unallocated</b>	
Unallocated & Prorated <sup>1</sup>	15,204
<b>Subtotal Unallocated</b>	<u>\$15,204</u>
<b>TOTAL</b>	<u><u>\$62,761</u></u>

<sup>1</sup> Unallocated & Prorated refers to those resources supporting the offices of the Chairman and the Commissioners (with the exception of the Office of International Affairs); the Offices of the Executive Director (with the exception of certain activities of the Office of Information Resources Management); and a very small portion of resources in the Office of the General Counsel. The resources are not originally allocated to a specific strategic goal because, for the most part, the work performed by these offices provides common support across all strategic goals.

**Division Staffing Distribution by Outcome Objective  
FY 2000  
in Full-Time Equivalent (FTE) Hours**

Outcome Objective by CFTC Goal	FY 2000 FTEs
<b>GOAL ONE: Protect the economic functions of the commodity futures and option markets.</b>	
<b>Outcome Objectives</b>	
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.	112.32
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.	11.15
<b>Subtotal Goal One</b>	<b>123.47</b>
<b>GOAL TWO: Protect market users and the public.</b>	
<b>Outcome Objectives</b>	
2.1 Promote compliance with and deter violations of federal commodities laws.	134.96
2.2 Require commodities professionals to meet high standards.	13.77
2.3 Provide a forum for effectively and expeditiously handling customer complaints against persons or firms registered under the Act.	13.00
<b>Subtotal Goal Two</b>	<b>161.61</b>
<b>GOAL THREE: Foster open, competitive, and financially sound markets.</b>	
<b>Outcome Objectives</b>	
3.1 Ensure sound financial practices of clearing organizations and firms holding customer funds	21.98
3.2 Promote and enhance effective self-regulation of the commodity futures and option markets.	71.03
3.3 Facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions.	25.54
3.4 Promote markets free of trade practice abuses.	23.90
<b>Subtotal Goal Three</b>	<b>142.45</b>
<b>Unallocated</b>	
Unallocated & Prorated	133.00
<b>Subtotal Unallocated</b>	<b>133.00</b>
<b>TOTAL</b>	<b>561.00</b>

## **Part II: Priorities & Accomplishments**

Summary of Priorities by Agency Goal: *Upcoming Third Quarter, FY 2000*

<b>Goal One: Protect the economic functions of the commodity futures and option markets.</b>	
<b>Division/Office</b>	<b>Priority Items</b>
Trading & Markets	Merchants' Exchange of St. Louis BrokerTec
Economic Analysis	Large Trader Reporting Rule Change Procedures Staff Task Force on Regulatory Reform Regulatory Issues of Single Stock Futures Evaluation of Alternative Execution Procedures in Futures Markets Annual Review of Stock Index Margins Milk Futures Price Volatility Study
Enforcement	Due to the confidential nature of its work, the Division of Enforcement does not list its priorities for the upcoming quarter. See the <i>Accomplishments</i> section for recent work completed by the Division of Enforcement.
General Counsel	Regulatory and Legislative Matters
Executive Director	Systems Development Projects
International Affairs	Information Sharing Arrangement with United Kingdom (UK) Market Authorities
Legislative & Intergov'tal Affairs	Legislative Support Activities Liaison Activities

<b>Goal Two: Protect market users and the public.</b>	
<b>Division/Office</b>	<b>Priority Items</b>
General Counsel	Opinions Litigation
Trading & Markets	Statutory Disqualification from Registration
Enforcement	Due to the confidential nature of its work, the Division of Enforcement does not list its priorities for the upcoming quarter. See the <i>Accomplishments</i> section for recent work completed by the Division of Enforcement.

<b>Goal Three: Foster open, competitive, and financially sound markets.</b>	
<b>Division/Office</b>	<b>Priority Items</b>
Trading & Markets	Regulatory Reform: <ul style="list-style-type: none"> <li>- Exchanges and Clearing Houses</li> <li>- Denomination of Customer Funds and Location of Depositories</li> <li>- Investment of Segregated Customer Funds</li> </ul> Regulation 1.59: Insider Trading Restrictions Commodity Trading Advisor (CTA) and Commodity Pool Operator (CPO) Performance Reporting and Disclosure Issues Commodity Pool Exemption Hedge Fund Reporting Chicago Mercantile Exchange (CME) Block Trading Proposal De-Mutualization Restrictions on Withdrawal of Equity Capital from a Futures Commission Merchant (FCM) Automated Trading Systems Klein Futures Chicago Board of Trade (CBT) Rule Enforcement Review

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	Federal Reserve Board Margin Report
Enforcement	Due to the confidential nature of its work, the Division of Enforcement does not list its priorities for the upcoming quarter. See the <i>Accomplishments</i> section for recent work completed by the Division of Enforcement.
International Affairs	International Organization of Securities Commissions (IOSCO) International Initiatives Information Sharing Technical Assistance

<b>All Goals</b>		
<b>Division/Office</b>	<b>Priority Items</b>	
Executive Director	Staff Task Force on Regulatory Reform Intranet Data Center Closure Long Range Information Resources Management (IRM) Planning	Technology Advances Special Events and Training Human Resources (OHR) Initiatives Space Management Financial Management (OFM)

## Division Priorities by Agency Goal: *Upcoming Third Quarter, FY 2000*

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

### Division of Trading & Markets (T&M) — Goal One Priorities:

**Merchants' Exchange of St. Louis** – The Division is considering an application from the Merchants' Exchange of St. Louis, L.L.C. (MESL) for designation as a contract market for the automated trading of deliverable Illinois Waterway and St. Louis Harbor barge rate futures contracts on an electronic trading system. MESL has not previously been approved by the Commission as a contract market in any commodity. MESL is arranging for the Board of Trade Clearing Corporation to provide all clearance and settlement functions and for the National Futures Association (NFA) to perform several of MESL's required regulatory functions. MESL's application was published for comment in the *Federal Register* on February 1, 2000 (65 FR 4805). Four favorable comments were received.

**BrokerTec** – The Division will review BrokerTec's proposal for a new exchange and affiliated clearing house. The Division plans to publish the proposal for comment in the *Federal Register* and proceed with its analysis.

### Division of Economic Analysis (DEA) — Goal One Priorities:

**Large Trader Reporting** – Staff will continue to work with the Office of Information Resources Management (OIRM) to improve the performance of the new client-server surveillance system. This will remain a significant resource commitment for the remainder of the calendar year. Efforts also are being made to have all exchanges provide settlement prices and option deltas in a more timely manner.

**Rule Change Procedures** – Proposed revisions to the expedited rule approval procedures were published in the *Federal Register* on July 15, 1999 (64 FR 38159). The proposal is being reconsidered in light of a broader notice of proposed rulemaking on regulatory reform.

**Staff Task Force on Regulatory Reform** – The staff task force on the Commodity Exchange Act (CEA) and Commission regulations has begun work on a notice of proposed rulemaking.

**Regulatory Issues of Single Stock Futures** – Research staff will continue to examine the regulatory and economic issues associated with trading in single stock futures.

**Evaluation of Alternative Execution Procedures in Futures Markets** – Research staff are examining market integration and fragmentation issues and the evaluation of the advantages and disadvantages of open-outcry versus electronic trading systems.

**Annual Review of Stock Index Margins** – The Market Surveillance staff, working with staff from the Division of Trading and Markets, will complete the annual report to the Board of Governors of the Federal Reserve System describing the Commission's review of stock index futures and option margins.

**Milk Futures Price Volatility Study** – Division staff will undertake a Congressionally-mandated study of the impact of maximum daily price limits on price volatility for milk futures contracts. As directed by Congress, the study will compare the relationship between milk futures price limits and milk futures price volatility to the relationship of price limits and price volatility for other major agricultural futures contracts.

### Office of the General Counsel (OGC)—Goal One Priorities:

**Regulatory and Legislative Matters** – As the Commission's chief legal advisor, OGC will advise the Commission concerning proposed legislation to amend the CEA and other legislative and regulatory matters.

**Office of the Executive Director (OED)—Goal One Priorities:**

**Systems Development Projects** – OIRM will continue the transfer of the Exchange Database System to a client/server environment during the third quarter. In the third quarter, all functions necessary to complete the closure of CFTC's Chicago Data Center will be completed.

**Office of International Affairs (OIA)—Goal One Priorities:**

**Information Sharing Arrangement with UK Market Authorities** – OIA will finalize an Arrangement on Warehouse Information with the U.K. Financial Services Authority (FSA) that is intended to facilitate the exchange of information between the Commission and the FSA for surveillance and enforcement purposes, regarding deliverable commodities that are traded in both jurisdictions.

**Office of Legislative and Intergovernmental Affairs (OLIA)—Goal One Priorities:**

**Legislative Support Activities** – Staff will monitor legislative initiatives and advise the Commission and its staff about proposals that may affect the Commission, the CEA, or the administrative responsibilities of the agency. OLIA staff will pay particular attention to: (1) issues, hearings, and legislation related to the reauthorization of the Commission and reform of the CEA; (2) bills providing appropriations for the Commission; and (3) other legislation which may affect the agency in the performance of its mission.

**Liaison Activities** – OLIA will continue to meet with Congressional staff to keep them informed of Commission actions. Where appropriate, staff will organize briefings for Congressional staff. OLIA will continue to help the Commission respond to requests from the General Accounting Office (GAO) and other Federal agencies.

## Division Priorities by Agency Goal: *Upcoming Third Quarter, FY 2000*

**Goal Two: Protect market users and the public.**

**Office of the General Counsel—Goal Two Priorities:**

**Opinions** – OGC will advise the Commission on the resolution of pending administrative enforcement and reparations appeals and appeals from disciplinary decisions of self-regulatory organizations.

**Litigation** – During the quarter, OGC will defend the Commission in at least six appeals to the United States Courts of Appeals that may be briefed or argued during the quarter, including *CFTC v. Blitz*, No. 99-4142 (7<sup>th</sup> Cir.); *Commodity Trend Service v. CFTC*, No. 99-4143 (7<sup>th</sup> Cir.); *CFTC v. Field et al.*, No. 00-1764 (7<sup>th</sup> Cir.); *CFTC v. Princeton Global, et al.*, No. 00-6084 *et seq.* (2d Cir.); *Scheufler v. CFTC*, No. 98-70403 (9<sup>th</sup> Cir.); *CFTC v. Noble Wealth Data Information Services, Inc.*, No. 98-3316 (4<sup>th</sup> Cir.); and *Tucker, et al. v. CFTC*, Nos. 99-4084 *et seq.* (2d Cir.). OGC will represent the Commission in United States District Court in an appeal from a significant ruling of a United States Bankruptcy Court, in *In re Griffin Trading Co.*, No. 00-C-2056 (N.D.Ill.), and will continue to represent the Commission in United States District Court in an action raising challenges to the provisions of the Commodity Exchange Act governing registration of CTAs, *Agora, Inc. v. Born*, C.A. No. JFM 98-3453 (D. Md.).

**Division of Trading and Markets—Goal Two Priorities:**

**Statutory Disqualification from Registration** – The Division will recommend that the Commission revise its "Guidance Letter" to NFA concerning the standards to be used by NFA when reviewing the disciplinary histories of applicants and registrants in the floor broker and floor trader registration categories. The current Guidance Letter issued in December 1997 directs NFA to apply an enhanced version of the standards set forth in Commission Rule 1.63 (which governs the standards for service on self-regulatory organization (SRO) boards) when evaluating whether SRO disciplinary actions constitute "other good cause" to deny, condition, or revoke registration pursuant to Section 8a(3)(M) of the Act.

**Division Priorities by Agency Goal: *Upcoming Third Quarter, FY 2000***

*Goal Three: Foster open, competitive, and financially sound markets.*

**Division of Trading & Markets—Goal Three Priorities:**

**Regulatory Reform** – The Division will evaluate regulatory reform proposals identified by the Commission, the industry, and other interested persons and will identify additional areas where regulations can be modernized and streamlined. Specific issues the Division will address are:

- **Exchanges and Clearing Houses.** The Division will work on proposals for regulatory reform related to exchanges and clearing houses. Specifically, the Division will draft a proposed Part 37 to regulate derivatives transaction facilities, Part 38 to regulate recognized futures exchanges, and Part 39 to regulate recognized clearing organizations.
- **Denomination of Customer Funds and Location of Depositories.** The Commission published a concept release on December 30, 1997, to obtain the views of the public on how to address the risks related to holding segregated funds offshore or in foreign currencies (62 FR 67841). Division staff is engaged in informal discussions with industry participants concerning a proposed rule.
- **Investment of Segregated Customer Funds.** The Division is preparing a proposed rule that would expand the list of permissible investments for segregated customer funds.

**Regulation 1.59: Insider Trading Restrictions** – On December 28, 1999, the Commission published a proposal to amend Commission Regulation 1.59 which addresses various trading prohibitions imposed on persons associated with SROs (64 FR 72587). The comment period for the proposal ended January 27, 2000.

**CTA and CPO Performance Reporting and Disclosure Issues** – On August 2, 1999, the Commission published a proposed rulemaking regarding CTA and commodity pools rate-of-return and disclosure issues (64 FR 41845). Comments on the proposed rule were received and staff is now preparing a final rulemaking.

**Commodity Pool Exemption** – The staff intends to recommend a final rule amendment adding to those entities considered *not* to constitute commodity pools under Rule 4.5, employee benefit plans defined as "church plans" under the Employee Retirement Income Security Act of 1974 (ERISA). The proposed rule was published on March 1, 2000 (65 FR 10939).

**Hedge Fund Reporting** – Staff is preparing for Commission consideration a *Federal Register* release of a proposed rule which would require all persons trading commodity interests in certain large pools to file quarterly financial reports that include quantitative risk information. The proposed Commission rule is in response to a recommendation of the President's Working Group on Financial Markets.

**Chicago Mercantile Exchange Block Trading Proposal** – The Division is currently considering a proposal from the CME to establish block trading procedures at the CME. Under the proposed procedures, qualified market participants would be allowed to negotiate and arrange futures transactions of a minimum size bilaterally away from the centralized, competitive market. Once the specific terms of the block transaction had been agreed to, the counterparties would report the relevant details of the transaction to the Exchange for clearing and settlement. The Commission will publish the CME's proposal for public comment in the *Federal Register* on April 7, 2000 (65 FR 18312). The comment period for the proposal closes on April 24, 2000.

**De-Mutualization** – The Division is currently considering proposals from the New York Mercantile Exchange (NYMEX) and the CME to convert the exchanges from not-for-profit membership

organizations into for-profit entities. The Division also expects to receive a similar demutualization proposal from the CBT in the near future.

**Restrictions on Withdrawal of Equity Capital from an FCM** – The Division will recommend that the Commission adopt final rule amendments easing certain restrictions on the withdrawal of equity capital from an FCM.

**Automated Trading Systems** – The staff will evaluate requests for no-action relief filed by the London Securities and Derivatives Exchange, the Hong Kong Futures Exchange, and Eurex CH with respect to access to their automated trading systems from within the US.

**Klein Futures** – The Division will review and analyze the events leading to the problems at Klein Futures & Co. and responses thereto, and will prepare recommendations as appropriate.

**CBT Rule Enforcement Review** – The Division will complete its rule enforcement review of the CBT's trade practice and disciplinary programs.

**Federal Reserve Board Margin Report** – T&M will assist DEA with preparation of the seventh annual Board of Governors of the Federal Reserve System (FRB) Margin Report. The Commission is required to report annually to the FRB concerning stock index futures margins, pursuant to authority delegated by the FRB to the Commission in 1993. DEA prepares the report which discusses margin levels. T&M assists DEA by reviewing other risk management program features of the exchanges and clearing organizations where stock index futures products are traded and cleared.

**Office of International Affairs—Goal Three Priorities:**

**International Organization of Securities Commissions (IOSCO)** – OIA will continue to coordinate Commission activities within the IOSCO Technical Committee and working groups, including: completion within Working Party 2 on Secondary Markets of the development of principles for the oversight of cross-border electronic systems; completion of work on a regulatory survey measuring international compliance with IOSCO Core Regulatory principles; work of a joint IOSCO-CPSS (Committee on Payment and Settlement Systems) Task Force on settlement systems; and work of the IOSCO Internet Task Force.

**International Initiatives** – OIA will continue to provide comment and guidance upon request to US Treasury staff regarding the Financial Stability Forum and other initiatives to strengthen global financial architecture.

**Information Sharing** – OIA will continue to work on information sharing arrangements for regulatory purposes with Italian and French authorities.

**Technical Assistance** – OIA will continue to organize technical assistance activities, including completion of a memorandum of understanding for technical assistance with Russian regulatory authorities. OIA will organize the Commission's annual training seminar for foreign regulators.

**Division Priorities by Agency Goal: *Upcoming Third Quarter, FY 2000***

*All Goals*

**Office of the Executive Director—All Goals:**

**Staff Task Force on Regulatory Reform** – A Commission-wide staff task force will draft proposed rules designed to implement a new regulatory structure.

**Intranet** – The Office of the Executive Director (OED) will continue development and implementation of new features of the Commission's Intranet. Development of CFTC Docs, the Commission's new document management system, will continue throughout the third quarter.

**Data Center Closure** – OIRM will complete the closure of the Chicago Data Center during the third quarter.

**Long Range IRM Planning** – OED is working with Electronic Data Systems to conduct a comprehensive assessment of OIRM's mission, organization, staffing, and funding to ensure that the Commission is well-positioned to meet future technology demands. This external assessment will provide an objective analysis of current systems and activities, identify strengths and weaknesses, and make recommendations to improve systems, operations, management, and staffing.

**Technology Advances** – OIRM will complete the deployment of equipment to upgrade the Washington, New York, and Chicago local area networks to 100,000,000 bit per second capacity during the third quarter. OFM will complete the upgrade of Travel Manager, the agency's travel management system, to a web-based version which will be easier to use and provide faster processing time. OFM will complete staff training on the new system. OAS will implement a tracking system for customer requests to better ensure timely completion of requests and customer satisfaction. OHR will implement a new database to track personnel actions (SF 52) and will streamline its process for informing staff of OHR initiatives.

**Special Events and Training** – OHR with the Training Advisory Group will continue to plan FY 2001 training initiatives and the Summer Intern Training Program. OHR will complete the staffing of the FY 2000 Summer Intern Program. The Learning Resource Center will be relocated in the CFTC Library. The multi-functional Center will be a repository for training and educational materials, provide career development applications, and serve as a resource for various outreach efforts, programs, and initiatives.

**Human Resources Initiatives** – OHR will continue its work to finalize The Alternative Dispute Resolution and Grievance Instruction and revise the Merit Promotion Plan.

**Space Management** – OAS will continue to manage several space alteration projects and will also orchestrate and conduct an agencywide emergency preparedness exercise.

**Financial Management** – OFM will obtain Commission approval of the FY 1999 Performance Report for submission to Congress; submit, together with OLIA, the Questions for the Record proceeding from the briefing of the staff of the House Committee on Appropriations; issue guidance on the formulation of the FY 2002 Budget and Annual Performance Plan; issue guidance in the formulation of the revised Strategic Plan; brief the Chairman on the Status of FY 2000 Funds; and issue the Quarterly Performance Report for the 1<sup>st</sup> and 2<sup>nd</sup> Quarters and instructions for formulating the 3<sup>rd</sup> Quarter Report.

**Summary of Accomplishments by Agency Goal: Second Quarter, FY 2000**

<b>Goal One: Protect the economic functions of the commodity futures and option markets.</b>	
<b>Division/Office</b>	<b>Areas of Accomplishment</b>
Economic Analysis	Contract Market Designations New Contract Certification Filings Large Trader Reporting Staff Task Force on Regulatory Reform Regulatory Issues of Single Stock Futures
Trading and Markets	FutureCom
Legislative & Intergov'tal Affairs	Legislative Support Activities Liaison Activities
Enforcement	Trade Practice
General Counsel	Exemption from Registration for CTAs

<b>Goal Two: Protect market users and the public.</b>	
<b>Division/Office</b>	<b>Areas of Accomplishment</b>
General Counsel	Commission Opinions and Orders Litigation
Enforcement	Fraudulent Activity Violation of Trading Prohibition Quick-Strike Matters Illegal Instruments Cooperative Enforcement Statutory Disqualification

<b>Goal Three: Foster open, competitive, and financially sound markets.</b>	
<b>Division/Office</b>	<b>Areas of Accomplishment</b>
Trading & Markets	Cantor Financial Futures Exchange Block Trading Program Electronic Signature CPOs and CTAs Comex Gold Options Review Automated Trading Systems
Enforcement	Financial, Supervision, and Compliance International Cooperation
International Affairs	IOSCO International Initiatives International Regulators Meeting

<b>All Goals</b>	
<b>Division/Office</b>	<b>Areas of Accomplishment</b>
Executive Director	Year 2000 Rollover CFTC Five-Year Plan for Information Resources Management Financial Management Special Events and Training Human Resources Initiatives Reporting Administrative Services Technology Advances Procurement

## Division Accomplishments By Agency Goal: *Second Quarter, FY 2000*

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

### Division of Economic Analysis—Goal One Accomplishments:

**Contract Market Designations** – The Commission approved 14 designation applications this quarter, including the Cantor Financial Futures Exchange (CFFE) five- and ten-year agency notes futures; the CME western, southeastern, and southwestern oriented strand board futures and options, and its five- and ten-year agency notes futures and options; and the FutureCom live cattle future and option. The CME oriented strand board and agency note contracts and the CFFE agency note contracts were deemed approved under fast-track procedures.

**New Contract Certification Filings** – The Commission adopted a new Rule 5.3 permitting exchanges to list contracts for trading without Commission approval. The rule became effective on January 25, 2000. Contracts filed under the certification procedures include the CFFE five- and ten-year agency notes futures, the CBT five- and ten-year agency notes futures and options, and the CME e-mini lean hogs future and option.

**Large Trader Reporting** – The new Integrated Surveillance System (ISS), using client-server software, was put into production in December 1999, replacing the old mainframe system. During the second quarter DEA Surveillance staff and OIRM staff continued to devote considerable time to modifying the new system to improve performance.

**Staff Task Force on Regulatory Reform** – Staff participated in a task force on the CEA and Commission regulations. The findings of the task force were presented to the Commission and the final report, *A New Regulatory Framework*, was made available to the general public on the Commission's website in February, 2000.

**Regulatory Issues of Single Stock Futures** – Research staff provided an analysis to the Division of Trading and Markets on feasible margin requirements for selected stocks.

### Division of Trading & Markets—Goal One Accomplishments:

**FutureCom** – On March 13, 2000, the Commission designated FutureCom, LTD., a new proprietary-owned exchange that will operate entirely on the internet, as a new contract market for the trading of live cattle futures and options contracts. In addition to being the first internet-based commodity exchange, FutureCom is unique in that every member will be a self-clearing member and orders will not be accepted by the system in the absence of the required amount of margin to support the position on deposit with FutureCom at its clearing bank. NFA will perform financial and recordkeeping surveillance over FutureCom members that are Commission registrants.

### Office of Legislative & Intergovernmental Affairs—Goal One Accomplishments:

**Legislative Support Activities** – Throughout the quarter, OLIA coordinated Commission testimony and written submissions to Congress in support of appropriations for FY 2001. OLIA coordinated briefings for both Senate and House Agriculture Appropriations Subcommittee staff on the Commission's appropriations request for FY 2001. OLIA assisted in the preparation of written testimony for the Senate and House Agriculture Appropriations Subcommittees. OLIA coordinated testimony by Chairman Rainer on the President's Working Group on Financial Markets Report on Over-the-Counter (OTC) Derivatives Markets and the CEA before the Senate Committee on Agriculture, Nutrition and Forestry, on February 10, 2000. OLIA coordinated testimony by CFTC General Counsel C. Robert Paul on the same report before the House Subcommittee on Risk Management, Research, and Specialty Crops on February 15, 2000. OLIA has continued to coordinate the Commission's comments on the proposed reform of the nation's bankruptcy laws; this legislative issue remains unfinished.

**Liaison Activities** – OLIA continued to provide liaison for the Commission with GAO, including studies on reform of the Shad-Johnson Accord, which was completed during the quarter, and on electronic trading, expected to be issued in the very near future.

**Division of Enforcement—Goal One Accomplishments:**

**Trade Practice** – The Enforcement program has continued to pursue actions that address specific types of fraudulent trade practices affecting the interests of customers and the integrity of futures markets. During the second quarter of FY 2000, the Enforcement program filed the following statutory disqualification actions (discussed in detail in Goal Two Accomplishments below) that were generated by its efforts to protect market integrity: *In re Capital Insight Brokerage, Inc.*, CFTC Docket No. SD 00-01 (CFTC filed February 16, 2000), and *In re Itzkowitz*, CFTC Docket No. SD 00-03 (CFTC filed March 31, 2000).

**Office of the General Counsel (OGC)—Goal One Accomplishments:**

**Exemption from Registration for CTAs** – OGC recommended that a final rule be adopted that exempts from registration requirements certain CTAs who provide advice by means of media such as newsletters, Internet web sites, and non-customized computer software. The Commission published the final rule in the *Federal Register* on March 10, 2000 (65 FR 12938).

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**Division Accomplishments By Agency Goal: Second Quarter, FY 2000**

<i>Goal Two: Protect market users and the public.</i>
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**Office of the General Counsel—Goal Two Accomplishments:**

**Commission Opinions and Orders** – OGC assisted the Commission in administrative adjudicatory matters, including a decision in *Modlin v. Cane*, CFTC Docket No. 97-R083 (March 15, 2000), that involved an appeal from a reparations award of over \$74,000 plus interest and costs to complainant. The Administrative Law Judge (ALJ) concluded that respondents fraudulently induced complainant to open a futures account and then lulled complainant to continue trading in the face of losses. On appeal, the Commission affirmed the ALJ's liability conclusions but reduced complainant's damage award to approximately \$67,000 plus interest and costs.

**Litigation** – During the quarter, the Commission prevailed in the United States Court of Appeals in a challenge to its finding that four traders at the CBT had engaged in noncompetitive and prearranged trading in violation of the CEA, *Elliott v. CFTC*, 202 F.3d 926 (7<sup>th</sup> Cir. 2000). The Commission prevailed in the dismissal by a United States District Court of a petition for mandamus in which the petitioner sought to enjoin an ongoing CFTC administrative proceeding, *Great Plains Coop v. CFTC*, 205 F.3d 353 (8<sup>th</sup> Cir. 2000). In another appeal, the Commission obtained affirmance of its findings of liability on the part of a fraudulent marketer of futures trading software, but the case was remanded to the Commission for recalculation of civil monetary penalties. *R&W Technical Services, Ltd. v. CFTC*, 205 F.3d 165 (5<sup>th</sup> Cir. 2000).

OGC argued two appeals to the United States Courts of Appeals during the quarter, *First American Discount Corp. v. CFTC*, No. 99-1098 (D.C.Cir.) and *Slusser v. CFTC*, No. 99-2947 (7<sup>th</sup> Cir.). OGC completed briefing in two other appeals, *CFTC v. Blitz*, No. 99-4142 (7<sup>th</sup> Cir.) and *Commodity Trend Service v. CFTC*, No. 99-4143 (7<sup>th</sup> Cir.).

In the wake of the promulgation by the Commission of new rules concerning the registration of CTAs, dismissals of three appeals and cross-appeals to the United States Courts of Appeals were obtained: *CFTC v. Blitz*, No. 00-1279 (7<sup>th</sup> Cir.), *Commodity Trend Service v. CFTC*, No. 00-1284 (7<sup>th</sup> Cir.) and *CFTC v. Taucher*, No. 99-5293 (D.C.Cir.). OGC moved during the quarter to dismiss a similar case pending in United States District Court, *Agora, Inc. v. Born*, C.A. No. JFM 98-3453 (D. Md.). OGC also represented the Commission in an action in United States District Court alleging discrimination in violation of the Rehabilitation Act and state law, *Schroeder v. Rainer*, No. 99-10330 (S.D.N.Y.).

OGC continued to represent the Commission in several bankruptcy cases involving Commission registrants, including *In re Griffin Trading Co.*, No. 98-41742 (Bankr. N.D.Ill.) and *In re Klitin*, No. 99-80001 (Bankr. E.D.N.Y.).

**Division of Enforcement—Goal Two Accomplishments:**

**Fraudulent Activity** – These cases involve registered and unregistered CTAs, CPOs, and/or FCMs who violate the anti-fraud provisions of the Act and Commission regulations.

*In re Sogemin Metals, Inc.* - In February 2000, the Commission issued an order simultaneously instituting administrative proceedings and accepting an offer of settlement from Sogemin Metals, Inc. (SMI), a registered Introducing Broker (IB), based on an unlawful and undisclosed commission arrangement involving SMI's brokering of futures and options transactions in metals for two Chilean clients, Corporacion Nacional del Cobre de Chile (Codelco), the world's largest producer of copper, and Empresa Nacional de Minería (Enami), another large producer. These transactions were executed by Sogemin Metals Limited (SML), SMI's parent company. The order found that SMI failed to disclose to Codelco and Enami that SML paid return commissions to a Cayman Islands company controlled by SML's Chilean agent, whose principals included individuals with close family connections to the head futures traders at Codelco and Enami. The order further found that this illegal scheme also involved kickbacks from these commissions to certain SMI senior employees and to the head futures traders at Codelco and Enami without the

knowledge of the management of those companies. Without admitting or denying the CFTC's findings, SMI consented to the entry of the order that: directed SMI to cease and desist from further violations, as charged; imposed a \$500,000 civil monetary penalty; and required SMI to comply with a series of undertakings to, among other things, adopt a strict monitoring procedure for commission rebates, revise SMI's internal procedures manual, and create an SMI compliance manual. *In re Sogemin Metals, Inc.*, CFTC Docket No. 00-4 (CFTC filed February 7, 2000).

*In re Osler* - In February 2000, the Commission filed a two-count administrative complaint against Darryl M. Osler, a registered associated person (AP) and former branch manager for Ceres Trading Group, Inc. (Ceres). The complaint alleged that between January 1996 and May 1999 Osler worked directly with Ceres' APs and instructed them to make false and misleading statements to customers regarding the profitability of trading options on commodity futures contracts and to impart a sense of urgency to trade that was false and unwarranted. The complaint further alleged that Osler instructed APs to use a sales script that misrepresented to customers that the seasonal price changes in heating oil offered a profit opportunity, and another sales script that misrepresented corn options prices as moving cent for cent with changes in the price of the underlying futures contract. Osler was also charged with failing to supervise diligently the APs working for him. *In re Osler*, CFTC Docket No. 00-05 (CFTC filed February 18, 2000).

*In re Currency Trading Systems, et al.* - In February 2000, the Commission filed a five-count administrative complaint against Currency Trading Systems (CTS), its principal, Joyce Roeder, and two of its employees, Glenn Cybulski and Michael Stewart. The complaint alleged that between February 1997 and July 1998, Roeder, through her company CTS, conducted seminars teaching individuals how to trade exchange-traded foreign currency futures contracts, and that Cybulski and Stewart were seminar teachers for CTS. The complaint further alleged that the respondents fraudulently solicited customers to attend trading seminars and purchase trading software through correspondence, newspaper advertisements, CTS's website, and pre-recorded telephone messages that made numerous misrepresentations, including: overstatement of the performance record of the currency trading system; respondents' backgrounds and trading records; and the risks involved. The complaint also alleged that, in addition to her seminar-related activities, Roeder managed at least four trading accounts pursuant to signed powers of attorney and acted as an unregistered CTA. *In re Currency Trading Systems, et al.*, CFTC Docket No. 00-06 (CFTC filed February 28, 2000).

*In re Den Hartog, et al.* - In March 2000, the Commission issued an order simultaneously instituting administrative proceedings and accepting offers of settlement from James Den Hartog and James Baumgard. The Commission's order found that between December 1995 and June 1996, Den Hartog, as general manager of Cooperative Elevator Association (Cooperative), engaged in unauthorized speculative trading that resulted in trading losses of approximately \$1 million to the elevator and made false written statements to conceal the trading losses from the elevator's board of directors. The order further found that Baumgard, a registered AP of FCM Farmers Commodities Corporation (FCC) and the account executive for Cooperative's hedge account at FCC, knew that Den Hartog was engaged in unauthorized speculative trading but failed to disclose this fact to his customer (Cooperative) or to his supervisors at FCC, and in fact assisted Den Hartog in an options trading strategy attempting to reduce or limit his trading losses. Without admitting or denying the CFTC's findings, Den Hartog and Baumgard consented to the entry of the order that: directed them to cease and desist from further violations, as charged; ordered Den Hartog and Baumgard to pay civil monetary penalties of \$10,000 and \$25,000, respectively; suspended Baumgard's AP registration for 60 days followed by two years of conditional registration; imposed a permanent trading ban on Den Hartog (except for hedge trading solely on behalf of his hog breeding company); ordered Den Hartog to comply with his undertaking never to seek registration in any capacity or to engage in any activity that would require registration; and ordered Baumgard to comply with his undertaking to pay FCC \$75,000 in connection with his conduct in this matter. *In re Den Hartog, et al.*, CFTC Docket No. 00-07 (CFTC filed March 7, 2000).

**Violation of Trading Prohibition – *In re Brenner, et al.*** - In March 2000, the Commission filed a two-count administrative complaint against Steven C. Brenner and his wife, Jami Weisner Brenner. The complaint alleged that Steven Brenner violated the Act by trading commodity futures between January 1995 and October 1999 in violation of a ten-year trading prohibition

imposed by the Commission in August 1990. See *In re Brenner*, CFTC Docket No. 90-7 (ALJ entered August 27, 1990); see also *CFTC v. Brenner*, No. 92C4350, Consent Order of Permanent Injunction (N.D. Ill. entered July 7, 1992) (prohibiting Brenner from trading in violation of the Commission's 1990 order). The complaint further alleged that Brenner's wife aided and abetted her husband's violations by opening trading accounts in her name and allowing her husband to trade through them. *In re Brenner, et al.*, CFTC Docket No. 00-08 (CFTC filed March 30, 2000).

Other Enforcement Results: During the second quarter of FY 2000, the Commission obtained results in the following cases previously filed in this area:

- *In re Dunhill Financial Group, Inc., et al.*, CFTC Docket No. 99-7, Order Making Findings And Imposing Remedial Sanctions As To Respondents Dunhill Financial Group, Inc. And Mark Hutcherson (CFTC entered February 4, 2000) (fraudulent solicitation by IB/APs via bulk e-mail; without admitting or denying the CFTC's findings, Hutcherson and Dunhill consented to the entry of the order that: found Dunhill and Hutcherson liable for fraudulent solicitation and for having failed to diligently supervise Dunhill's agents and APs in their solicitations and Dunhill's employees in preparing Dunhill's promotional materials; further found Hutcherson liable as a controlling person of Dunhill and for aiding and abetting Dunhill's fraud; ordered Dunhill and Hutcherson to cease and desist from further violations, as charged; revoked their registrations; imposed permanent trading prohibitions against both Dunhill and Hutcherson; ordered Hutcherson to pay a \$10,000 civil monetary penalty and \$8,308,621 in restitution, the latter pursuant to a payment plan; and ordered Dunhill and Hutcherson to comply with their undertakings never to seek registration in any capacity).
- *CFTC v. Pelton Street Publishing, Inc., et al.*, No. 99-CV-1184, Order Of Permanent Injunction And Other Equitable Relief, By Consent, Against Pelton Street Publishing, Inc. and Roger Martin Hoy A/K/A Roger Martin (D. Minn. entered February 8, 2000) (fraudulent solicitation of customers to purchase a commodity trading course; without admitting or denying the allegations of the complaint, the defendants consented to entry of the order that permanently enjoined them from: further violations, as charged; seeking registration in any capacity or engaging in any activity that would require registration; and soliciting or accepting funds in connection with the trading of commodity futures or options on commodity futures. The defendants also were ordered to pay, jointly and severally, restitution of \$120,000 to their customers).
- *CFTC v. Berzins*, No. 3:99cv592 (E.D. Va. entered January 18, 2000) (commodity pool operator fraud; without admitting or denying the allegations in the complaint, Berzins consented to the entry of the order that: permanently enjoined him from further violations, as charged; imposed a permanent trading ban (allowing him to apply to the court for permission to trade after ten years; Berzins must give the Commission 30 days notice prior to making such application); and ordered Berzins to pay restitution of \$1,223,634, plus pre-judgment interest of \$200,822 and post-judgment interest to pool participants pursuant to a five and one-half year payment plan).
- *CFTC v. Hudkins, et al.*, No. 3:98 CV 0281AS, Consent Orders Of Permanent Injunction And Other Equitable Relief Against Bart BeMiller, Steven D. Hudkins, and Robert J. Riethman (N.D.Ind. entered January 12, 2000) (commodity pool fraud; BeMiller and Hudkins admitted to the allegations of the complaint and the findings in their respective orders; Riethman neither admitted nor denied the allegations or findings; the three defendants consented to entry of separate orders that: found that they had fraudulently solicited customers for two commodity pools and misappropriated \$467,559 in investors' funds; ordered them permanently enjoined from further violations, as charged, and permanently enjoined from seeking registration; ordered restitution of \$660,157 (BeMiller and Hudkins, jointly and severally), \$255,175 (Hudkins), and \$33,330 (Riethman); ordered disgorgement of \$592,395 (Hudkins), \$69,722 (BeMiller), and \$3,000 (Riethman), provided that the payment of the restitution amount by a particular defendant would satisfy that defendant's obligation to pay disgorgement; and ordered Riethman to pay a \$10,000 civil monetary penalty).

- *CFTC v. FTI Financial Group, et al.*, No. 97 C 7061, Consent Order Of Permanent Injunction And Other Equitable Relief Against FTI Financial Group, Samuel H. Foreman, Mark G. Stevens, and Carolyn F. Munn (N.D. Ill. entered March 24, 2000) (commodity pool fraud; the settling defendants, while neither admitting nor denying the allegations of the complaint, consented to the entry of the order that: ordered them permanently enjoined from further violations, as charged; and ordered them to pay, jointly and severally, \$860,444.70 in restitution, including prejudgment interest, pursuant to a payment plan).
- *In re Lexus Financial Group, Inc., et al.*, CFTC Docket No. 97-4, Order Making Findings And Imposing Remedial Sanctions As To Respondents Lexus Financial Group, Inc., David Alan Luger, and Mark Lee Singer (CFTC entered February 17, 2000) (IB/AP fraudulent solicitation; the respondents consented to the entry of the order that: found that, in radio infomercials and telephone solicitations, the respondents fraudulently solicited customers to purchase options on futures contracts; ordered the respondents to cease and desist from further violations, as charged, and imposed permanent trading bans on them; revoked Lexus's IB registration and Luger's and Singer's AP registrations; ordered Luger and Singer to pay, jointly and severally, \$8,613,570.44 in restitution, including prejudgment interest, pursuant to a payment plan; and ordered Luger and Singer to comply with their undertakings never to seek registration or to engage in any activity that would require registration).

**Quick-Strike Matters** – The Enforcement program is committed to responding quickly to investigations which uncover ongoing fraud. Quick-strike cases are civil injunctive actions which are generally filed in federal district courts within days or weeks of the discovery of the illegal activity, enabling the program to stop fraud at an early stage and to attempt to preserve customer funds. During the second quarter of FY 2000, the Commission filed the following quick-strike matter:

*CFTC v. Mobley, et al.* - In February 2000, the Commission filed a three-count civil injunctive action against David Mobley, Sr. and several entities that are owned or controlled by Mobley, including Maricopa Investment Fund, Ltd., Maricopa Index Hedge Fund, Ltd., Maricopa Financial Corporation, Ensign Trading Corporation, Maricopa International Investment Corporation, and IAM, Inc. The complaint alleged that the defendants carried out a \$59 million fraud on more than 170 investors in funds managed by Mobley and various entities he owned and controlled. The complaint further alleged that: the defendants, while operating as CPOs, failed to disclose to investors that their funds would be traded in commodity futures and options; Mobley caused certain defendants to issue reports to investors that fraudulently overstated the profitability of their investments, while concealing the fact that substantial losses had resulted from trading investor funds in commodity futures and options; and Mobley misappropriated investors funds and converted them for his own use and benefit to support a lavish lifestyle for himself and his family and associates, including an expensive vacation home near Vail, Colorado, sports cars, expensive jewelry, and trips on private jets. *CFTC v. Mobley, et al.*, No. 00 Civ. 1317 (RCC) (S.D.N.Y. filed February 22, 2000). On the date the complaint was filed, the district court entered a consent order of preliminary injunction and statutory restraining order. The consent order froze the defendants' assets, pending a hearing on the request for a permanent injunction, and preserved books and records and made them available to the CFTC. *CFTC v. Mobley, et al.*, No. 1317, Consent Order Of Preliminary Injunction And Statutory Restraining Order (S.D.N.Y. entered February 22, 2000). Two days later, the district court entered a consent order appointing a receiver. *CFTC v. Mobley, et al.*, No. 00 Civ. 1317 (RCC) (S.D.N.Y. entered February 24, 2000).

**Illegal Instruments** – The Enforcement program also investigates and prosecutes the sale of illegal futures and option contracts to the public. During the second quarter of FY 2000, the Commission filed an enforcement action in this area:

*CFTC v. IBS, Inc., et al.* - In March 2000, the Commission filed a three-count civil injunctive action, charging three individuals and six commonly-controlled corporations with fraudulently telemarketing illegal futures contracts in precious metals and other commodities. The complaint named as defendants IBS, Inc.; three corporations named IMC Trading, Inc., incorporated in North Carolina, Nevada, and Arizona, respectively; Joe Miller Company d/b/a IMC Trading; and Mazuma Trading Group, Inc. d/b/a Pinpoint Marketing, Ltd. (collectively referred to as the IMC Common Enterprise). The complaint also alleged that Joseph Finateri and Michael Temple were

telemarketers for the IMC Common Enterprise, and that Finateri and Alan Stein were controlling persons. Finally, the complaint named seven parties as relief defendants, charging that they received customer funds from defendants and that those funds should be returned to customers. Specifically, the complaint alleged that from 1992 through the date the complaint was filed, the defendants purported to buy and sell physical commodities on behalf of customers, but in fact, fraudulently marketed illegal futures contracts to the general public. The complaint further alleged that the defendants defrauded customers through misrepresentations concerning the profitability associated with their futures contracts and by failing to disclose the risk of near-certain losses. *CFTC v. IBS, Inc., et al.*, No. 3:00 CV 103-V (W.D.N.C. filed March 13, 2000). 'On the date the complaint was filed, the district court entered an *ex parte* restraining order that, among other things, froze the defendants' assets and appointed a receiver to take control of the IMC Common Enterprise. *CFTC v. IBS, Inc., et al.*, No. 3:00 CV 103-V, Statutory Restraining Order (W.D.N.C. entered March 13, 2000).

Other Enforcement Results: During the second quarter of FY 2000, the Commission obtained results in the following cases previously filed in this area:

- *In re Farmers Cooperative Co., et al.* - In January 1999, the Commission filed a five-count administrative action against Farmers Cooperative Company (Farmers Co-op), a cooperative grain elevator, and three of its employees, Richard Houge, John McPherson, and Larry Peterson. *In re Farmers Cooperative Co., et al.*, CFTC Docket No. 99-6 (CFTC filed January 12, 1999). In March 2000, the Commission issued an order accepting the respondents' offers of settlement. The order found that Farmers Co-op offered and entered into hedge-to-arrive (HTA) contracts that constituted futures contracts, as well as agricultural options contracts, that were not traded on a designated contract market. The order further found that Farmers Co-op operated as an unregistered FCM and failed to provide risk disclosure statements and monthly profit and loss statements to farmers. The three elevator employees were found to have aided and abetted various of Farmers Co-op's violations of the Act and Commission regulations. Without admitting or denying the CFTC's findings, the respondents consented to the entry of the order that: ordered each of the respondents to cease and desist from further violations, as charged; imposed, jointly and severally, a \$100,000 civil monetary penalty; ordered Farmers Co-op to comply with its undertaking to maintain procedures whereby its General Manager and the head of its Grain Division have the responsibility to review all new types of HTA contracts and any type of contract involving option features it plans to offer to producers to ensure the legality of such contracts; ordered Houge and McPherson to comply with their undertakings never to seek registration in any capacity or to engage in any activity that would require registration; ordered Peterson not to seek registration as an AP for six months and, if he seeks AP registration thereafter, to undertake to have his registration subject to conditions and sponsorship for two years. *In re Farmers Cooperative Co., et al.*, CFTC Docket No. 99-6, Order Making Findings And Imposing Remedial Sanctions (CFTC entered March 9, 2000).
- *In re Global Currencies, et al.*, CFTC Docket No. 97-13, Order Making Findings And Imposing Remedial Sanctions Against Leon Levitis, Ilya Levitis, and Paul Manfre (CFTC entered February 4, 2000) (fraudulent offer and sale of illegal foreign currency futures contracts to retail customers; the settling respondents, without admitting or denying the allegations of the complaint, consented to the entry of the order that: ordered the settling respondents to cease and desist from further violations, as charged; imposed permanent trading bans on L. Levitis and I. Levitis; and ordered L. Levitis and I. Levitis to neither apply for registration nor act in a capacity that would require registration).
- *CFTC v. Noble Wealth Data Information Services, Inc., et al.*, No. PJM 98-3316, Opinion and Order (D. Md. entered March 20, 2000) (fraudulent offer and sale of illegal foreign currency futures contracts to retail customers; granted the CFTC's motion for summary judgment and found that Noble Wealth principal Esfand Baragosh made fraudulent claims concerning Noble Wealth's illegal foreign currency contracts and bucketed customer orders; the court permanently barred Baragosh from the commodities industry, and ordered him to pay \$5,264,251 in restitution to defrauded customers and \$1,211,058 as a civil monetary penalty; Baragosh has appealed this decision to the United States Court of Appeals for the Fourth Circuit).

**Cooperative Enforcement** – Cooperative enforcement is an important element in promoting compliance with, and deterring violations of, federal commodities laws. Cooperative enforcement enables the Commission to maximize its ability to detect, deter, and sanction wrongdoing involving U.S. markets, registrants, and customers. Examples of the Division's cooperative enforcement efforts during the second quarter of FY 2000 include:

*CFTC v. Mobley, et al.* – This action was filed with the substantial assistance of the Federal Bureau of Investigation and coordinated with the filing of a related fraud action by the US Securities and Exchange Commission. *CFTC v. Mobley, et al.*, No. 00 Civ. 1317 (RCC) (S.D.N.Y. filed February 22, 2000) (described above in Fraudulent Activity discussion).

**Money Laundering Cooperative Efforts** – The Money Laundering Strategy Working Group (MLSWG) is chaired by the Treasury Department and the Department of Justice and includes US law enforcement authorities and financial regulators who meet on a bi-weekly basis to discuss the prevention, detection, and prosecution of money laundering through financial markets, and to implement the action items contained in the annual national money laundering strategies called for by the Money Laundering and Financial Crimes Strategy Act of 1998. In March 2000, the Treasury Department and the Department of Justice, with substantial assistance and input from the MLSWG, issued the National Money Laundering Strategy For 2000. The issues discussed and the initiatives contemplated have relevance to the CFTC's enforcement and regulatory programs.

**Internet Surf** – During the second quarter of FY 2000, the CFTC participated in an interagency "Internet Surf" with law enforcement and consumer protection agencies from 27 countries. The CFTC alone examined approximately 300 Internet websites and identified dozens for follow-up review. These sites involve commodity futures and options in a variety of ways, such as: computerized trading systems promising highly successful buy and sell signals; trade recommendations based on seasonal trends in the prices of commodities like heating oil and gasoline; and purported profit opportunities on commodities such as foreign currencies, or forex, precious metals, and stock indices.

**Statutory Disqualification** – The Enforcement program investigates and prosecutes administrative registration cases based on statutory disqualification (SD). While most SD actions are commenced by the NFA as part of its delegated authority to handle registration functions for the Commission, the Commission has retained authority to act directly in appropriate cases. Examples of these cases filed in the second quarter of FY 2000 include:

*In re Capital Insight Brokerage, Inc.* - In February 2000, the Commission simultaneously filed a Notice of Intent to Suspend, Revoke or Restrict Registration against Capital Insight Brokerage, Inc. (Capital Insight), a registered IB, and accepted Capital Insight's offer of settlement. The Commission's notice alleged, and its order found, that Capital Insight was subject to disqualification from registration based on a consent order of permanent injunction and other equitable relief entered against it on November 12, 1999 that found that Capital Insight participated in a fraudulent trade allocation scheme. See *CFTC v. Goldinger, et al.*, No. 99-11543 WMB, Consent Order (C.D. Cal. entered November 12, 1999). Without admitting or denying the charges in the Notice, Capital Insight consented to the entry of a Commission order that revoked its registration as an IB. *In re Capital Insight Brokerage, Inc.*, CFTC Docket No. SD 00-01 (CFTC filed February 16, 2000).

*In re Chulik* - In February 2000, the Commission simultaneously filed a Notice of Intent to Suspend, Revoke or Restrict Registration against Mark E. Chulik, a registered CTA, and accepted Chulik's offer of settlement. The Commission's notice alleged, and its order found, that Chulik was subject to disqualification from registration based on a consent order of permanent injunction entered against him on February 15, 2000 that found that Chulik acted as an unregistered CPO and violated the anti-fraud provisions of the Act and Commission regulations. See, *CFTC v. Chulik, et al.*, No. 99-02412 GAF, Consent Order of Permanent Injunction and Restitution (C.D. Cal. February 15, 2000). Without admitting or denying the charges in the Notice, Chulik consented to the entry of a Commission order that revoked his registration as a CTA. *In re Chulik*, CFTC Docket No. SD 00-02 (CFTC filed February 17, 2000).

*In re Itzkowitz* - In March 2000, the Commission filed a Notice of Intent to Suspend, Revoke or Restrict Registration against David Itzkowitz, a registered floor broker (FB) and member of the Coffee Sugar & Cocoa Exchange (CSCE). The Commission's notice alleged that Itzkowitz is subject to disqualification from registration based on a previous Commission statutory disqualification order and a subsequent CSCE disciplinary hearing. In July 1995, the Commission accepted Itzkowitz's offer of settlement and found that he was statutorily disqualified from registration based upon his prior Commission and CSCE disciplinary history, and granted Itzkowitz's application for registration as an FB subject to two years of conditions. *In re Itzkowitz*, CFTC Docket No. SD 95-20 (CFTC July 25, 1995). In July 1998, the CSCE found, in part, that Itzkowitz violated exchange rules by engaging in eleven instances of accommodation trading in August 1995, one month after the Commission granted Itzkowitz conditioned registration. The Commission's notice alleged that these facts constitute "other good cause" to suspend, revoke, or restrict Itzkowitz's FB registration. *In re Itzkowitz*, CFTC Docket No. SD 00-03 (CFTC filed March 31, 2000).

**Division Accomplishments By Agency Goal: Second Quarter, FY 2000**

**Goal Three: Foster open, competitive, and financially sound markets.**

**Division of Trading & Markets—Goal Three Accomplishments:**

**CFFE Block Trading Program** – On February 14, 2000, the Commission approved rules proposed by the CFFE which permit block trading in the CFFE's US Treasury Bond and US Treasury ten-year agency note futures contracts. The CFFE's block trading rules are the first the Commission has approved since issuing its Advisory on Alternative Execution, or Block Trading, Procedures for the Futures Industry on June 10, 1999 (64 FR 31195; 64 FR 34851 (corrections)).

**Electronic Signature** – On March 9, 2000, the Commission published a final rule, effective immediately, to permit customers to use an electronic signature in lieu of a handwritten signature whenever the latter had been required under the Commission's rules (65 FR 12466).

**CPOs and CTAs** – On March 2, 2000, the Commission published proposed amendments to Rule 4.7 that would add categories of persons to the definitions of the terms "qualified eligible participant" (QEP) and "qualified eligible client" (QEC) (65 FR 11253). CPOs operating pools with only QEPs as participants are subject to fewer requirements in the areas of disclosure, recordkeeping, and reporting than is the case for pools with non-QEP participants and CTAs have fewer disclosure and recordkeeping requirements with respect to accounts of QECs than for accounts of non-QECs.

**Comex Gold Options Review** – On March 10, 2000, the Division issued a review of trading in Comex gold options on September 28, 1999. On that date there was unprecedented trading volume in Comex gold options which resulted in significant problems in the execution and clearing and settlement of customer orders. The review sets forth the relevant facts surrounding trading on September 28 and recommends, among other things, that the Comex adopt or upgrade computer technologies for processing and recording gold option trades.

**Automated Trading Systems** – The Division issued a no action letter to the London International Financial Futures and Options Exchange (LIFFE) supplementing the original letter issued in July 1999 in connection with the placement of terminals in the US to provide access to LIFFE's automated trading system.

**Division of Enforcement—Goal Three Accomplishments:**

**Financial, Supervision, and Compliance** – In its efforts to promote sound practices of firms handling customer funds, the Enforcement program investigates and prosecutes registrants' failures to supervise diligently the handling of customer accounts and failures to establish adequate compliance systems to prevent fraud or market abuse, as well as other financial violations. The Commission's enforcement actions to remediate fraudulent activity also frequently seek to address violative conduct in this program area. During the second quarter of FY 2000, the Enforcement program filed the following enforcement actions (described in Goal Two Accomplishments above) that, in part, addressed these sorts of violations as well: *In re Sogemin Metals, Inc.*, CFTC Docket No. 00-4 (CFTC filed February 7, 2000); *CFTC v. Mobley, et al.*, No. 00 Civ. 1317 (RCC) (S.D.N.Y. filed February 22, 2000); *In re Currency Trading Systems, et al.*, CFTC Docket No. 00-06 (CFTC filed February 28, 2000); and *CFTC v. IBS, Inc., et al.*, No. 3:00 CV 103-V (W.D.N.C. filed March 13, 2000).

**Other Enforcement Results:** During the second quarter of FY 2000, the Enforcement program achieved the following results in an enforcement action previously filed in this area:

***In re First Options of Chicago, Inc.*** – In January 2000, the Commission issued two orders accepting offers of settlement from First Options of Chicago, Inc. (First Options), a registered FCM, in connection with two administrative actions filed in August and December 1998, respectively. In one order, the CFTC found that First Options approved radio advertisements and

a promotional document of one of its guaranteed IBs (International Futures Corp.), although they contained hypothetical performance results that were not accompanied by the cautionary statement required by Commission regulations and did not comply with the requirements for such advertisements and promotional materials set forth in the First Options compliance manual. See *In re International Futures Corp., et al.*, CFTC Docket No. 98-16, Order Making Findings and Imposing Remedial Sanctions as to Respondent International Futures Corp. (CFTC entered February 25, 1999). The order found that First Options was liable for the regulatory violation committed by its guaranteed IB. The order further found that First Options failed to diligently supervise its guaranteed IB in its review of the IB's advertisements and promotional material, and also in failing to determine whether the IB or its APs needed to register as CTAs. Without admitting or denying the CFTC's findings, First Options consented to the entry of the order that: directed it to cease and desist from further violations of Commission supervision and advertising regulations, as charged; and ordered the firm to pay restitution to customers in the amount of \$138,000 as well as a civil monetary penalty of \$25,000. *In re International Futures Corp., et al.*, CFTC Docket No. 98-16, Order Making Findings and Imposing Remedial Sanctions as to Respondent LIT Division of First Options of Chicago, Inc. (CFTC entered January 27, 2000).

In a second order, the CFTC found that First Options violated recordkeeping requirements by making delayed and incomplete responses to requests for documents in a Commission enforcement investigation. The order finds that First Options took almost 19 months to complete production of floor order tickets requested by the CFTC's Division of Enforcement, and failed to produce most of the requested carbon copies of floor orders. Without admitting or denying the CFTC's findings, First Options consented to the entry of the order that: directed it to cease and desist from further violations of the recordkeeping provisions of the Act and Commission regulations, as charged; ordered the firm to pay a civil monetary penalty of \$40,000; and required the firm to comply with its undertaking to maintain its recently-implemented compliance procedures or other procedures reasonably designed to ensure timely responses to regulatory requests for required records. *In re First Options of Chicago, Inc.*, CFTC Docket No. 99-3, Order Making Findings and Imposing Remedial Sanctions (CFTC entered January 27, 2000).

**International Cooperation** – The Division participated in a meeting of IOSCO Working Party 4 (WP4) on January 13-14, 2000. At this meeting, WP4 finalized its report on manipulation that will be published at IOSCO's annual meeting in May. WP4 also continued work on its current mandate on Cooperation in Parallel or Joint Investigations and Subsequent Enforcement Actions. The Division continued to assist and advise the US delegations to the Financial Action Task Force and the Financial Stability Forum, which are multi-agency and international cooperative task forces concerned with the prevention of money laundering.

**Office of International Affairs – Goal Three Accomplishments:**

**International Organization of Securities Commissions (IOSCO)** – OIA staff continued to participate in Technical Committee drafting groups that are preparing surveys for a high-level self-assessment on the extent to which the Objectives and Principles of Securities Regulation (Core Principles) have been implemented. OIA prepared a draft survey on evaluating compliance with secondary markets Core Principles. OIA also coordinated the Commission's activities within the Technical Committee's working group on secondary markets. OIA represented the Commission at a working group meeting which is developing a report on the regulation of electronic trading systems, and is participating in the development of principles for the oversight of cross-border systems. OIA participated in a joint meeting of IOSCO Working Party 2 and the Committee on Payment and Settlement Systems which is examining standards for cross-border settlement.

**International Initiatives** – OIA continued to coordinate the Commission's responses to position papers distributed by the Department of the Treasury in connection with its representation on the Financial Stability Forum, including a final report on highly leveraged institutions.

**International Regulators Meeting** – OIA organized the Commission's International Futures Regulators Meeting which took place during the FIA conference in Boca Raton, Florida. Financial service regulators from 23 jurisdictions discussed the structural and regulatory changes occurring as the result of technology and global competition and reviewed areas where further harmonization of national regulation might be possible for derivatives markets and intermediaries.

## Division Accomplishments By Agency Goal: *Second Quarter, FY 2000*

<i>All Goals</i>
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### Office of the Executive Director— All Goals Accomplishments:

**Year 2000 Rollover** – OIRM completed its Year 2000 rollover, according to the CFTC Business Continuity Contingency Plan, with a smooth transition to the year 2000.

**CFTC Five-Year Plan for Information Resources Management** – During the second quarter, the CFTC Five-Year Plan was issued. The Plan documents existing and planned information systems and the agency's computing infrastructure.

**Financial Management** – OFM prepared and the Commission approved the FY 2001 Budget and the Annual Performance Plan (APP). The FY 2001 Budget and APP was submitted in February. OFM prepared and the Commission reviewed the FY 1999 Performance Report for submission to Congress; the Report was undergoing Commission review at the end of the 2<sup>nd</sup> Quarter. OFM, together with OLIA, briefed the staff of the Senate and House Committees on Appropriations on the Commission's FY 2001 Budget Request; OFM prepared a Status of Funds Report and briefed the Chairman and the Chief of Staff on the Status of the FY 2000 Operating Budget; prepared and the Commission reviewed the Quarterly Performance Review for the 1<sup>st</sup> Quarter; prepared Budget Briefing Books for the Chairman in preparation for Congressional Hearings/Briefings on the FY 2001 Budget; installed an updated version of Travel Manager, and provided training to staff in Washington and Chicago; and issued five Travel Advisories in March (Actual Expenses Procedures; Travel Authorization and the Use of Travel Management; Travel Arrangement, Trip Cancellation and Unused Tickets; Common Travel Allowances/Disallowances and Agency Receipt Requirements; and Mandatory Use of Travel Charge Card for the Payment of Expenses of Official Government Travel).

**Special Events and Training** – OHR completed implementation of the Commission-wide Employee Assistance Program all-employee orientation and supervisory training. OHR and the Training Advisory Group completed the second semester of the Industry/Legal/Technical Program and the Nuts-and-Bolts segment of the Management Training Program. OHR sponsored a Stress Management Workshop in the New York Regional Office with the Federal Women's Program.

**Human Resources Initiatives** – OHR developed a CFTC-wide recruitment plan for FY 2000 and designed actions to support full use of FTEs as they become available. OHR successfully used alternative dispute resolution to resolve several performance and conduct issues during the second quarter. OHR developed a Commission policy for Professional Liability Insurance coverage and streamlined the process for making Physical Examination/Personnel Wellness profiles available to the CFTC staff. OHR implemented organizational cross-training in concert with Individual Development Plans which are being developed for staff.

**Reporting** – OHR submitted its annual report to the Office of Personnel Management (OPM) on Work Years and Personnel Costs. After OPM's 1999 onsite review of the agency's human resources program, OHR suggested several actions to the Commission; OHR reported to OPM that it has taken action on these suggestions.

**Administrative Services** – OAS has installed "duress buttons" in the Chicago and New York regional offices. During an emergency situation, the button is pressed and an alert is quickly sent to the proper authorities for immediate action. Additional security procedures have been instituted to safeguard CFTC personnel and property from unauthorized access. An advisory detailing these procedures was issued.

**Technology Advances** – OIRM completed the installation of a new telephone system in the New York regional office. OAS completed the installation of digital telephones for all staff at the GS-13 and above level in Washington.

**Procurement** – OAS issued the agency's Nationwide Acquisition Plan, which identifies agency requirements for acquisitions.

## **Part III: Annual Performance Statistics**

## Summary of Commission Outreach Efforts

*Second Quarter, FY 2000*

### Non-Recurring Outreach Efforts:

Quarterly meetings of Chairman Rainer and leaders of Exchanges  
Congressional briefings with OLIA staff

### Recurring/Established Outreach Efforts:

#### Advisory

Agricultural Advisory Committee  
Technology Advisory Committee  
Global Market Advisory Committee

#### Federal and State Working Relationships

President's Working Group on Financial Markets  
U.S. Department of Agriculture  
Securities and Exchange Commission  
Department of the Treasury  
Board of Governors of the Federal Reserve System  
New York Federal Reserve Bank  
Federal Deposit Insurance Corporation  
Department of Energy  
Department of Labor's Bureau of Labor Statistics  
Department of Justice  
Federal Bureau of Investigation  
Federal Trade Commission  
US Postal Inspection Service

#### Self-Regulatory

National Futures Association quarterly meetings

#### International

Foreign regulatory authorities  
International Organization of Securities Commissions (IOSCO)

### List of Interested Parties

All Exchanges and Self-Regulatory Organizations  
Public  
Congress  
The Administration  
Market Professionals  
Market Users  
Foreign Authorities  
Federal Departments and Agencies

**Analysis of Annual Performance Statistics By Agency Goal: Second Quarter, 2000**

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

*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. (Activities 1.1.1 through 1.1.7)*

**Annual Performance Goal:** No price manipulation or other disruptive actions.

**Activity 1.1.1: 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.**

<b>Activity 1.1.1 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Amount of large trader and exchange-generated reports collected.	24,050,000	3,200,000	7,700,000			10,900,000	45%	26,300,000
Number of projects/measures intended to reduce reporting burdens and related costs on the exchanges.	4	0	1			1	25%	4

**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.**

<b>Activity 1.1.2 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of active futures and option markets.	299	241	259			N/A	N/A	N/A
Number of market surveillance reports prepared on expiring contracts for indications of price manipulation or other market disruptions.	2,800	528	481			1,009	36%	2,100
Number of market surveillance analyses prepared and presented at Commission briefings.	300	62	71			133	44%	266
Active futures and options markets with emergencies or disruptive actions.	12	3	6			9	75%	12

**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.**

<b>Activity 1.1.3 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of designations reviewed.	74	7	14			21	28%	49
Number of designations reviewed within 45 days.	30	1	10			11	37%	30
Number of rule changes reviewed.	144	28	22			50	35%	100
Number of rule changes reviewed within 30 days.	114	18	15			33	29%	80

**Note:** TBD on FY 2000 Targets means that those statistics were not tracked by the Commission prior to FY 2000. A tracking system is currently in place to provide estimates in future years.

**Analysis of Annual Performance Statistics By Agency Goal: Second Quarter, 2000**

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

Outcome Objective 1.1 (Cont'd.)

**Activity 1.1.4: Identify possible manipulation and other abusive trading practices for investigation and possible enforcement or criminal action**

Activity 1.1.4 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of possible manipulation and other abusive trading practices identified.	TBD	N/A	N/A			N/A	N/A	N/A

**Activity 1.1.5: Investigate possible manipulation and other abusive trading practices.\***

Activity 1.1.5 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of such investigations opened during the quarter.	10	3	3			6	60%	10
Number of such investigations pending at close of the quarter.	20	21	23			N/A	N/A	24
Number of such investigations closed or resulting in enforcement action within one year of opening.	3	1	1			2	67%	3
Total number of such investigations closed or resulting in enforcement action during the quarter.	TBD	2	1			3	N/A	6

\*Individual Enforcement investigations and cases frequently concern issues that span more than one strategic goal. Accordingly, all performance indicators are reflected in each outcome objective achieved throughout the course of a matter. So, for example, if a case is filed which contains allegations of trade practice violations as well as supervision failures, that case will be reflected in the appropriate places under Goals One, Two, and Three.

**Activity 1.1.6: Institute enforcement cases concerning manipulation and other abusive trading practices.**

Activity 1.1.6 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of such cases filed during the quarter.	1	2	0			2	200%	2
Number of such cases filed within one year of opening the related investigation.	TBD	0	0			0	N/A	0
Number of such cases completed during the quarter.	1	1	2			3	300%	3
Number of such cases pending at the close of the quarter.	12	13	11			N/A	N/A	11

**Analysis of Annual Performance Statistics By Agency Goal: Second Quarter, 2000**

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

*Outcome Objective 1.1 (Cont'd.)*

**Activity 1.1.7: Sanction violators.\***

Activity 1.1.7 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Amount of money to be paid as disgorgement or restitution.	\$0	\$6,000,000	\$0			\$6,000,000	N/A	\$6,000,000
Amount of civil penalties.	\$800,000	\$625,000	\$0			\$625,000	78%	\$800,000
Number of cease and desist orders.	4	3	0			3	75%	4
Number of registration sanctions.	6	2	0			2	33%	6
Number of trading prohibitions.	6	3	0			3	50%	6
Amount of sanctions collected/recovered.	TBD	0	0			0	N/A	N/A

\*This Quarterly Performance Review only reflects sanctions which have become final by the close of the reporting quarter. Thus the output measures reported here include only sanctions in settled matters; unappealed decisions of the Commission, US District Courts, or US Circuit Courts of Appeals; and decisions of the US Supreme Court.

**Outcome Objective 1.2: Promote compliance with and deter violations of federal commodities laws.**  
(Activities 1.2.1 through 1.2.3)

**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 1.2.1: Participate in the President's Working Group on Financial Markets to ensure coordination of information and efforts among US financial regulators.**

Activity 1.2.1 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of President's Working Group meetings held (includes Steering Committee meetings).	24	6	6			12	50%	24
Number of President's Working Group meetings attended (includes Steering Committee meetings).	24	6	6			12	50%	24

**Activity 1.2.2: Maintain a current understanding of market functions and developments through studies and research.**

Activity 1.2.2 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of ongoing market research projects and studies.	14	3	1			4	29%	10
Number of market research projects and studies completed.	14	4	3			7	50%	10

**Analysis of Annual Performance Statistics By Agency Goal: Second Quarter, 2000**

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

*Outcome Objective 1.2 (Cont'd.)*

**Activity 1.2.3: 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, US Department of Agriculture publications, press releases, advisories, routine reports on large trader activity, etc.**

Activity 1.2.3 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of presentations at public roundtables conducted.	1	1	0			1	100%	1
Number of presentations at Advisory Committee meetings conducted.	4	1	1			2	50%	4
Number of market reports published.	8,600	2,144	1,977			4,121	48%	7,600
Number of requests for data from universities and private sources.	9	2	3			5	56%	10
Number of requests fulfilled.	9	2	3			5	56%	10
Number of large trader reports (routine and special) provided to other US financial regulators.	28	7	7			14	50%	28

**Goal Two: Protect market users and the public.**

*Outcome Objective 2.1: Promote compliance with and deter violations of federal commodities laws. (Activities 2.1.1 through 2.1.10)*

**Annual Performance Goal:** All known possible wrongdoing identified and investigated. All violators brought to justice.

**Activity 2.1.1: Identify and investigate possible fraudulent and other illegal activities relating to the commodity futures and option markets and their registrants.\***

Activity 2.1.1 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of such investigations opened during the quarter.	83	14	43			57	69%	83
Number of such investigations pending at close of quarter.	112	104	107			N/A	N/A	85
Total number of such investigations closed or resulting in CFTC action during the quarter.	TBD	23	40			63	N/A	42
Number of investigations closed or resulting in CFTC enforcement action within one year of opening.	42	9	18			27	64%	112

\*Individual Enforcement investigations and cases frequently concern issues that span more than one strategic goal. Accordingly, all performance indicators are reflected in each outcome objective achieved through the course of a matter. So, for example, if a case is filed which contains allegations of trade practice violations as well as supervision failures, any performance indicators associated with the case will be reflected in the appropriate places under Goals One, Two, and Three.

**Analysis of Annual Performance Statistics By Agency Goal: *Second Quarter, 2000***

**Goal Two: Protect market users and the public.**

*Outcome Objective 2.1 (Cont'd.)*

**Activity 2.1.2: Bring injunctive actions, including using "quick-strike" efforts to protect assets and to stop egregious conduct.**

<b>Activity 2.1.2 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of such injunctive actions filed using "quick-strike" procedures during the quarter.	8	0	1			1	13%	2
Total number of such injunctive actions filed during the quarter.	19	1	2			3	16%	6
Number of such injunctive actions completed during the quarter.	18	9	3			12	67%	18
Number of such injunctive actions pending at close of the quarter.	TBD	38	36			N/A	N/A	35

**Activity 2.1.3: Bring administrative cases involving fraud and other violations.**

<b>Activity 2.1.3 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of administrative cases filed.	12	3	5			8	67%	20
Number of such administrative cases filed within one year of opening the related investigation.	TBD	0	1			1	N/A	11
Number of such administrative cases completed during the quarter.	12	5	12			17	142%	29
Number of such administrative cases pending at the close of the quarter.	TBD	32	25			N/A	N/A	25

**Activity 2.1.4: Hear administrative cases.**

<b>Activity 2.1.4 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of administrative cases decided during the fiscal year.	23	2	3			5	22%	23

**Analysis of Annual Performance Statistics By Agency Goal: Second Quarter, 2000**

**Goal Two: Protect market users and the public.**  
*Outcome Objective 2.1 (Cont'd.)*

**Activity 2.1.5: Sanction violators.\***

Activity 2.1.5 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of statutory restraining orders obtained.	11	1	1			2	18%	5
Number of preliminary injunctions obtained.	10	3	1			4	40%	7
Number of permanent injunctions obtained.	20	7	6			13	65%	20
Amount of disgorgement and restitution granted.	\$55,000,000	\$48,000,000	\$25,000,000			\$73,000,000	133%	\$73,000,000
Amount of civil monetary penalties granted.	\$35,000,000	\$25,000,000	\$5,000,000			\$30,000,000	86%	\$35,000,000
Number of cease and desist orders obtained.	16	5	9			14	88%	26
Number of requests for registration restrictions granted.	8	2	3			5	63%	8
Number of requests for trading prohibitions granted.	11	4	4			8	73%	11

\*Previous budget documents have reflected sanctions obtained at any and all stages of a matter. So, for example, if an ALJ imposed a \$100,000 civil monetary penalty in a particular case in FY 1997, and on appeal the Commission imposed a penalty of \$150,000 in the same case in FY 1998, each figure was reflected in the year it was imposed. In order to more accurately reflect sanctions obtained, this year's budget will reflect only sanctions which become final during FY 1998. Thus, the sanctions projected for FYs 1998, 1999, and 2000 reflect only settled matters; unappealed decisions of the Commission, US District Courts, or US Circuit Courts of Appeals; and decisions of the US Supreme Court.

**Activity 2.1.6: Inform the public and the industry concerning allegations of wrongdoing and associated legal actions, including through publications and through Commission orders and reports describing the alleged violations and the Commission's legal and policy analysis.**

Activity 2.1.6 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of cases decided with published opinions.	11	1	0			1	9%	7
Number of cases decided by orders of summary affirmance.	9	1	0			1	11%	1

**Activity 2.1.7: Collect sanctions and civil monetary penalties against violators.**

Activity 2.1.7 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Amount of civil monetary penalties assessed.	TBD	N/A	N/A			N/A	N/A	N/A
Amount of civil monetary penalties collected.	\$1,500,000	\$127,086	\$927,553			\$1,054,639	70%	\$1,500,000

**Analysis of Annual Performance Statistics By Agency Goal: *Second Quarter, 2000***

**Goal Two: Protect market users and the public.**

*Outcome Objective 2.1 (Cont'd.)*

**Activity 2.1.8: Cooperate with the exchanges, the National Futures Association, other federal agencies, state governments and law enforcement entities, and foreign authorities to gain information for law enforcement purposes and to provide enforcement assistance as necessary and appropriate.**

<b>Activity 2.1.8 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of enforcement investigations in which resources were expended during the quarter in cooperative enforcement.	38	6	6			12	32%	38
Number of requests for enforcement assistance from foreign authorities.	25	7	6			13	52%	25
Number of requests for enforcement assistance made to foreign authorities.	25	4	5			9	36%	25

**Activity 2.1.9: Monitor the Internet and other communication media for fraudulent activities and other possible violations of the Act.**

<b>Activity 2.1.9 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of preliminary investigation referrals generated from Internet and media monitoring.	48	15	13			28	58%	48
Total number of CFTC enforcement preliminary inquiries pending at the close of the quarter.	TBD	70	74			N/A	N/A	N/A

**Activity 2.1.10: Resolve appeals in administrative enforcement matters and self-regulatory organization adjudicatory actions.**

<b>Activity 2.1.10 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of administrative enforcement appeals decided during the FY that were decided within six months.	3	0	0			0	0%	0
Number of administrative enforcement appeals resolved.	15	1	0			1	7%	8
Number of SRO adjudicatory action appeals decided during the FY that were decided within six months.	3	0	0			0	0%	0
Number of SRO adjudicatory action appeals resolved.	13	1	2			3	23%	4

**Analysis of Annual Performance Statistics By Agency Goal: *Second Quarter, 2000***

**Goal Two: Protect market users and the public.**

**Outcome Objective 2.2:** *Require commodities professionals to meet high standards. (Activities 2.2.1 through 2.2.3)*

**Annual Performance Goal:** No unregistered, untested, and unlicensed commodity professionals.

**Activity 2.2.1:** **Oversee the National Futures Association (NFA) registration program, including testing, licensing, and ethics training for commodities professionals.**

<b>Activity 2.2.1 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of registered commodity professionals.	66,000	65,147	65,470			N/A	N/A	66,000
Number of registrants compliant with standards regarding testing, licensing, and ethics training.	64,000	62,542	62,850			N/A	N/A	64,000
Number of CTA-NFA Registration Working Group meetings.	4	1	1			2	50%	4

**Activity 2.2.2:** **Oversee NFA's document disclosure review program.**

<b>Activity 2.2.2 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of disclosure documents reviewed.	100	5	7			12	12%	24
Number of deficiency letters issued.	10	1	0			1	10%	2
Number of CPO and CTA biennial review reports issued.	0	0	0			0	0%	0
Number of CPO/CTA interpretations, advisories, and proposed rule changes.	10	0	0			0	0%	6

**Analysis of Annual Performance Statistics By Agency Goal: *Second Quarter, 2000***

**Goal Two: Protect market users and the public.**

*Outcome Objective 2.2 (Cont'd.)*

**Activity 2.2.3: Investigate and bring administrative registration cases arising out of alleged statutory disqualification and obtain suspensions, revocations, conditions, or restrictions of registration.**

<b>Activity 2.2.3 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of statutory disqualification investigations opened during the quarter.	3	0	0			0	0%	3
Total number of statutory disqualification investigations closed or resulting in CFTC enforcement action during the quarter.	TBD	0	1			1	N/A	1
Number of statutory disqualification investigations closed or resulting in CFTC enforcement action within one year of opening the investigation.	4	0	0			0	0%	4
Number of statutory disqualification investigations pending at the close of the quarter.	TBD	2	1			3	N/A	1
Total number of statutory disqualification cases filed during the quarter.	7	0	3			3	43%	7
Number of statutory disqualification actions filed within one year of the opening of the relevant investigation.	TBD	0	1			1	N/A	1
Number of statutory disqualification actions completed during the quarter.	TBD	1	5			6	N/A	6
Number of statutory disqualification actions pending at the close of the quarter.	TBD	11	9			20	N/A	9
Number of respondents/defendants against whom the CFTC's request for registration restrictions has been granted.	TBD	2	2			4	N/A	4

**Analysis of Annual Performance Statistics By Agency Goal: *Second Quarter, 2000***

**Goal Two: Protect market users and the public.**

*Outcome Objective 2.3: Provide a forum for effectively and expeditiously handling customer complaints against persons or firms registered under the Act. (Activity 2.3.1)*

**Annual Performance Goal:** All customer complaints against persons or firms registered under the Act are resolved within one year from the date filed (does not include appeals).

**Activity 2.3.1: Provide a reparations program for commodities market users to make claims relating to violations of the Act.**

<b>Activity 2.3.1 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of reparations complaints filed.	200	30	29			59	30%	120
Number of reparations complaints forwarded for hearing as cases..	159	40	19			59	37%	120
Number of appeal cases decided during the FY that were decided within six months.	5	0	0			0	0%	0
Number of customer complaints resolved in fiscal year within one year of filing date..	TBD	N/A	N/A			N/A	N/A	N/A
Number of appeals resolved.	18	3	5			8	44%	18

**Goal Three: Foster open, competitive, and financially sound markets.**

*Outcome Objective 3.1: Ensure sound financial practices of clearing organizations and firms holding customer funds. (Activities 3.1.1 through 3.1.5)*

**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.

**Activity 3.1.1: Promulgate regulations to ensure sound business, financial, and sales practices in firms participating in the commodities industry.**

<b>Activity 3.1.1 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of firms required to transfer customer accounts.	TBD	0	0			0	--	N/A
Amount of customer funds lost.	TBD	0	0			0	--	N/A

**Activity 3.1.2: Review and oversee self-regulatory organization audit and financial practices.**

<b>Activity 3.1.2 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of oversight audits.	60	12	5			17	28%	34
Number of financial investigative reviews.	10	1	0			1	10%	4
Number of financial reports processed.	5,000	899	2,057			2,956	59%	5,000
Number of financial reports resulting in follow-up inquiries.	200	51	54			105	53%	200

**Analysis of Annual Performance Statistics By Agency Goal: *Second Quarter, 2000***

**Goal Three: Foster open, competitive, and financially sound markets.**

*Outcome Objective 3.1 (Cont'd.)*

**Activity 3.1.3: Identify and investigate possible financial, capitalization, segregation, and supervision violations for possible prosecution.\***

<b>Activity 3.1.3 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of such investigations opened during the quarter.	15	2	6			8	53%	15
Total number of such investigations closed or resulting in CFTC enforcement action during the quarter.	TBD	6	6			12	N/A	15
Number of such investigations closed or resulting in CFTC enforcement action within one year of the opening of the investigation.	7	3	2			5	71%	7
Number of such investigations pending at the close of the quarter.	TBD	19	19			N/A	N/A	23

\*Individual Enforcement investigations and cases frequently concern issues that span more than one strategic goal. Accordingly, all performance indicators are reflected in each outcome objective achieved through the course of a matter. So, for example, if a case is filed which contains allegations of trade practice violations as well as supervision failures, any performance indicators associated with the case will be reflected in the appropriate places under Goals One, Two, and Three.

**Activity 3.1.4: Bring cases concerning financial, capitalization, segregation, and supervision violations.**

<b>Activity 3.1.4 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Total number of such cases filed during the quarter.	10	1	4			5	50%	10
Number of such cases filed within one year of the opening of the relevant investigation.	TBD	0	1			1	N/A	2
Number of such cases pending at the close of the quarter.	TBD	24	11			N/A	N/A	N/A

**Analysis of Annual Performance Statistics By Agency Goal: Second Quarter, 2000**

**Goal Three: Foster open, competitive, and financially sound markets.**

*Outcome Objective 3.1 (Cont'd.)*

**Activity 3.1.5: Sanction violators.\***

Activity 3.1.5 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Amount of disgorgement and restitution ordered.	\$0	\$100,000	\$23,600,000			23,700,000	N/A	\$24,000,000
Amount of civil monetary penalties ordered.	\$1,000,000	\$500,000	\$4,900,000			\$5,400,000	540%	\$6,000,000
Number of cease and desist orders.	8	2	8			10	125%	10
Number of respondents/defendants whose registrations were ordered restricted.	6	2	5			7	117%	7
Amount of civil monetary penalties collected.	TBD	--	--			0	N/A	N/A
Amount of disgorgement or restitution money paid.	TBD	--	--			0	N/A	N/A

\* This Quarterly Performance review only reflects sanctions which have become final by the close of the reporting quarter. Thus, the output measures reported here include only sanctions in settled matters; unappealed decisions of the Commission, US District Courts, or US Circuit Courts of Appeals; and decisions of the US Supreme Court.

**Outcome Objective 3.2: Promote and enhance effective self-regulation of the commodity futures and option markets. (Activities 3.2.1 through 3.2.6)**

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

**Activity 3.2.1: Review and approve self-regulatory organization rules and rule amendments**

Activity 3.2.1 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of SRO rule submissions reviewed.	440	67	50			117	27%	234
Number of SRO rule amendments reviewed.	680	151	199			350	51%	680

**Activity 3.2.2: Conduct rule enforcement reviews of self-regulatory organizations (financial practices, sales practices, trade practices, and audit trail).**

Activity 3.2.2 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of rule enforcement reviews conducted.	7	0	1			1	14%	7
Number of rule enforcement recommendations for improvement made.	TBD	0	5			5	N/A	5

**Analysis of Annual Performance Statistics By Agency Goal: *Second Quarter, 2000***

**Goal Three: Foster open, competitive, and financially sound markets.**

*Outcome Objective 3.2 (Cont'd.)*

**Activity 3.2.3: Review and oversee self-regulatory organization audit and financial practices.**

<b>Activity 3.2.3 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of oversight audits.	60	12	5			17	28%	34
Number of financial investigative reviews.	10	0	0			0	--	4
Number of financial reports processed.	5,000	899	2,057			2,956	59%	5,000
Number of financial reports resulting in follow-up inquiries.	200	51	54			105	53%	200

**Activity 3.2.4: Review adequacy of self-regulatory organization disciplinary actions.**

<b>Activity 3.2.4 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of self-regulatory disciplinary actions reviewed.	620	219	213			432	70%	800

**Activity 3.2.5: Conduct direct audits of clearing organizations and firms handling customer money to ensure compliance with capitalization and segregation rules.**

<b>Activity 3.2.5 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of direct audits of clearing organizations and firms handling customer money.	26	10	4			14	54%	24
Number of audited clearing organizations in compliance with capitalization and segregation rules.	TBD	1	1			2	N/A	2

**Activity 3.2.6: Promulgate regulations to ensure effective self-regulation by exchanges, clearing organizations, and registered futures associations.**

<b>Activity 3.2.6 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of newly promulgated CFTC regulations requiring SRO implementation.	18	1	0			1	6%	6

**Analysis of Annual Performance Statistics By Agency Goal: Second Quarter, 2000**

**Goal Three: Foster open, competitive, and financially sound markets.**

**Outcome Objective 3.3:** *Facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions. (Activities 3.3.1 through 3.3.5)*

**Annual Performance Goal:** All requests for information sharing under agreements honored, and new agreements pursued as warranted. All requests for relief responded to within Commission guidelines.

**Activity 3.3.1: Coordinate and cooperate with global financial services regulators to share vital information concerning markets, intermediaries, and regulatory structure.**

<b>Activity 3.3.1 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of requests from foreign authorities received.	160	63	89			152	95%	302
Number of requests from foreign authorities honored by CFTC.	TBD	63	89			152	N/A	302
Number of requests made to foreign authorities.	110	20	34			54	49%	100
Number of CFTC requests honored by foreign authorities.	TBD	18	28			46	N/A	90
Average response time.	TBD	7 days	7 days			N/A	N/A	N/A

**Activity 3.3.2: Coordinate and cooperate with global financial services regulators to develop appropriate global standards and arrangements in the commodities industry as markets emerge and evolve.**

<b>Activity 3.3.2 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of global standards, arrangements or initiatives developed.	As needed	0	0				NA	2
Number of global standards, arrangements or initiatives adopted.	As needed	0	0				NA	2

**Activity 3.3.3: Participate in the International Organisations of Securities Commissions and represent the Commission at international meetings concerning commodity regulation.**

<b>Activity 3.3.3 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of IOSCO and related international meetings held.	As needed	8	9			17	N/A	31
Number of IOSCO and related international meetings attended by CFTC.	As needed	8	9			17	N/A	31

**Activity 3.3.4: Participate in the President's Working Group on Financial Markets to ensure coordination of information and efforts among US financial regulators.**

*See Activity 1.2.1 for annual targets.*

**Analysis of Annual Performance Statistics By Agency Goal: *Second Quarter, 2000***

**Goal Three: Foster open, competitive, and financially sound markets.**

*Outcome Objective 3.3. (Cont'd.)*

**Activity 3.3.5: Provide exemptive, interpretive, or other relief as appropriate to foster the development of innovative transactions, trading systems, and similar arrangements.**

<b>Activity 3.3.5 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of requests for exemptive, interpretive, or other relief.	330	63	72			135	41%	270
Number of CFTC responses to such requests.	297	51	72			123	41%	246
Average response time.	6 weeks	6 wks	6 wks			N/A	N/A	N/A

**Outcome Objective 3.4: Promote markets free of trade practice abuses. (Activities 3.4.1 through 3.4.4)**

**Annual Performance Goal: No trade practice abuses.**

**Activity 3.4.1: Identify possible trade practice violations for investigation and possible enforcement proceedings.**

<b>Activity 3.4.1 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of trade practice investigations completed.	TBD	15	43			58	N/A	117
Number of possible trade practice violations referred to SROs and/or to Division of Enforcement for investigation.	21	5	11			16	76%	27

**Activity 3.4.2: Investigate possible trade practice violations.**

<b>Activity 3.4.2 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of such investigations opened during the quarter.	10	4	3			7	70%	10
Total number of investigations closed or resulting in enforcement actions during the quarter.	6	2	1			3	50%	6
Number of investigations closed or resulting in enforcement action within one year of opening such investigations.	TBD	1	1			2	N/A	2
Number of investigations pending at the close of the quarter.	TBD	21	23			N/A	N/A	23

**Analysis of Annual Performance Statistics By Agency Goal: *Second Quarter, 2000***

**Goal Three: Foster open, competitive, and financially sound markets.**

*Outcome Objective 3.4. (Cont'd.)*

**Activity 3.4.3: Bring cases concerning trade practice violations.**

<b>Activity 3.4.3 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Total number of such cases filed during the quarter.	1	2	0			2	200%	2
Number of such cases filed within one year of the opening of the relevant investigation.	TBD	2	0			2	N/A	2
Number of such cases completed during the quarter.	2	1	1			2	100%	2
Number of such cases pending at the close of the quarter.	9	12	11			N/A	N/A	11

**Activity 3.4.4: Bring enforcement proceedings against violators.**

<b>Activity 3.4.4 Output Measures:</b>	<b>FY 2000 Target</b>	<b>Qtr. 1 Actual</b>	<b>Qtr. 2 Actual</b>	<b>Qtr. 3 Actual</b>	<b>Qtr. 4 Actual</b>	<b>Total To Date</b>	<b>% To Date</b>	<b>Year-End Projection</b>
Number of statutory restraining orders granted.	0	0	0			0	--	0
Number of preliminary injunctions obtained.	0	0	0			0	--	0
Number of permanent injunctions obtained.	0	1	0			1	--	1
Amount of restitution and disgorgement granted.	\$0	\$6,000,000	\$0			\$6,000,000	N/A	\$6,000,000
Amount of civil monetary penalties granted.	\$525,000	\$625,000	\$0			\$625,000	119%	\$625,000
Number of cease and desist orders obtained.	1	3	0			3	300%	3
Number of requests for registration restrictions granted.	2	2	0			2	100%	2
Number of requests for trading prohibitions granted.	2	3	0			3	150%	3