Commodity Futures Trading Commission

Summary of Performance and Financial Information

Fiscal Year 2010

COMMODITY FUTURES TRADING COMMISSION

Gary Gensler
Chairman

Madge Bolinger Gazzola
Executive Director

Mark Carney
Chief Financial Officer

February 2011

The Best Places to Work
IN THE FEDERAL GOVERNMENT 2010

Two years ago, the financial system and the financial regulatory system failed. On July 21, 2010, the Administration and the Congress responded with the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The Dodd-Frank Act will—for the first time—bring comprehensive regulation to the over-the-counter derivatives marketplace. Derivatives dealers will be subject to robust oversight. Standardized derivatives will be required to trade on open platforms and be submitted for clearing to central counterparties.

The Commodity Futures Trading Commission looks forward to implementing the Dodd-Frank Act to lower risk, promote transparency and protect the American public.

In the tradition of quality reporting, the Commodity Futures Trading Commission proudly presents the FY 2010 Performance and Accountability Report.

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Fiscal Year 2010 Commissioners

Back row from left; **Scott D. O'Malia**, *Commissioner*; **Jill E. Sommers**, *Commissioner*; **Bart Chilton**, *Commissioner*
Front row from left; **Michael V. Dunn**, *Commissioner*; **Gary Gensler**, *Chairman*

Gary Gensler, chairman of the Commodity Futures Trading Commission speaks at the George Washington University Law School on October 23, 2009 in Washington, DC. The law school held a symposium on regulatory reform and the response to the financial crisis.

(Photo by Mark Wilson/Getty Images)

In the Tradition of Quality Reporting, the Commodity Futures Trading Commission Proudly Presents the FY 2010 Performance and Accountability Report

A Message from the Chairman

Two years ago, the financial system and the financial regulatory system failed. This summer, the Administration and the Congress responded by enacting the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The Dodd-Frank Act will—for the first time—bring comprehensive regulation to the swaps marketplace. Swaps dealers will be subject to robust oversight. Standardized swaps will be required to trade on open platforms and be submitted for clearing to central counterparties, all of which will be subject to Federal regulation and supervision. The CFTC looks forward to implementing the Dodd-Frank Act to help lower risk, promote transparency, and protect the American public.

Dodd-Frank and the CFTC

The CFTC and its predecessor agencies have regulated derivatives since the 1920s. The first derivatives—called futures—began trading at the time of the Civil War, when grain merchants came together and created this new marketplace. It took nearly 60 years until Congress first regulated the futures markets. President Franklin Roosevelt and the Congress significantly strengthened this regulatory regime with the passage of the Commodity Exchange Act (CEA) in 1936.

The CFTC ensures that commodity futures and options exchanges have procedures to protect market participants and ensure fair and orderly trading that is free from fraud, manipulation, and other abuses. The CFTC registers and oversees futures clearinghouses, known as derivatives clearing organizations (DCOs), to ensure that they have appropriate risk management standards. The Commission has wide-ranging transparency efforts designed to provide aggregate information about commodity futures markets and trading to the American public. The agency also uses its broad surveillance powers to police the markets.

The CFTC is now tasked with bringing its regulatory expertise to the swaps marketplace. Though the Commission has much experience regulating the on-exchange derivatives marketplace—having done so for more than 70 years—the Dodd-Frank Act presents new responsibilities and authorities. The futures marketplace that the CFTC currently oversees is a $39 trillion industry in notional amount. The swaps market that the Dodd-Frank Act tasks the CFTC with regulating has a far larger notional amount. The Office of the Comptroller of the Currency estimates that, as of the first quarter of 2010, swaps entered into by U.S. commercial banks have a notional amount of $217 trillion. Others estimate that the market could be as big as $300 trillion in the United States alone, or roughly nine times the size of the futures markets.

President Barack Obama meets with regulators in the Roosevelt Room of the White House, Washington, DC. (L-R) Senior Advisor and Assistant to the President Valerie Jarrett (back), Comptroller of the Currency John C. Dugan, U.S. Securities and Exchange Commission Mary Shapiro, US Secretary of the Treasury, Timothy Geithner, President Obama, US Chairman of the Board of Governors Ben Bernanke, Chairman of the U.S. Federal Deposit Insurance Corporation Sheila Bair, Chairman of the U.S. Commodity Futures Trading Commission Gary Gensler.

(Photo by Aude Guerrucci/Pool/Corbis)

In bringing oversight to the swaps market, Congress built upon strengths from the futures marketplace. Futures and swaps are both derivatives. It is only natural that Congress would treat them similarly and apply similar protections to both markets.

While the swaps marketplace has only been around since the 1980s, the futures marketplace has existed since the 1860s. The CFTC and its predecessor agencies have been regulating and working with the futures markets since the 1920s. The Dodd-Frank Act builds upon the benefits of clearing in the futures markets. It builds upon the transparency that centralized trading brings to the futures markets. It builds upon the concept that intermediaries should be regulated to lower risk in the markets.

To implement the Dodd-Frank Act, the CFTC is consulting heavily with both other regulators and the broader public. We are working very closely with the Securities and Exchange Commission (SEC), the Federal Reserve, other prudential regulators. We also are working closely with international regulators to promote effective and consistent regulation of the swaps markets. In addition, we are soliciting broad public input into the rules. This began the day the President signed the Dodd-Frank Act when we listed the 30 rule-writing teams and set up mailboxes for the public to submit their views directly. We want to engage the public as broadly as possible throughout the rule-writing process.

In addition to setting up mailboxes for the public to comment, we also have organized public roundtables to hear on particular subjects. Additionally, many individuals have asked for meetings with the CFTC to discuss swaps regulation. We have had hundreds of such meetings. Just as we believe in bringing transparency to the swaps markets, we also have added additional transparency to our rule-writing efforts. We are now posting on our Web site a list of all of our meetings, as well as the participants, issues discussed and all materials given to us.

The challenge before the agency is significant, but manageable, provided we are sufficiently resourced. The Commission has begun writing proposed rulemakings and will continue publishing proposals in the coming months. The Dodd-Frank Act requires the CFTC to complete rules generally by July 15, 2011.

Futures and Options Markets

The CFTC is working to fulfill its mission to protect market users and the public in the commodity futures and options markets. The Commission polices the markets to protect against fraud, manipulation and abusive practices and works to foster open, competitive and financially sound futures and options markets.

In FY 2010, the CFTC fulfilled its statutory obligations under the Food, Conservation, and Energy Act (Farm Bill) of 2008 to regulate certain derivatives, including energy derivatives traded on exempt commercial markets (ECMs). These "significant price discovery contracts" and the facilities on which they trade are subject to heightened regulation and must comply with key core principles that also apply to the trading of futures contracts. For example, the Commission found that the highest-volume natural gas contract on the Intercontinental Exchange (ICE)— among others—performs a significant price discovery function. ICE is now regulated for this contract in accordance with the core principles laid out in the Farm Bill.

As directed by the Farm Bill, the CFTC also finalized new regulations with respect to off-exchange retail foreign currency (forex) transactions. The rules establish standards to promote fair dealings, require honest and meaningful risk and performance disclosure, and impose dealer capital requirements.

The CFTC vigorously policed the markets for fraud, manipulation and other unlawful conduct. In the last fiscal year, the agency filed 57 enforcement actions, constituting a 14 percent increase in filings over the prior year. Commission enforcement actions resulted in more than $121 million in civil monetary penalties and $65 million in restitution and disgorgement from respondents and defendants in CFTC enforcement actions.

Sen. Susan Collins, R-Maine, the ranking Republican of the Senate Financial Services and General Government subcommittee, center, talks with Securities and Exchange Commission (SEC) Chair Mary Schapiro, left, and Commodities Futures Trading Commission (CFTC) Chairman Gary Gensler, on Capitol Hill in Washington, Wednesday, April 28, 2010, prior to the start of the subcommittee's hearing on proposed fiscal 2011 appropriations for the CFTC and for the SEC. *(AP Photo/Harry Hamburg)*

The CFTC implemented new transparency efforts to give more accurate depictions of the makeup of the futures markets to the public. In FY 2009, we began disaggregating our weekly Commitments of Traders (COT) reports to provide the public with information about swap dealers and managed accounts. In FY 2010, we improved upon this technology initiative by beginning to release data on index investors on a monthly basis. Furthermore, we have begun releasing a new weekly "*Traders in Financial Futures*" report, which—for the first time—breaks out dealers, asset managers, leveraged funds and others in the financial futures markets.

In January 2010, the CFTC proposed rules to restore position limits in the four major energy futures contracts. Position limits have been used in futures market regulation to address

Gary Gensler, chairman of the Commodity Futures Trading Commission (CFTC), speaks to reporter following a Senate Banking Committee hearing on the causes and lessons of the May 6 stock market plunge in Washington, D.C., U.S., on Thursday, May 20, 2010. U.S. regulators, responding to this month's market crash, pledged to examine whether new rules are needed for stock and futures traders who use automated computer strategies to execute thousands of transactions in milliseconds. (Photo by Andrew Harrer/Bloomberg via Getty Images)

the effects of excessive speculation and position concentration. Limits that had been in effect for energy contracts were removed in 2001. The CFTC has since withdrawn the proposed rulemaking and will re-issue a proposal that fulfills new requirements in the Dodd-Frank Act.

In addition to working closely with the SEC on Dodd-Frank implementation, we have been coordinating on a broad range of regulatory matters. For the first time in our history, we have set up a joint advisory committee on emerging regulatory issues. We are working together to review the contributing factors of unusual market events on May 6, 2010. Staff released a joint report on those events on May 18, 2010, and released a supplemental report with additional findings on October 1, 2010.

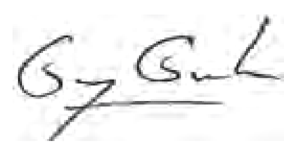
This year, the CFTC reestablished the Technology Advisory Committee, which held its first meeting since 2005. The Committee will play a significant role in informing the Commission of emerging technology and challenges so that we can best regulate the markets and protect the American public.

The CFTC received for the sixth consecutive year an unqualified opinion on our financial statements. For the fourth consecutive year, the auditors disclosed no material instances of noncompliance with laws and regulations. I can also report that we had no material internal control weaknesses and that our financial and performance data in this report are reliable and complete under the Office of Management and Budget (OMB's) guidance.

Conclusion

The CFTC faces many challenges in the months ahead. I note the thoughtful work of the staff and Commissioners in the oversight of the futures markets and in implementing the Dodd-Frank Act. We are working hard to update our organization and information technology to reflect our evolving mission. The CFTC intends to publish a new strategic plan in February 2011 that will be the foundation for the FY 2013 performance budget.

Through vigorous oversight of the swaps market and commodity futures and options markets, we must close the gaps in our regulatory structure that left the nation unprepared and unable to respond quickly to the rapidly-evolving markets. Only through strong, intelligent regulation—coupled with aggressive enforcement mechanisms—can we fully protect the American people and keep our economy strong.

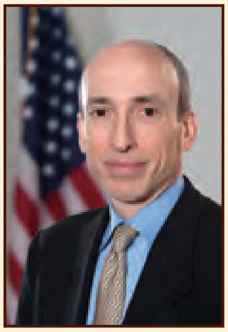


Gary Gensler

November 15, 2010

FY 2010 Commissioners

Gary Gensler, Chairman



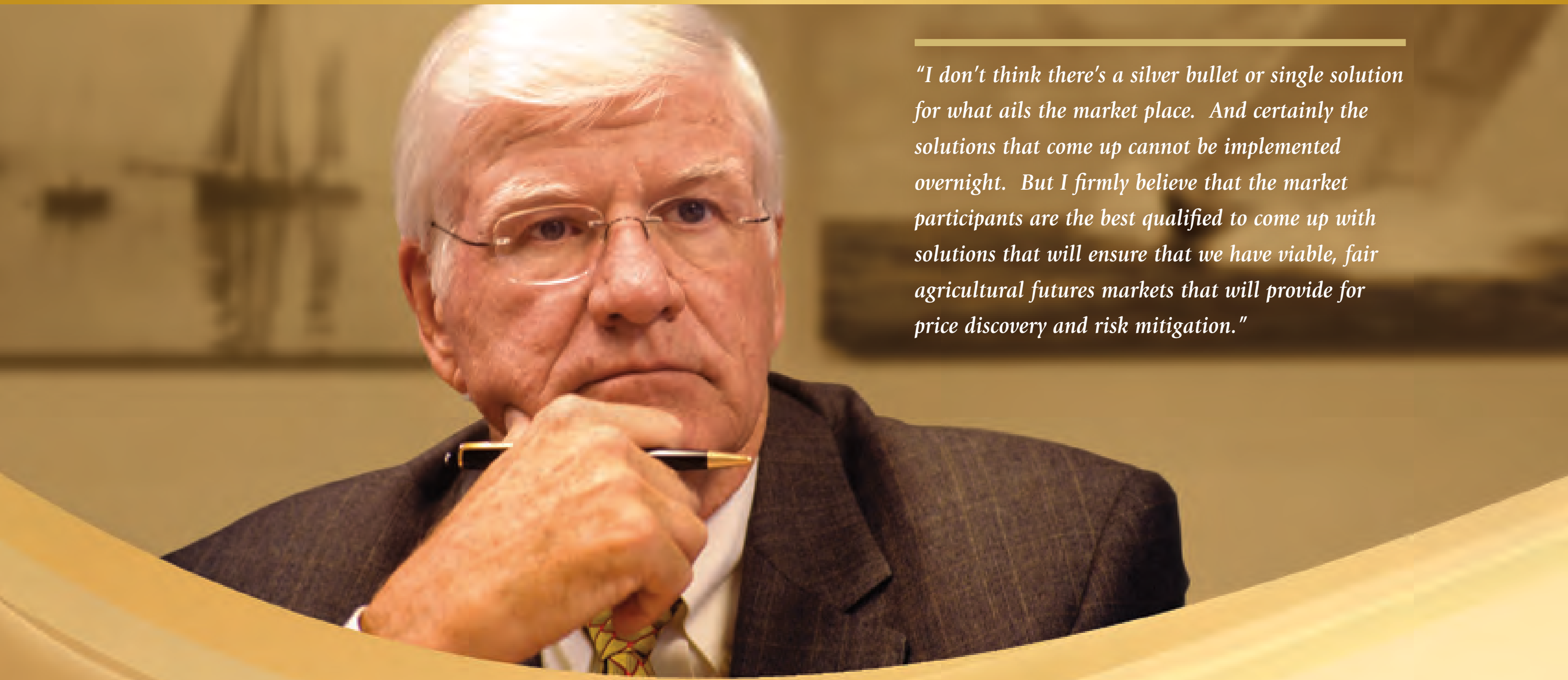
Gary Gensler was sworn in as the Chairman of the Commodity Futures Trading Commission on May 26, 2009. Chairman Gensler previously served at the U.S. Department of Treasury as Under Secretary of Domestic Finance (1999-2001) and as Assistant Secretary of Financial Markets (1997-1999). He subsequently served as a Senior Advisor to the Chairman of the U.S. Senate Banking Committee, Senator Paul Sarbanes, on the Sarbanes-Oxley Act, reforming corporate responsibility, accounting and securities laws.

As Under Secretary of the Treasury, Chairman Gensler was the principal advisor to Treasury Secretary Robert Rubin and later to Secretary Lawrence Summers on all aspects of domestic finance. The office was responsible for formulating policy and legislation in the areas of U.S. financial markets, public debt management, the banking system, financial services, fiscal affairs, federal lending, Government Sponsored Enterprises, and community development. In recognition of this service, he was awarded Treasury's highest honor, the Alexander Hamilton Award.

Prior to joining Treasury, Chairman Gensler worked for 18 years at Goldman Sachs, where he was selected as a partner; in his last role he was Co-head of Finance.

Chairman Gensler is the co-author of a book, *The Great Mutual Fund Trap*, which presents common sense investment advice for middle income Americans.

He is a summa cum laude graduate from the University of Pennsylvania's Wharton School in 1978, with a Bachelor of Science in Economics and received a Master of Business Administration from the Wharton School's graduate division in 1979. He lives with his three children outside of Baltimore, Maryland.



"I don't think there's a silver bullet or single solution for what ails the market place. And certainly the solutions that come up cannot be implemented overnight. But I firmly believe that the market participants are the best qualified to come up with solutions that will ensure that we have viable, fair agricultural futures markets that will provide for price discovery and risk mitigation."

Agricultural Advisory Committee

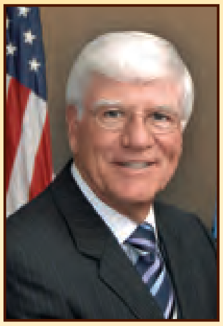
CFTC Commissioner Michael V. Dunn chairs the Agricultural Advisory Committee. Committee members include representatives of national farm organizations, major commodity groups, agribusiness concerns, and agricultural bankers.

"I don't think there's a silver bullet or single solution for what ails the market place. And certainly the solutions that come up cannot be implemented overnight," said Commissioner Dunn. "But I firmly believe that the market participants are the best qualified to come up with solutions that will ensure that we have viable, fair agricultural futures markets that will provide for price discovery and risk mitigation."

The Agricultural Advisory Committee was created in 1985 to advise the Commission on issues involving the trading of agricultural commodity futures and options and facilitate communications between the CFTC, the agricultural community, and agriculture-related organizations.

Recent meetings of the Agricultural Advisory Committee addressed various topics, including: agriculture and the Dodd-Frank Bill; implementation of variable storage rates on the Chicago Board of Trade wheat futures contract; convergence trends in the Kansas City wheat futures contract; the delivery point study commissioned by ICE Futures U.S. for the Cotton No. 2 Contract; and issues in livestock reporting.

Michael V. Dunn, Commissioner



Michael V. Dunn was confirmed by the U.S. Senate on November 21, 2004, as a Commissioner of the Commodity Futures Trading Commission. He was sworn in December 6, 2004, to a term expiring June 19, 2006. On June 16, 2006, Commissioner Dunn was nominated by President Bush to a second term as Commissioner of the CFTC and confirmed by the Senate on August 3, 2006. In a ceremony on August 23, 2006 at the Federal Court House in Des Moines, Iowa, attended by Senator Tom Harkin (D-IA), Commissioner Dunn was sworn in. U.S. District Judge Robert Pratt administered the oath of office.

From January 20, 2009 – May 25, 2009, Commissioner Dunn served as Acting Chairman for the agency.

Commissioner Dunn additionally serves as Chairman and Designated Federal Official of the Commission's Agricultural Advisory Committee (AAC). The AAC was created to advise the Commission on agricultural issues surrounding the trading of commodity futures and options and to serve as a communications link with the agricultural community. Commissioner Dunn is also the Chairman of the Commission's Forex Task Force. The task force objective is to raise the public's awareness of fraudulent activity in the retail foreign currency (forex) futures and option markets and to highlight the Commission's enforcement activities in this area.

Prior to joining the CFTC, Mr. Dunn served as Director, Office of Policy and Analysis at the Farm Credit Administration (FCA) where he managed the two FCA divisions responsible for developing regulations and public policy positions for applicable statutes as well as promoted the safety and soundness of the Farm Credit System (FCS). Prior to this position, Mr. Dunn served briefly as a member of the FCA Board.

Mr. Dunn has also served as Under Secretary of Agriculture for Marketing and Regulatory Programs, Acting Under Secretary for Rural Economic Community Development, and as Administrator of the Farmers Home Administration (FmHA) at U.S. Department of Agriculture (USDA).

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

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

"As futures and option markets have become increasingly global and interconnected over the last decade, the work of the Global Markets Advisory Committee has been critical to the Commission's efforts to ensure the integrity and competitiveness of U.S. markets."

Global Markets Advisory Committee

CFTC Commissioner Jill E. Sommers chairs the Commission's Global Markets Advisory Committee. Committee members include industry professionals, representatives of domestic and foreign exchanges and clearinghouses, representatives of industry associations, end users and market participants.

"As futures and option markets have become increasingly global and interconnected over the last decade, the work of the Global Markets Advisory Committee has been critical to the Commission's efforts to ensure the integrity and competitiveness of U.S. markets," said Commissioner Sommers. "Our markets performed very well during the recent financial crisis. It is my hope that, as we navigate through a more highly regulated environment, our continuing discussions and work with Committee members will assist us in avoiding unnecessary regulatory impediments to global business, while preserving core protections for markets and market participants."

The Global Markets Advisory Committee was created in 1998 to advise the Commission on issues that affect U.S. markets and U.S. firms engaged in global business. In September 2010, the Charter of the Global Markets Advisory Committee was renewed for two years to allow the Committee to continue its important work.

Recent meetings of the Global Markets Advisory Committee addressed topics including: international bankruptcy issues post-Lehman Brothers (or international bankruptcy issues arising from the bankruptcy of Lehman Brothers); efforts of the International Organization of Securities Commissions to enhance international regulation and coordination; international issues in the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act; the European Commission Proposal on over-the-counter derivatives, central counterparties, and trade repositories; Japanese legislation relating to clearing of over-the-counter derivatives; and upcoming U.S. efforts to require registration of foreign boards of trade.

Jill E. Sommers, Commissioner

Jill E. Sommers was sworn in as a Commissioner of the Commodity Futures Trading Commission on August 8, 2007 to a term that expired April 13, 2009. She was nominated on July 20, 2009 by President Barack Obama to serve a five-year second term, and was confirmed by the United States Senate on October 8, 2009.

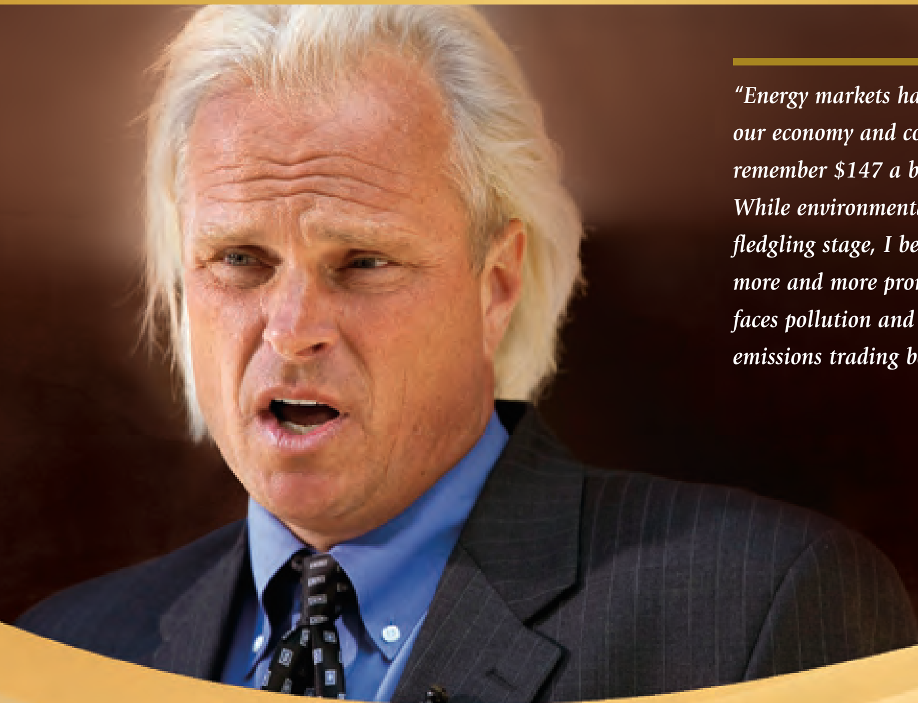
Commissioner Sommers serves as Chairman and Designated Federal Official of the Commission's Global Markets Advisory Committee, which meets periodically to discuss issues of concern to exchanges, firms, markets users, and the Commission regarding the regulatory challenges of a global marketplace. She also has the opportunity to frequently attend the Technical Committee meetings of the International Organization of Securities Commissions, the global cooperative body, which is recognized as the international standard setter for securities and derivatives markets.

Commissioner Sommers has worked in the commodity futures and options industry in a variety of capacities throughout her career. In 2005, she was the Policy Director and Head of Government Affairs for the International Swaps and Derivatives Association, where she worked on a number of over-the-counter derivatives issues.

Prior to that, Ms. Sommers worked in the Government Affairs Office of the Chicago Mercantile Exchange (CME), where she was instrumental in overseeing regulatory and legislative affairs for the exchange. During her tenure with the CME, she had the opportunity to work closely with congressional staff drafting the Commodity Futures Modernization Act of 2000.

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

A native of Fort Scott, Kansas, Ms. Sommers holds a Bachelor of Arts degree from the University of Kansas. She and her husband, Mike, currently reside in the Washington, DC area and have three children ages 8, 7, and 6.



"Energy markets have a huge impact on our economy and consumers. All of us can remember $147 a barrel oil and $4.00 gas. While environmental markets are in a more fledgling stage, I believe they will become more and more prominent as the world faces pollution and population issues and as emissions trading becomes more pronounced."

Energy and Environmental Markets Advisory Committee

The Energy and Environmental Markets Advisory Committee (formerly the Energy Markets Advisory Committee) was created in 2008 to advise the Commission on important new developments in energy and environmental futures markets that may raise new regulatory issues, and the appropriate regulatory response to ensure market integrity and competition, and protect consumers.

"Energy markets have a huge impact on our economy and consumers. All of us can remember $147 a barrel oil and $4.00 gas. While environmental markets are in a more fledgling stage, I believe they will become more and more prominent as the world faces pollution and population issues and as emissions trading becomes more pronounced," said Commissioner Chilton.

"The goal of the EEMAC has been to bring together a wide variety of experts to look in detail at why these markets behave the way they do. The committee has explored proposals for position limits, hedge exemptions, carbon trading, the affect of price volatility on consumers and regulatory reform among other issues."

CFTC Commissioner Bart Chilton chaired the Energy and Environmental Markets Advisory Committee. Members included industry professionals, representatives of futures exchanges, market participants, academics, consumer advocates, and environmental organizations.

Bart Chilton, Commissioner

Bart Chilton was nominated by President Bush and confirmed by the U.S. Senate in 2007. In 2009, he was nominated by President Obama and reconfirmed by the U.S. Senate. His career spans 25 years in government service—working on Capitol Hill in the House of Representatives and in the Senate, and serving the Executive Branch during the Clinton, Bush, and Obama Administrations.

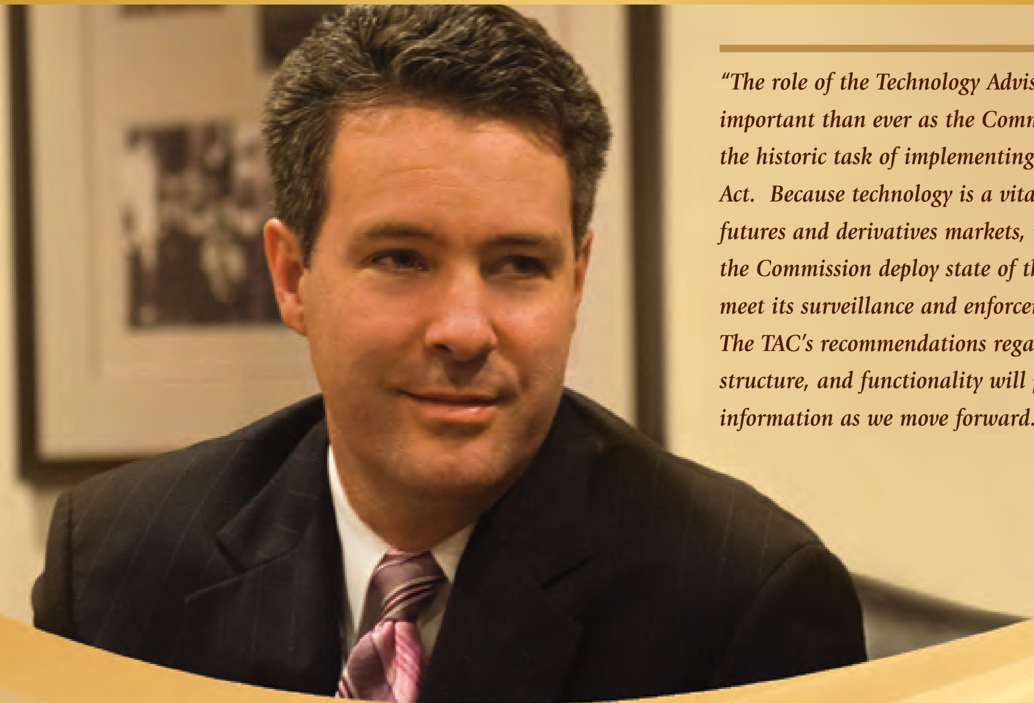
Prior to joining the CFTC, Mr. Chilton was the Chief of Staff and Vice President for Government Relations at the National Farmers Union where he represented average family farmers. In 2005, Mr. Chilton was a Schedule C political appointee of President Bush at the U.S. Farm Credit Administration where he served as an Executive Assistant to the Board. From 2001 to 2005, Mr. Chilton was a Senior Advisor to Senator Tom Daschle, the Democrat Leader of the United States Senate, where he worked on myriad issues including, but not limited to, agriculture and transportation policy.

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

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

Mr. Chilton previously served on the Boards of Directors of Bion Environmental Technologies and the Association of Family Farms.

Mr. Chilton was born in Delaware and spent his youth in Indiana, where he attended Purdue University (1979–1982). He studied political science and communications and was a collegiate leader of several organizations.



"The role of the Technology Advisory Committee is more important than ever as the Commission undertakes the historic task of implementing the Dodd-Frank Act. Because technology is a vital component of the futures and derivatives markets, it is imperative that the Commission deploy state of the art technology to meet its surveillance and enforcement responsibilities. The TAC's recommendations regarding market design, structure, and functionality will provide invaluable information as we move forward."

Technology Advisory Committee

CFTC Commissioner Scott D. O'Malia chairs the Technology Advisory Committee (TAC). Members include representatives of exchanges, clearinghouses, trade repositories, self-regulatory organizations, financial intermediaries, market participants (including trading firms and commercial companies), academia, and consumers. TAC members have been selected for their deep knowledge and expertise in the financial markets and keep the Commission abreast of emerging technological advances and developments.

The TAC was created in 1999 to advise the Commission on the impact and implications of technological innovation in the financial services and commodity markets. Its objectives include making recommendations on appropriate regulatory responses to the application and utilization of new technologies in the marketplace in order to support the agency's mission of ensuring the integrity of the markets. The TAC also advises the Commission on appropriate investment in technology resources to meet its surveillance and enforcement responsibilities.

Under the direction of Commissioner O'Malia, the TAC convened for the first time in five years, and met on July 14 and October 12. In its first meeting, "Technological Trading in the Markets," the TAC discussed regulation of high frequency and algorithmic trading, including adoption of risk management and best practices standards. The TAC's second meeting, "Technology: Achieving the Statutory Goals and Regulatory Objectives of the Dodd-Frank Act," included panels on disruptive trading practices and the Commission's new anti-manipulation rulemaking authority, discussion of the May 6th "Flash Crash," swap execution facility models, and characteristics of swap data repositories. Key topics examined by the TAC include pre- and post-trade transparency in light of computerized trading strategies, swap oversight and data collection, and the use of technology in surveillance and compliance activities to manage risk. The TAC continues to study these and other issues in order to ensure that the Commission remains able to adapt to technology-driven evolution in the markets.

Scott O'Malia, Commissioner

Scott O'Malia was confirmed by the U.S. Senate on October 8, 2009 as Commissioner of the CFTC, he was sworn in on October 16, 2009. He is currently serving a five-year term that expires April 2015.

Born in South Bend, Indiana and raised in Williamston, Michigan, Commissioner O'Malia learned about commodity prices firsthand growing up on a small family farm. As a Commissioner of the Commodity Futures Trading Commission, he brings both his agricultural background and experience in energy markets, where he focused his professional career.

Before starting his term at the CFTC, Commissioner O'Malia served as the Staff Director to the U.S. Senate Appropriations Subcommittee on Energy and Water Development, where he focused on expanding U.S. investment in clean energy technologies, specifically promoting low-cost financing and technical innovation in the domestic energy sector.

From 2003 to 2004, Commissioner O'Malia served on the U.S. Senate Energy and National Resources Committee under Chairman Pete Domenici (R-NM) as Senior Policy Advisor on oil, coal, and gas issues. From 1992 to 2001, the Commissioner served as Senior Legislative Assistant to Senator Mitch McConnell (R-KY), now the Senate Minority Leader. During his career, O'Malia also founded the Washington office of Mirant Corp., where he worked on rules and standards for corporate risk management and energy trading among wholesale power producers.

In his time at the CFTC, Commissioner O'Malia has advanced the use of technology to more effectively meet the agency's oversight responsibilities and has reestablished the long dormant CFTC Technology Advisory Committee (C-TAC). As Chairman of the newly reinstated Committee, Commissioner O'Malia intends to harness the expertise of the C-TAC membership to establish technological 'best practices' for oversight and surveillance considering such issues as algorithmic and high frequency trading, data collection standards, and technological surveillance and compliance.

Commissioner O'Malia earned a Bachelor's Degree from the University of Michigan. He and his wife, Marissa, currently live in Northern Virginia with their three daughters.

Commission at a Glance

Mission Statement

The mission of the CFTC is to protect market users and the public from fraud, manipulation, and abusive practices related to the sale of commodity futures and options, and to foster open, competitive, and financially sound commodity futures and option markets.

Evolving Mission and Responsibilities

Since the passage of the CEA, the CFTC and its predecessor agencies have been responsible for ensuring the fair, open and efficient functioning of futures markets. After the 2008 financial crisis and the subsequent enactment of the Dodd-Frank Act, the CFTC's mission expanded to include oversight of the swaps marketplace. The Dodd-Frank Act will—for the first time—bring comprehensive regulation to the swaps marketplace. Derivatives dealers will be subject to robust oversight. Standardized derivatives will be required to trade on open platforms and be submitted for clearing to central counterparties, all of which will be subject to Federal regulation and supervision.

Some of the CFTC's expanded authorities will be consistent with our current authorities but expanded to also include swaps. Some will be new responsibilities, such as regulating swap dealers, swap execution facilities (SEFs) and swap data repositories (SDRs).

The Dodd-Frank Act is very detailed, addressing all of the key policy issues regarding regulation of the swaps marketplace. To implement these regulations, the CFTC is required to promulgate rules, generally within 360 days of enactment of the Dodd-Frank Act. The Commission organized its effort around 30 teams who have been actively at work.

Two principles are guiding the Commission throughout the rule-writing process. First is the statute itself. The Commission is complying fully with the statute's provisions and Congressional intent to manage risk and bring transparency to the swaps markets.

Second, Commission staff is consulting heavily with other regulators, such as the SEC, Federal Reserve and other prudential regulators. In addition to working with its American counterparts, the Commission has reached out to and is actively consulting with international regulators to harmonize its approach to swaps oversight.

The Commission also is soliciting broad public input into the rules. This began the day the President signed the Dodd-Frank Act when the Commission identified the 30 rule-writing teams and set up electronic mailboxes for the public to submit their views directly. The Commission is openly considering proposed rules, using public Commission meetings for this purpose.

The Commission is committed to transparency in the rule-making process. As such, we are posting a list of all of our meetings relating to the implementation of the Dodd-Frank Act, as well as the participants, issues discussed and all materials given to us, on our Web site at:

http://www.cftc.gov/LawRegulation/DoddFrankAct/ExternalMeetings/index.htm.

Additional information on the Dodd-Frank rulemaking effort at the Commission is provided on the CFTC Web site at: *http://www.cftc.gov/LawRegulation/DoddFrankAct/Rulemakings/index.htm*.

Implementing Existing Authorities

The CFTC and its predecessor agencies were established to protect market users and the public from fraud, manipulation and other abusive practices in the commodity futures and options markets. The CFTC also is charged with fostering open, competitive and financially sound commodity futures and option markets.

Congress established the CFTC as an independent agency in 1974, after its predecessor operated within the Department of Agriculture. Its mandate was renewed and/or expanded in 1978, 1982, 1986, 1992, 1995, 2000, 2008 and 2010. The CFTC's short- and long-term goals include significant rule-writing and regulation of the swaps marketplace to implement the Dodd-Frank Act.

The Commission administers the CEA, 7 U.S.C. section 1, *et seq*. The 1974 Act brought under Federal regulation futures trading in all goods, articles, services, rights and interests; commodity options trading; leverage trading in gold and silver bullion and coins; and otherwise strengthened the regulation of the commodity futures trading industry. It established a comprehensive regulatory structure to oversee the volatile futures trading complex.

The CFTC was established to ensure the economic utility of the futures markets by encouraging competitiveness and efficiency, protecting market participants against fraud, manipulation and other abusive trading practices and ensuring the financial integrity of the clearing process. Through effective oversight, the CFTC enables the futures markets to serve the important function of providing a means for price discovery and offsetting price risk. The CFTC will spend the next year bringing similar protections to the swaps marketplace through implementing the provisions of the Dodd-Frank Act.

The Farm Bill reauthorized the CFTC and made several amendments to the CEA to: 1) clarify the CFTC's jurisdiction over retail financial contracts based on foreign currencies; 2) make the CFTC's anti-fraud authority applicable to certain off-exchange contracts or swaps; 3) increase civil monetary and criminal penalties for violations of the CEA; 4) permit cross-margining of accounts in security futures and options; and 5) establish CFTC regulation over certain exchange-like trading facilities that are currently exempt from most regulation.

During FY 2010, the CFTC fulfilled its statutory obligations under the Farm Bill to regulate certain derivatives, including energy derivatives traded on ECMs. If a contract that is traded on one of these facilities is found to perform a significant price discovery function, the contract and the facility are subject to heightened regulation and required to comply with key core principles that also apply to the trading of futures contracts. For example, the Commission found that the highest-volume natural gas contract on ICE—among others—performs a significant price discovery function. ICE is now regulated for this contract in accordance with the core principles laid out in the Farm Bill.

As directed by both the Farm Bill and the Dodd-Frank Act, the CFTC adopted new regulations with respect to off-exchange retail forex transactions in FY 2010. The rules establish standards to promote fair dealings, require honest and meaningful risk and performance disclosure and impose dealer capital requirements.

In September 2009, the Commission began publishing a weekly disaggregated COT report for physical commodity markets. The agency built upon those transparency efforts in July 2010, when it began publishing the *Traders in Financial*

Futures (TFF). The TFF report—for the first time—breaks out dealers, asset managers, leveraged funds and others in the financial futures markets.

Also in September 2009, the CFTC began publishing index investment data in the physical commodity markets on a quarterly basis. The data includes information on index investors' dealings in the cash markets and other derivatives, including swaps. In August, the Commission began releasing the data on a monthly basis.

How the CFTC is Organized and Functions

The Commission consists of five Commissioners. The President appoints and the Senate confirms the CFTC Commissioners to serve staggered five-year terms. No more than three sitting Commissioners may be from the same political party. With the advice and consent of the Senate, the President designates one of the Commissioners to serve as Chairman.

The Office of the Chairman oversees the Commission's principal divisions and offices that administer and enforce the CEA and the regulations, policies and guidance thereunder.

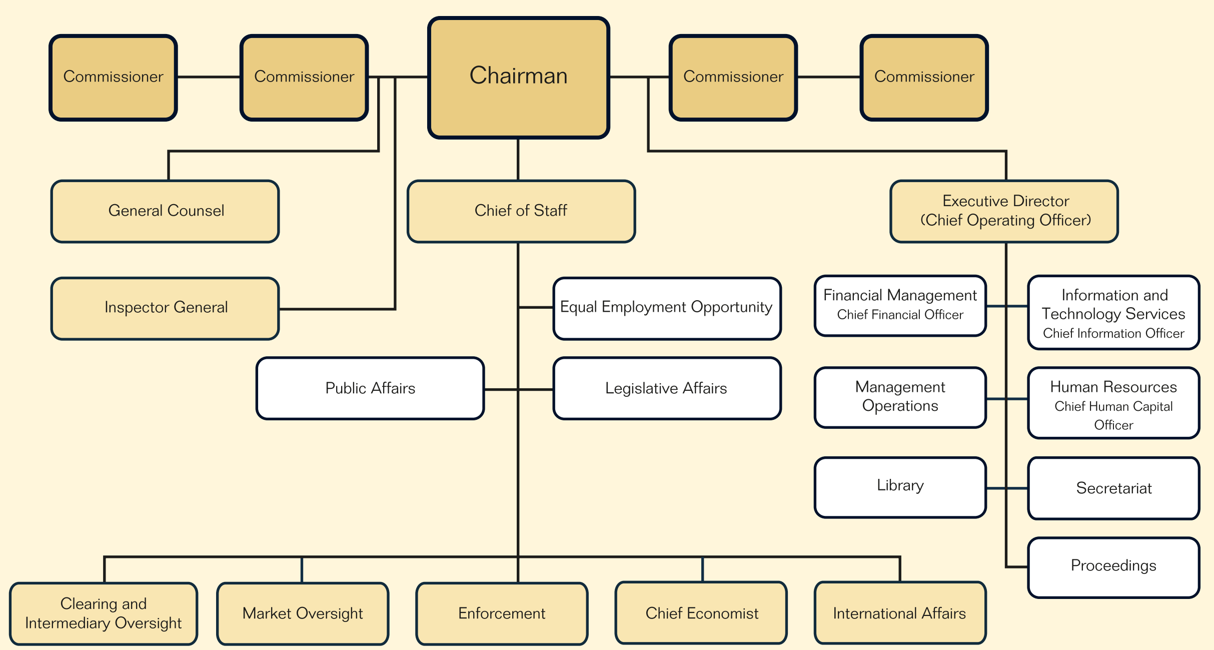
The Commission is organized largely along programmatic and functional lines. The three programmatic divisions—the Division of Market Oversight (DMO), the Division of Clearing and Intermediary Oversight (DCIO) and the Division of Enforcement (DOE)—are partnered with and supported by a number of offices, including the Office of the General Counsel (OGC), the Office of the Chief Economist (OCE), the Office of International Affairs (OIA), the Office of the Inspector General (OIG), and the Office of the Executive Director (OED).

The Executive Director, by delegation of the Chairman, serves as the Chief Operating Officer (COO) directing the effective and efficient allocation and use of resources, and developing the management and administrative policy and programs of the Commission.

Attorneys across the CFTC's divisions and offices represent the Commission in administrative and civil proceedings, assist U.S. Attorneys in criminal proceedings involving violations of the CEA, develop regulations and policies governing clearinghouses, exchanges and intermediaries, and monitor compliance with applicable rules. In response to the globalization of the derivatives markets, attorneys represent the CFTC internationally in multilateral regula-

Commodity Futures Trading Commission Organization Structure

Headquarters is located in Washington D.C. Regional Offices are located in Chicago, Kansas City and New York.



tory organizations and in bilateral initiatives with individual foreign regulators. Commission attorneys also participate in country dialogues organized by the U.S. Department of the Treasury. Much of the Commission's legal work involves complex and novel issues.

Auditors, risk analysts, trade practice analysts and attorneys examine records and operations of derivatives exchanges, clearinghouses and intermediaries for compliance with the provisions of the CEA and the Commission's regulations. Derivatives trading investigators and specialists perform regulatory and compliance oversight to detect potential fraud, market manipulations and trade practice violations. Risk analysts also perform analyses, which include stress testing, to evaluate financial risks at the trader, firm and clearinghouse levels.

Economists and analysts monitor trading activities and price relationships in derivatives markets to detect and deter price manipulation and other potential market disruptions. These analysts also monitor compliance with position limits. Economists and analysts evaluate filings for new derivatives contracts and amendments to existing contracts to ensure that they meet the Commission's statutory and regulatory standards. Economists also analyze the economic effect of various Commission and industry actions and events, evaluate policy issues and advise the Commission accordingly.

The CFTC is headquartered in Washington, D.C., with regional offices in Chicago, Kansas City, and New York.

CFTC Organizational Programs

Below are brief descriptions of the organizational programs within the CFTC.

- **The Commission**

  The Offices of the Chairman and the Commissioners provide executive direction and leadership to the Commission. The Offices of the Chairman include: Public Affairs, Legislative Affairs, and Equal Employment Opportunity.

- **Division of Market Oversight**

  The DMO program fosters markets that accurately reflect the forces of supply and demand for the underlying commodities and are free of disruptive activity. To achieve this goal, program staff oversees trade execution facilities and performs market and trade practice surveillance, reviews new and existing exchanges to ensure their compliance with the applicable core principles, evaluates new products to ensure they are not susceptible to manipulation and reviews exchange rules and actions to ensure compliance with the CEA and CFTC regulations.

- **Division of Clearing and Intermediary Oversight**

  The DCIO program oversees the registration and compliance activities of DCOs, intermediaries and the futures industry self-regulatory organizations (SROs), which include the U.S. derivatives exchanges and the National Futures Association (NFA). Program staff develop regulations concerning registration, fitness, financial adequacy, sales practices, protection of customer funds, clearance and settlement activities, cross-border transactions, systemic risk and anti-money laundering programs, as well as policies for coordination with foreign market authorities and emergency procedures to address market-related events.

- **Division of Enforcement**

  The DOE program investigates and prosecutes alleged violations of the CEA and Commission regulations. Possible violations involve improper conduct related to commodity derivatives trading on U.S. exchanges, or the improper marketing and sales of commodity derivatives products to the general public.

- **Office of the General Counsel**

  The OGC serves the Commission as its legal advisor representing the Commission in appellate litigation and certain trial-level cases, including bankruptcy proceedings involving futures industry professionals. OGC also advises the Commission on the application and interpretation of the CEA and other administrative statutes.

- **Office of the Chief Economist**

  The OCE provides economic support and advice to the Commission, conducts research on policy issues facing the Commission, and provides education and training for Commission staff.

- **Office of International Affairs**

  The OIA advises the Commission regarding international regulatory initiatives; provides guidance regarding international issues raised in Commission matters; represents the Commission in international organizations, such as the International Organization of Securities Commissions (IOSCO); coordinates Commission policy as it relates to international initiatives of the G20, Financial Stability Board and the U.S. Treasury Department; and provides technical assistance to foreign market authorities.

- **Office of the Inspector General**

  The OIG is an independent organizational unit at the CFTC. The mission of the OIG is to detect waste, fraud, and abuse and to promote integrity, economy, efficiency, and effectiveness in the CFTC's programs and operations. In accordance with the Inspector General Act of 1978, as amended, the OIG issues semiannual reports detailing its activities, findings, and recommendations.

- **Office of the Executive Director**

  The Executive Director, by delegation of the Chairman, serves as the COO directing the effective and efficient allocation and use of resources and developing the management and administrative policy and programs of the Commission. The OED includes: Secretariat, Human Resources, Financial Management, Information and Technology Services, Management Operations, Proceedings (reparations) and the Library. The OED also ensures program performance is measured and improved effectively.

CFTC Strategic Framework: Keeping Pace with Change

The CFTC Mission Statement, Strategic Goals and its related outcome objectives and performance metrics, as well as its multi-year Strategic Plans, create a template that allows management to articulate its priorities, measure results, and conduct long-range planning. The Commission also maintains flexibility to adapt its program to address market and financial emergencies and new regulatory concerns.

In FY 2007, the Commission issued *Keeping Pace with Change*, its Strategic Plan for FY 2007-2012. That version of the CFTC Strategic Plan expires with the issuance of its FY 2010 Performance and Accountability Report and FY 2012 President's Budget and Performance Plan.

OMB granted an extension of the deadline by which the CFTC must publish its revised Strategic Plan until February 28, 2011.

The following table is an overview of the Commission's mission statement, strategic goals, and outcome objectives under the FY 2007-2012 strategic framework.

Mission Statement

THE MISSION OF THE CFTC IS TO PROTECT MARKET USERS AND THE PUBLIC FROM FRAUD, MANIPULATION, AND ABUSIVE PRACTICES RELATED TO THE SALE OF COMMODITY FUTURES AND OPTIONS, AND TO FOSTER OPEN, COMPETITIVE, AND FINANCIALLY SOUND COMMODITY FUTURES AND OPTION MARKETS.

Strategic Goal One

Ensure the economic vitality of the commodity futures and option markets.

Outcome Objectives

1. Markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.
2. Markets that are effectively and efficiently monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.

Strategic Goal Two

Protect market users and the public.

Outcome Objectives

1. Violations of Federal commodities laws are detected and prevented.
2. Commodities professionals meet high standards.
3. Customer complaints against persons or firms falling within the jurisdiction of the CEA are handled effectively and expeditiously.

Strategic Goal Three

Ensure market integrity in order to foster open, competitive, and financially sound markets.

Outcome Objectives

1. Clearing organizations and firms holding customer funds have sound financial practices.
2. Commodity futures and option markets are effectively self-regulated.
3. Markets are free of trade practice abuses.
4. Regulatory environment is responsive to evolving market conditions.

Strategic Goal Four

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

Outcome Objectives

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

Industry Growth in Volume, Globalization and Complexity

Fundamental changes in the technology, products and platforms of U.S. futures trading have increased the Commission's need for sophisticated technology, specialized skills and additional resources to keep pace.

In the futures industry, exchanges, in particular, have undergone a decade-long transition from geographically-defined trading pits to electronic platforms with global reach. From 2000 to 2010, electronic trading grew from approximately nine percent of volume to 78 percent on all U.S. designated contract markets (DCMs). Over the same time period, the number of actively-traded futures and options contracts listed on U.S. exchanges increased more than nine-fold, from approximately 266 contracts in 2000 to approximately 2,466 contracts in 2010. Total DCM futures and options trading volume rose from approximately 580 million contracts in 2000 to approximately 3.11 billion in 2010, an increase of more than 436 percent.

Indicator	2000	2010	Percent Change
CFTC Staff[1]	556	605	+9%
CFTC Overhead Expenses as a % of the Budget[2]	39%	37%	-2%
Notional Value of Futures Market[3]	$12 Trillion	$39 Trillion	+225%
Types of Contracts Traded[3]	266	2,466	+827%
Total Contract Volume[4]	580 Million	3.11 Billion	+436%
Volume of Electronic Trading on all U.S. DCMs[5]	9%	78%	+69%
Customer Funds in FCM Accounts[6]	$56.7 Billion	$177.4 Billion	+213%
Enforcement Actions Filed[7]	53	57	+8%
Enforcement Investigations Opened[7]	117	419	+258%
Designated Contract Markets [8]	13	17	+31%
Derivative Clearing Organizations[8]	9	14	+56%
Exempt Commercial Markets[8]	0	23	N/A
Exempt Boards of Trade[8]	0	14	N/A
New Product Filings Reviewed[8]	50	776	+1,452%
Product Rule Certifications Reviewed[8]	96	49	-49%
Market Rule Certifications Reviewed[8]	222	359	+62%

Sources:

1. *The Budget of the United States*
2. CFTC Status of Funds Report
3. CFTC Integrated Surveillance System
4. Futures Industry Association
5. CFTC Trade Surveillance System
6. 1-FR Reports filed by FCMs and posted at: *http://www.cftc.gov/MarketReports/FinancialDataforFCMs/index.htm*
7. CFTC eLaw System
8. CFTC FILAC System and posted at: *http://www.cftc.gov/IndustryOversight/index.htm*

Commodity Futures Industry

The first derivatives—called futures—began trading at the time of the Civil War, when grain merchants came together and created this new marketplace. When the Commission was founded in 1974, the vast majority of derivatives trading consisted of futures trading in agricultural sector products. These contracts gave farmers, ranchers, distributors, and end-users of products ranging from corn to cattle an efficient and effective set of tools to hedge against price risk.

Over the years, however, the derivatives industry has become increasingly diversified. The agriculture sector continues to use the futures markets as actively as ever to effectively lock in prices for crops and livestock months before they enter the marketplace. However, highly complex financial contracts based on interest rates, foreign currencies, Treasury bonds, securities indexes and other products have far outgrown agricultural contracts in trading volume. Latest statistics show that approximately eight percent of on-exchange commodity futures and option trading activity occurs in the agricultural sector. Financial commodity futures and option contracts[1] make up approximately 79 percent. Other contracts, such as those on metals and energy products, make up about 13 percent.

The increase in trading activity, the number of participants and complexity, and the number of contracts traded transformed the futures marketplace into a $39 trillion industry in notional amount. The rapid evolution in trading technologies, cross-border activities, product innovation and competition have made the futures markets a significant part of the global economy.

In addition to the rapid growth of the futures marketplace, the global economy saw the development of a new over-the-counter (OTC) derivatives market. The first swap transaction took place in 1981. The Office of the Comptroller of the Currency estimates that, as of the first quarter of 2010, swaps entered into by U.S. commercial banks have a notional amount of $217 trillion. Parts of this market were responsible for the global financial crises when existing risk controls for the OTC market proved inadequate in the 2008 global financial meltdown.

Dodd-Frank Initiatives

In July 2010, the U.S. Congress addressed the economic risks of swaps when it passed the Dodd-Frank Act. Though the CFTC has regulated derivatives since the 1920s, its jurisdiction was limited to futures. Now, the Commission, along with the SEC, is tasked with bringing its regulatory expertise to the swaps marketplace. There are three critical reforms of the derivatives markets included in the Dodd-Frank Act. First, the Dodd-Frank Act requires swap dealers to come under comprehensive regulation. Second, the Dodd-Frank Act moves the bulk of the swaps marketplace onto transparent trading facilities—either exchanges or SEFs. Third, the Dodd-Frank Act requires clearing of standardized swaps by regulated clearinghouses to lower risk in the marketplace.

Clearing of Standardized Swaps through CFTC registered Derivatives Clearing Organizations

The Dodd-Frank Act requires that standardized swaps be cleared through CFTC-registered DCOs. Clearing has lowered risk in the futures marketplace since the 1890s.

- All DCOs that clear swaps must submit the contracts to the CFTC, which must then make a decision as to whether the swaps are subject to the Dodd-Frank Act's clearing requirement. The CFTC has 90 days after the submission, including a 30-day comment period, to make such determinations. Though the CFTC does not yet know the total number of contracts that will be submitted for clearing, and the Commission may be able to group many by class, the largest swaps clearinghouse clears nearly one million unique contracts at any point in time.
- The Dodd-Frank Act creates a new category of systemically important DCOs. These entities will have to comply with heightened risk management and other prudential standards. The Commission will be required to examine systemically important DCOs at least yearly. The Commission also will have to ensure that all DCOs comply with the core principles revised and added by the Dodd-Frank Act. The Commission likely will see an increase in the number of DCOs

[1] *A timeline of significant dates in history of futures regulation before the creation of the CFTC and significant dates in CFTC history from 1974 to the present is located at: http://www.cftc.gov/About/HistoryoftheCFTC/index.htm.*

seeking registration, including entities that are located outside the United States.

- The additional clearinghouses that will register as DCOs likely will clear many more products that will require analysis. Further, the risk profile of these cleared products will be more complex than traditional futures and options on futures. As such, the clearing oversight program's risk surveillance function will have to grow so that the CFTC can continue to effectively discharge its statutory duty to reduce systemic risk.

Oversight of Swap Execution Facilities and Swaps Trading on Designated Contract Markets

The Commission will implement many new provisions related to the oversight of swaps trading activity. These include procedures for the review and oversight of an entirely new regulated market category, SEFs.

- The Commission currently oversees 17 DCMs. Based on industry comments, there could be at least 30-40 entities that will apply to become SEFs. This estimate is based on the number of ECMs, exempt boards of trade, interdealer brokers, information service providers and swap dealers who have formally or informally expressed an interest in registering as SEFs. Furthermore, some DCMs that in the past listed only futures will start listing swaps.
- Each SEF must be thoroughly evaluated by staff before making determinations whether they should be approved. Those that are approved must also be regularly examined for ongoing compliance.

Position Limits

The CFTC currently administers a Commission-set position limit regime for a total of nine DCM-listed agricultural futures contracts. Under the Dodd-Frank Act, the Commission is instructed to implement and enforce new aggregate position limits that will cover not only the futures market, but also some portion of the swaps market. These limits would apply to more than 30 agricultural and exempt (mostly metals and energy) commodities.

Swap Data Repositories and Real Time Reporting of Swaps Data

The Dodd-Frank Act establishes a new registration category for SDRs. The Dodd-Frank Act requires registrants—including swap dealers, major swap participants, SEF and DCMs—to have robust record-keeping and reporting, including an audit trail, for swaps. The CFTC anticipates issuing rules in this area to require SDRs to perform their core function of collecting and maintaining swaps data and making it directly and electronically available to regulators. Initial estimates are that the Commission will receive at least five SDR applications upon the general effective date of the Dodd-Frank Act—one for each major asset class of swaps—and maybe as many as 10, if some international SDRs seek to register as well. That number could grow significantly to the extent that any DCMs, SEFs or DCOs seek to establish in-house SDRs to facilitate their swap business. In addition, the Commission, as required by the Dodd-Frank Act, anticipates issuing rules that will provide for the real time dissemination of price and other information about swaps trading to promote transparency.

Regulating Foreign Boards of Trade

The Dodd-Frank Act's creation of a new registered foreign board of trade (FBOT) category will obviate the need for the current FBOT no-action letter program, but the substantive requirements that will be imposed on registered FBOTs will likely be more robust than the requirements imposed under the no-action regime. Currently, 20 FBOTs operate in the United States based upon no-action letters dating back to 1999. The Commission expects at least that number of FBOTs will apply to register upon the implementation of the registered FBOT regulations, plus an additional six to 10 FBOTs who have recently expressed an interest in becoming registered.

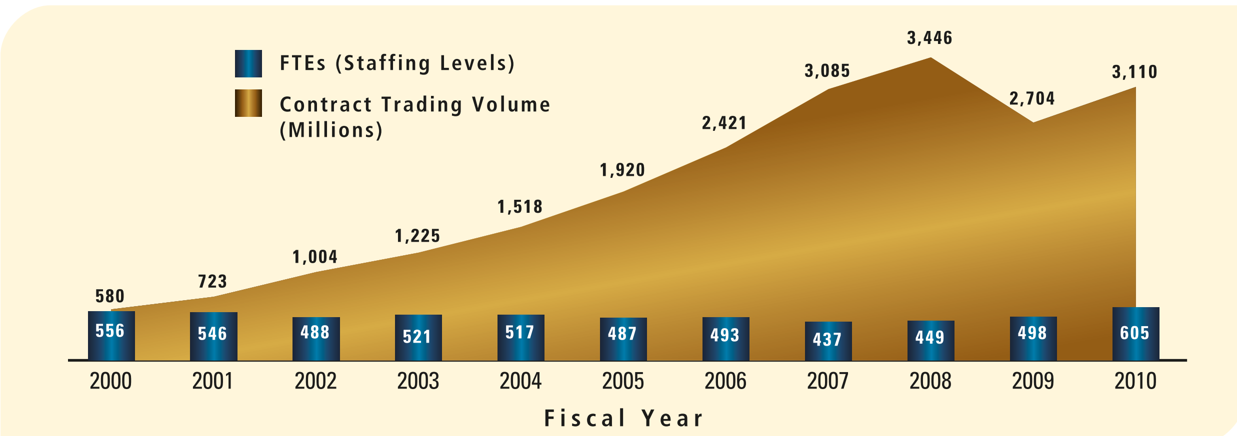
CFTC and Industry Trends

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

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

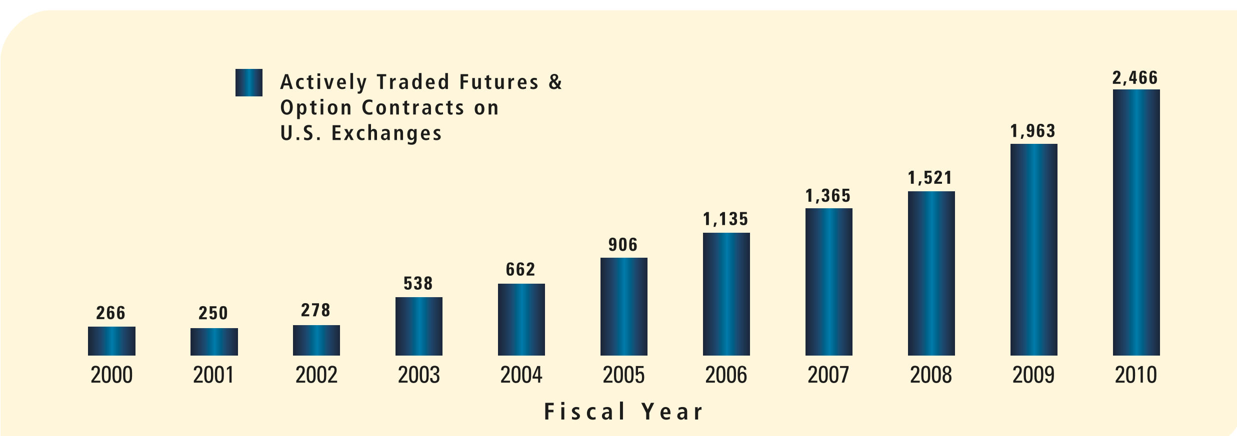
Growth in Volume of Futures & Option Contracts Traded & CFTC Full-time Equivalents (FTEs), 2000–2010

Trading volume has increased over five-fold in the last decade. There is growth in the staffing level for the Commission in FY 2010, but over a ten year period the increase in staff has not kept up with the increase in volume of contracts traded.[2]



Actively Traded Futures & Option Contracts, 2000–2010

The number of actively traded contracts on U.S. exchanges has increased more than nine-fold in the last decade.



[2] *Volume started decreasing at the end of FY 2008 and continued at about a 20 percent decline for FY 2009. FY 2010 bounced back to about a 15.7 percent increase.*

Preservation of Market Integrity and Protection of Market Users

Manipulation, Attempted Manipulation, and False Reporting

The CFTC utilizes every tool at its disposal to detect and deter illegitimate market forces. Through enforcement action, the Commission preserves market integrity and protects market users, demonstrating that the Commission has significant authority and intends to use it. Below is a highlight of the CFTC enforcement efforts in this area over the last five fiscal years (FY 2006 through FY 2010).

Actions Taken Since FY 2006	Manipulation, Attempted Manipulation, and False Reporting
Number of Cases Filed or Enforcement Actions	19
Number of Entities/Persons Charged	41
Number of Dollars in Civil Monetary Penalties Assessed	$197,562,500

Commodity Pools, Hedge Funds, Commodity Pool Operators, and Commodity Trading Advisors

Investors continue to fall prey to unscrupulous commodity pool operators (CPOs) and commodity trading advisors (CTAs), including CPOs and CTAs operating hedge funds. The majority of the Commission's pool/hedge fund fraud cases are brought against unregistered CPOs and/or CTAs. These cases tend to involve Ponzi schemes or outright misappropriation, rather than legitimate hedge fund operations.

Actions Taken Since October 2000	Pools/Hedge Funds
Number of Cases Filed or Enforcement Actions	106
Cases/Actions Charging Commission Registrants	36
Number of Dollars in Penalties Assessed	$637,383,906

Forex Fraud

The Commission vigorously uses its enforcement authority to combat forex fraud.

Actions Taken Since Passage of the CFMA in December 2000	Foreign Currency Fraud
Number of Cases Filed or Enforcement Actions	126
Number of Entities/Persons Charged	467
Number of Customers Affected	27,110
Number of Dollars in Civil Monetary Penalties Assessed	$577,549,521
Number of Dollars in Restitution Assessed	$477,473,424

Number of Registrants

Companies and individuals who handle customer funds, solicit or accept orders, or give trading advice must apply for CFTC registration through the NFA, a registered futures association and SRO with delegated authority from the Commission.

The Commission regulates the activities of over 64,000 registrants.

Registration Category[3]	Number as of September 30, 2010
Associated Persons (APs) (Salespersons)	51,245
Commodity Pool Operators (CPOs)	1,228
Commodity Trading Advisors (CTAs)	2,560
Floor Brokers (FBs)	6,591
Floor Traders (FTs)	1,344
Futures Commission Merchants (FCMs)	142
Retail Foreign Exchange Dealers (RFEDs)	8
Introducing Brokers (IBs)	1,596
TOTAL	**64,714**

Contract Markets Designated by the CFTC, 2005–2010

The following 17 DCMs meet CFTC designation criteria and core principles for trading futures and options.

DCMs[4]	2005	2006	2007	2008	2009	2010
CANTOR						●
CBOT	●	●	●	●	●	●
CCFE	●	●	●	●	●	●
CFE	●	●	●	●	●	●
CME	●	●	●	●	●	●
CX						●
ELX					●	●
GREENEX						●
ICE US (NYBOT)	●	●	●	●	●	●
KCBT	●	●	●	●	●	●
MGE	●	●	●	●	●	●
Nadex (HedgeStreet)	●	●	●	●	●	●
NFX (PBOT)	●	●	●	●	●	●
NQLX	●					
NYMEX (incl. COMEX)	●	●	●	●	●	●
NYSE LIFFE				●	●	●
OCX	●	●	●	●	●	●
TRENDEX						●
USFE	●	●	●	●	●	
TOTAL	**13**	**12**	**12**	**13**	**14**	**17**

[3] *A person who is registered in more than one registration category is counted in each category.*

[4] *Full names of organizations are located in the CFTC Glossary of the FY 2010 Performance and Accountability Report at http://www.cftc.gov/About/CFTCReports/.*

Number of Derivatives Clearing Organizations Registered with the CFTC, 2005–2010

Clearinghouses that provide clearing services for CFTC-regulated exchanges must register as DCOs. Currently, 14 DCOs are registered with the Commission.

DCOs[5]	2005	2006	2007	2008	2009	2010
AE Clearinghouse	●	●	●			
Cantor Clearinghouse						●
CBOT	●	●	●	●	●	●
CCorp	●	●	●	●	●	●
CME	●	●	●	●	●	●
ICE Clear Europe						●
ICE Clear US	●	●	●	●	●	●
IDC					●	●
KCBT	●	●	●	●	●	●
LCH	●	●	●	●	●	●
MGE	●	●	●	●	●	●
NADEX	●	●	●	●	●	●
NGX					●	●
NYMEX	●	●	●	●	●	●
OCC	●	●	●	●	●	●
TOTAL	11	11	11	10	12	14

Exempt Commercial Markets, 2005–2010

Electronic trading facilities providing for the execution of principal-to-principal transactions between eligible commercial entities in exempt commodities may operate as ECMs, as set forth under the CEA and the Commission's regulations. An ECM is subject to anti-fraud and anti-manipulation provisions and a requirement that, if performing a significant price discovery function, must provide pricing information to the public. A facility that elects to operate as an ECM must give notice to the Commission and comply with certain information, record-keeping, and other requirements. An ECM is prohibited from claiming that the facility is registered with, or recognized, designated, licensed or approved by, the Commission. A total of 34 ECMs have filed notices with the Commission. In FY 2010, 23 ECMs were in business for at least part of the year; five however, withdrew their ECM notifications during the fiscal year.

ECMs[6]	2005	2006	2007	2008	2009	2010
Agora-X					●	●[7]
CCX	●	●	●	●	●	●
CDXchange	●	●				
ChemConnect		●	●			
DFox					●	
EnergyCross.com					●	●

(continued on next page)

[5] *Full names of organizations are located in the CFTC Glossary of the FY 2010 Performance and Accountability Report at http://www.cftc.gov/About/CFTCReports/.*

[6] *Ibid.*

[7] *These ECMs withdrew their ECM notifications during FY 2010.*

ECMs[6]	2005	2006	2007	2008	2009	2010
EOXLIVE				●	●	●
Evolution Markets						●[7]
FCRM					●	●
Flett			●	●	●	
GFI			●	●	●	●
HSE	●	●	●	●	●	●
ICAP		●	●	●	●	●
ICAPture		●	●	●	●	●
ICAP Shipping		●	●	●	●	●
ICAP Truequote						●
ICE	●	●	●	●	●	●
IMAREX	●	●	●	●	●	●[7]
Liquidity Partners						●
LiquidityPort			●	●	●	●[7]
NGX	●	●	●	●	●	●
Nodal			●	●	●	●
NTP		●	●	●	●	
OILX					●	●
OPEX	●	●	●	●	●	
Parity				●	●	●
SL	●	●	●			
TCX	●	●	●	●	●	
TFSWeather	●	●	●	●	●	
tpENERGYTRADE					●	
Tradition Coal.Com				●	●	●
Trading Optx					●	●[7]
TS	●	●				
WORLDPULP	●	●	●	●	●	●
TOTAL	**12**	**17**	**19**	**20**	**27**	**23**

Exempt Boards of Trade, 2005–2010

Transactions by eligible contract participants in selected commodities may be conducted on an EBOT as set forth under the CEA and the Commission's regulations. EBOTs are subject only to the CEA's anti-fraud and anti-manipulation provisions. An EBOT is prohibited from claiming that the facility is registered with, or recognized, designated, licensed, or approved by the Commission. Also, if it is performing a price discovery function, the EBOT must provide certain pricing

[6] *Full names of organizations are located in the CFTC Glossary of the FY 2010 Performance and Accountability Report at http://www.cftc.gov/About/CFTCReports/.*

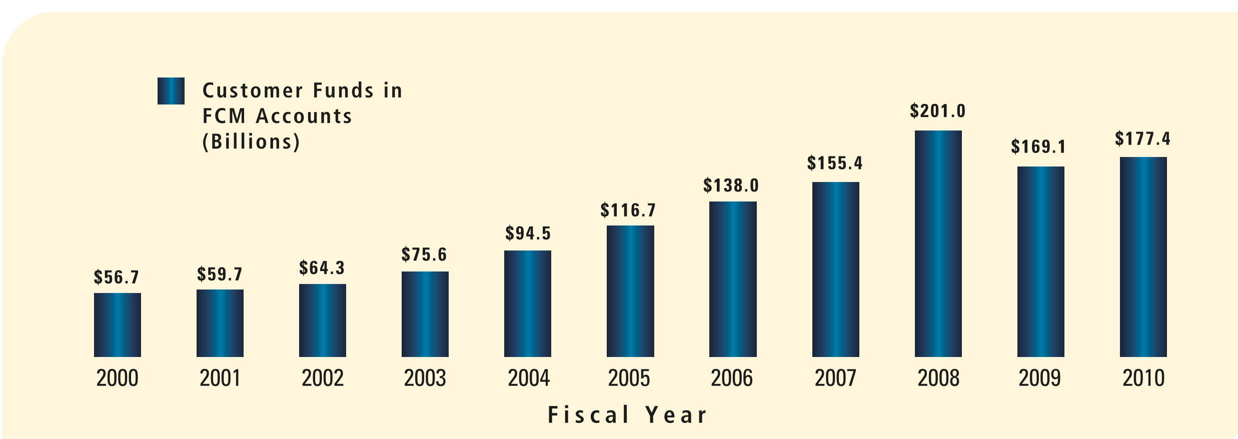
[7] *These ECMs withdrew their ECM notifications during FY 2010.*

information to the public. To date, 20 EBOTs filed notices with the Commission. In FY 2010, 14 EBOTs were in business for at least part of the year; one however, withdrew its EBOT notification during the fiscal year.

EBOTs[8]	2005	2006	2007	2008	2009	2010
AE	●	●	●	●	●	
CME AM	●	●	●	●	●	●
CTRMTCH						●
Derivatives Bridge				●	●	●
ERIS						●
FENICS						●
GFI ForexMatch			●	●	●	●
Intrade	●	●	●	●	●	●
IRESE				●	●	●
LiquidityPort			●	●		
Longitude			●	●	●	●
M2						●
MATCHBOXX ATS		●				
Storm		●	●	●	●	●[9]
SURFEX						●
Swapstream		●	●	●	●	●
TACE					●	●
WBOT	●	●	●			
WXL	●	●	●			
Yellow Jacket				●		
TOTAL	5	8	9	9	10	14

Customer Funds in Futures Commission Merchant Accounts, 2000–2010

The amount of customer funds held at FCMs nearly quadrupled from FY 2000 to FY 2008, declined in FY 2009, and showed a slight increase in FY 2010.



[8] *Full names of organizations are located in the CFTC Glossary of the FY 2010 Performance and Accountability Report at http://www.cftc.gov/About/CFTCReports/.*

[9] *This EBOT withdrew its EBOT notification during FY 2010.*

Overview of Performance Management

Success for CFTC

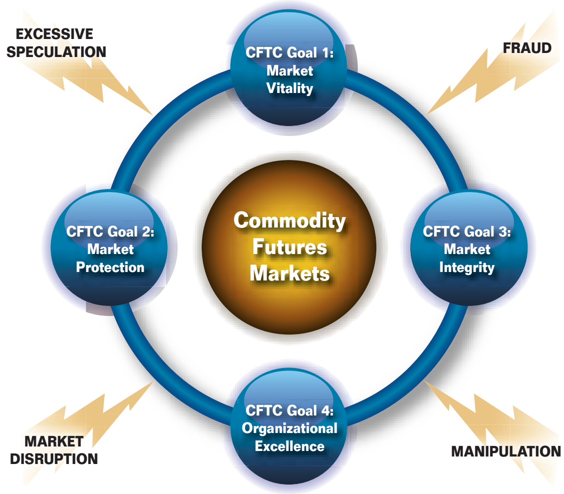
Public has confidence in futures markets and markets are open, competitive, and financially healthy.

The Mission: Why we do what we do

- To protect market users and the public from fraud, manipulation, and abusive practices related to the sale of commodity futures and options; and
- To foster open, competitive, and financially sound commodity futures and option markets.

Most Americans have a direct stake in the trillion dollar futures market through personal investments in securities, mutual funds, or pension funds tied to these markets. All Americans have an indirect stake, since these markets are critical to establishing prices from Wall Street to Main Street.

As the only entity with regulatory oversight across all U.S. commodity futures and option markets, the CFTC is committed to its mission of protecting the integrity of the futures markets.



The *Performance Section*, which details the Commission's efforts to meet its strategic and performance goals is located in the FY 2010 Performance and Accountability Report at *http://www.cftc.gov/About/CFTCReports/*.

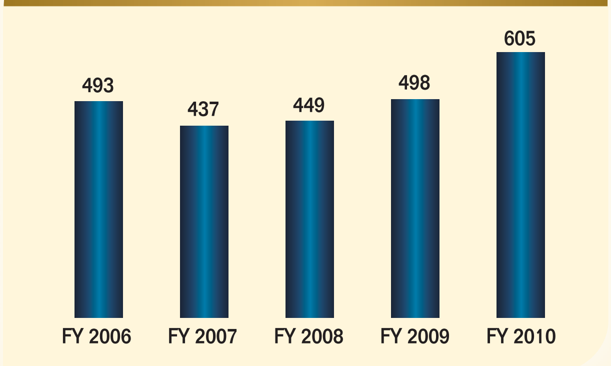
Performance Highlights

Resources at a Glance

Fiscal Year	Outcomes
2010	$168 Million Actual Obligations Increased Staff by 107
2009	$146 Million Actual Obligations Increased Staff by 49
2008	$111 Million Actual Obligations Increased Staff by 12
2007	$98 Million Actual Obligations *Decreased Staff by 56*
2006	$93 Million Actual Obligations Increased Staff by 6

CFTC Staffing

Workforce 5-Year Staffing Trends



11-Year Staffing Trends

Acquisition of Additional Office Space

In FY 2010, the Commission invested $13 million or eight percent of its resources to meet the increased demand for office space to house new employees at each of its locations. This effort is required to accommodate budget projections which would more than double the CFTC staff over four years. The Commission is doing everything possible to ensure adequate, cost effective and efficient space for CFTC staff and operations.

The CFTC has reworked its leases in Washington, D.C. and Chicago to expand the size of its space, extend the terms of the leases, and renegotiate pricing in its favor. A new landlord and location were selected to permit the Kansas City office to expand. The Commission is currently engaged in a procurement effort to expand its space footprint in New York by fifty percent. The New York lease is set to expire in 2012.

Management continuously monitors space conditions and the specific timing and proposed location of each new hire. The Commission is making use of every square foot of space and has used less than ideal space to temporarily house staff as construction occurs within existing space. However, as the need arises, to ensure worker efficiency, the Commission may lease temporary office space or look to other management options, such as expanded telework arrangements to permit office sharing. As the need for interim solutions arises, management staff will work thorough the divisions and offices to achieve the best short-term solutions.

Technology Modernization

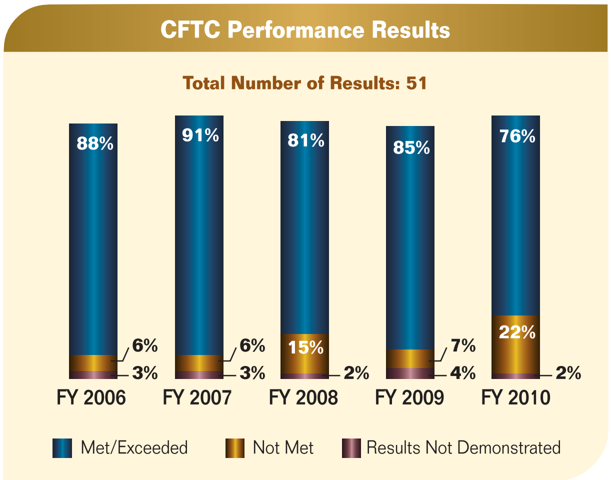
In FY 2010, the Commission invested $31 million or 19 percent of its resources to continue its focus on enhancing the Commission's technology to keep pace with the futures marketplace by implementing:

- Automated surveillance of the futures markets through the development of trade practice and market surveillance alerts;
- The capability to create ownership and control linkages between trading activity and aggregated positions;
- Computer forensics capability in support of enforcement investigations;
- Security controls to ensure continued compliance with the National Institute of Standards and Technology (NIST) and FISMA requirements; and
- Human resources systems to improve upon our antiquated systems that have been unable to effectively support recent FTE growth.

Overview of Commission Performance

Performance measures are rated as: Exceeded, Met, Not Met, or Results not Demonstrated.

The bar chart below shows that the number of targets that were met or exceeded decreased nine percent over the FY 2009 results. This is due in part to a significant number of staffing resources that were reallocated from current authorities towards preparing for and implementing the new authorities under the Dodd-Frank Act in the last two quarters of the fiscal year.



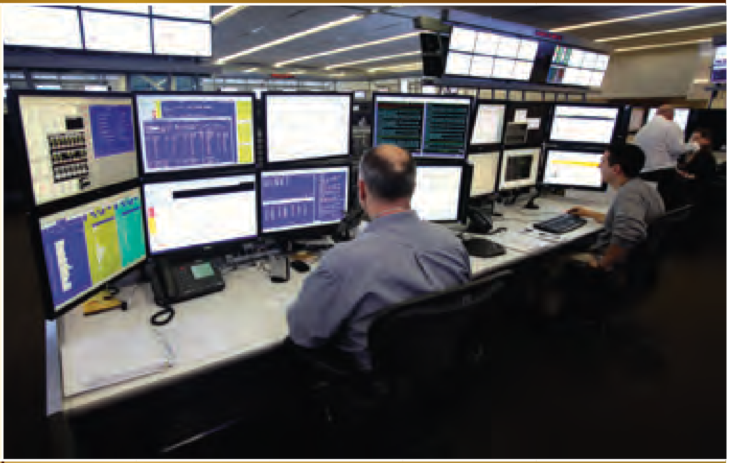
Introduction to Strategic Goal One

The focus of Goal One is the marketplace. If U.S. commodity futures and option markets are protected from, and are free of, abusive practices and influences, they will fulfill their vital role in the U.S. market economy, accurately reflecting the forces of supply and demand and serving market users by fulfilling an economic need.

MARKET VITALITY

Strategic Goal One

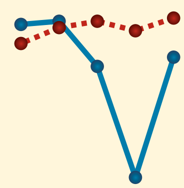
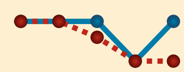
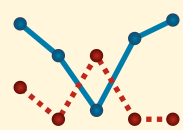
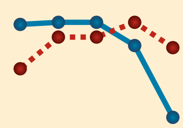
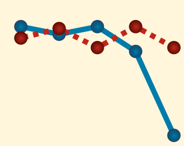
Ensure the economic vitality of the commodity futures and option markets.



FY 2010 Investment			FY 2010 Performance Results				
	FY 2010 Actual	Change (+/-) from FY 2009	Targets:	Exceeded	Met	Not Met	Results Not Demonstrated
Cost:	$53.3 Million	+$8.2 Million	**Results:**	3	3	4	0
Staffing:	196 FTE	+40 FTE		Total Number of Results: 10			

Goal One Summary of Performance

The table below provides a summary of selected performance measures to demonstrate the Commission's performance towards ensuring the economic vitality of the commodity futures and option markets. For a detailed analysis of all performance measures, please refer to the *Performance Section* of the PAR located at *http://www.cftc.gov/About/CFTCReports/*.

Performance Summary					
Outcome Objective 1.1 Markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.					
Performance Measures	**FY 2010 Target**	**FY 2010 Actual**	**FY 2010 Met or Not Met**	**Performance Trends FY 2006 – FY 2010**	**Comment**
1.1.1 Percentage growth in market volume.	28%	15.7%	✖		The percentage growth in the market increased at a rate of 15.7% for FY 2010. However, excluding the first quarter of FY 2010, volume increased at just over 20%. October 2009 was almost 17% down from October 2008.
1.1.2 Percentage of novel or innovative market proposals or requests for CFTC action addressed within six months to accommodate new approaches to, or the expansion in, derivatives trading, enhance the price discovery process, or increase available risk management tools.	75%	100%	✔		DMO handled a number of formal and informal proposals or requests for Commission action during this fiscal year. The items, which included innovative products and exchange processes, were all addressed within six months of formal receipt.
1.1.3 Percentage increase in number of products traded.	10%	25.6%	✔		The number of products traded grew by 25.6% due to the growth in number of new products offered on the exchanges during FY 2010, and the recovery from the economic downturn of 2008.
1.1.5 Percentage of new contract certification reviews completed within three months to identify and correct deficiencies in contract terms that make contracts susceptible to manipulation.	70%	37%	✖		Coupled with an increasing backlog of new product certifications, and added responsibilities resulting from the Farm Bill to review contracts traded on ECMs to determine whether each contract performs a significant price discovery function, the percentage of completed reviews declined in FY 2010 and, thus, the percentage was significantly lower than anticipated.
1.1.6 Percentage of rule certification reviews completed within three months, to identify and correct deficiencies in exchange rules that make contracts susceptible to manipulation or trading abuses or result in violations of law.	75%	29%	✖		The percentage of trading rule amendment certification reviews completed within three months of receipt by the Commission decreased over last year. This decrease in performance is due to the fact that DMO did not have sufficient staff to keep up with the influx of submissions and added responsibilities resulting from the Farm Bill and the rulemakings mandated by the Dodd-Frank Act.

Legend: Actual Targets ··•·· Actual Results —•— Met ✔ Not Met ✖

Introduction to Strategic Goal Two

The explosive growth in the futures industry provides many benefits to the U.S. economy, but the risk of fraud and manipulation is always present. The trend toward electronic trading platforms and the expanding complexity of trading instruments have challenged the Commission to reconfigure its ability to identify, investigate, and take action against parties involved in violating applicable laws and regulations. If evidence of criminal activity is found, matters are referred to state or Federal authorities for criminal prosecution.

MARKET PROTECTION

Strategic Goal Two

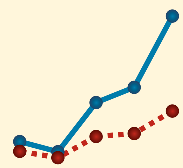
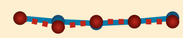
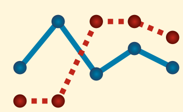
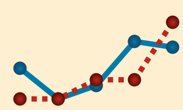
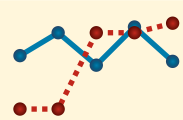
Protect market users and the public.

FY 2010 Investment			FY 2010 Performance Results				
	FY 2010 Actual	**Change (+/-) from FY 2009**	**Targets:**	**Exceeded**	**Met**	**Not Met**	**Results Not Demonstrated**
Cost:	$39.3 Million	+$5.6 Million	**Results:**	2	7	3	0
Staffing:	140 FTE	+26 FTE		Total Number of Results: 12			

Goal Two Summary of Performance

The table below provides a summary of selected performance measures to demonstrate the Commission's performance towards protecting market users and the public. For a detailed analysis of all performance measures, please refer to the *Performance Section* of the PAR located at *http://www.cftc.gov/About/CFTCReports/*.

Performance Summary

Performance Measures	FY 2010 Target	FY 2010 Actual	FY 2010 Met or Not Met	Performance Trends FY 2006 – FY 2010	Comment
Outcome Objective 2.1 Violations of Federal commodities laws are detected and prevented.					
2.1.1 Number of enforcement investigations opened during the fiscal year.	195	419	✔		The number of investigations opened has risen sharply due to a combination of factors including the clarification of the Commission's authority over off-exchange traded forex, cooperative enforcement efforts, and the exposure of Ponzi schemes due to the financial downturn.
2.1.3 Percentage of enforcement cases closed during the fiscal year in which the Commission obtained sanctions (*e.g.*, civil monetary penalties, restitution and disgorgement, cease and desist orders, permanent injunctions, trading bans, and registration restrictions.)	98%	100%	✔		Enforcement views this as an important metric in protecting market users by deterring future violations.
Outcome Objective 2.3 Customer complaints against persons or firms registered under the CEA are handled effectively and expeditiously.					
2.3.1(a) Percentage of filed complaints resolved within one year of the filing date for voluntary proceedings.	90%	71%	✖		Normally, voluntary cases tend to take less time because of the non-appealable and informal nature of the proceedings. The cases that exceeded one year in FY 2010 included three related cases that consisted of uncooperative and non-responsive respondents.
2.3.1(b) Percentage of filed complaints resolved within one year and six months of the filing date for summary proceedings.	90%	77%	✖		Although the Office of Proceedings undertook a number of actions to improve the speed of resolution, including resolving deficiencies more quickly during the complaint phase and allowing electronic filing of documents, the factors affecting this outcome can vary from case to case. Often external factors, including complaint deficiencies, requests for extension of time, and discovery issues, may impact the ability to resolve the complaint in a speedy manner.
2.3.1 (c) Percentage of filed complaints resolved within one year and six months of the filing date for formal proceedings.	95%	75%	✖		All of these cases were resolved within one year and six months, except two cases that took over two years to resolve. One case involved the filing of 15 related cases that were eventually consolidated and assigned to one judge. This case was stayed by the Commission for approximately seven months because of the numerous filings submitted by the attorneys regarding how the cases should be assigned and adjudicated. The second case encountered several delays because of events not under the judge's control and procedural complexities.

Legend: Actual Targets ••●•• Actual Results —●— Met ✔ Not Met ✖

INTRODUCTION TO STRATEGIC GOAL THREE

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

MARKET INTEGRITY

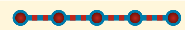
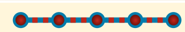
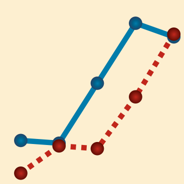
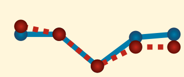
Strategic Goal Three

Ensure market integrity in order to foster open, competitive, and financially sound markets.

FY 2010 Investment			FY 2010 Performance Results				
	FY 2010 Actual	Change (+/-) from FY 2009	Targets:	Exceeded	Met	Not Met	Results Not Demonstrated
Cost:	$42.3 Million	+$8.7 Million	**Results:**	2	9	1	0
Staffing:	149 FTE	+35 FTE		Total Number of Results: 12			

Goal Three Summary of Performance

The table below provides a summary of selected performance measures to demonstrate the Commission's performance towards ensuring market integrity in the futures and option markets. For a detailed analysis of all performance measures, please refer to the *Performance Section* of the PAR located at *http://www.cftc.gov/About/CFTCReports/*.

Performance Summary					
Outcome Objective 3.2 Commodity futures and option markets are effectively self-regulated.					
Performance Measures	FY 2010 Target	FY 2010 Actual	FY 2010 Met or Not Met	Performance Trends FY 2006 – FY 2010	Comment
3.2.1 Percentage of intermediaries who meet risk-based capital requirements.	100%	100%	✔		Continue audit and financial surveillance oversight program. In FY 2010, DCIO monitored intermediaries to ensure their compliance with capital requirements.
Outcome Objective 3.3 Markets are free of trade practice abuses.					
3.3.1 Percentage of exchanges deemed to have adequate systems for detecting trade practice abuses.	100%	100%	✔		DMO staff conducts RERs of DCMs on a regular cycle that includes review and analysis of exchange programs for detecting trading abuses and violations of exchange rules. In FY 2010, DMO did not find any exchange to have inadequate systems in place for detecting trade practice abuses.
Outcome Objective 3.4 Regulatory environment is flexible and responsive to evolving market conditions.					
3.4.2 Number of rulemakings, studies, interpretations, and statements of guidance to ensure market integrity and exchanges' compliance with regulatory requirements.	59	58	✖		The final number of these combined statistics is driven, in part, by changes in the marketplace, or in the structure of the exchanges, clearing organizations, and intermediaries that operate within that marketplace. The number can be a function of what is needed to allow appropriate market interrelationships to be maintained and to allow the exchanges, clearing organizations, and intermediaries to operate in the most efficient manner possible. These factors may not be foreseeable at the time the performance estimate is prepared.
3.4.4 Percentage of total requests for guidance and advice receiving CFTC response.	87%	95%	✔		Commission staff make every effort to respond to requests as quickly as possible, but the timeliness of a response also is affected by the speed with which a requester provided additional information sought by staff. To the extent that staff are unable to provide an informal response to such requests, the requester is advised to submit a formal request for guidance. Staff strive to address such formal requests within six months of receipt.

Legend: Actual Targets Actual Results Met ✔ Not Met ✖

Introduction to Strategic Goal Four

The Commission's ability to meet its strategic program goals depends on excellent management of its human capital, technology, and financial resources. Management excellence means hiring, retaining, and developing a professionally competent and driven workforce with the technical skills and resources to achieve mission success. In addition, management excellence provides the executive leadership required to accomplish the agency's strategic goals and to continue agency functions under emergency condition.

ORGANIZATIONAL EXCELLENCE

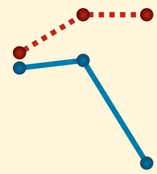
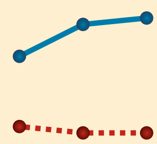
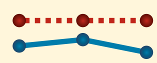
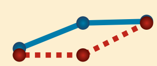
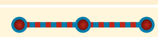
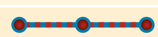
Strategic Goal Four

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

FY 2010 Investment			FY 2010 Performance Results				
	FY 2010 Actual	Change (+/-) from FY 2009	Targets:	Exceeded	Met	Not Met	Results Not Demonstrated
Cost:	$33.3 Million	No Change	**Results:**	1	12	3	1
Staffing:	120 FTE	+6 FTE		Total Number of Results: 17			

Goal Four Summary of Performance

The table below provides a summary of selected performance measures to demonstrate the Commission's performance towards achieving organizational and management excellence. For a detailed analysis of all performance measures, please refer to the *Performance Section* of the PAR located at *http://www.cftc.gov/About/CFTCReports/*.

Performance Summary					
Outcome Objective 4.1 Productive, technically competent, competitively compensated, and diverse workforce that takes into account current and future technical and professional needs of the Commission.					
Performance Measures	FY 2010 Target	FY 2010 Actual	FY 2010 Met or Not Met	Performance Trends FY 2008[10] – FY 2010	Comment
4.1.2 Average number of days between close of vacancy announcement and job offer, per Federal standards of 45 days or less.	45	84	✖		Enhanced efforts to sequence vacancy announcements, along with added process automation, are expected to reduce time-to-hire in FY 2011.
4.1.3 Rate of employee turnover, exclusive of retirements.	3.6%	1.8%	✔		Strategy is to remain an employer of choice based on professional work environment and competitive compensation, even in stronger job market.
4.1.5 Percentage of under-represented groups among new hires.	27%	22%	✖		Ongoing coordination between the Offices of Human Resources and Equal Employment Opportunity to assure improved CFTC outreach to under-represented groups is set to continue in FY 2011.
Outcome Objective 4.2 Modern and secure information system that reflects the strategic priorities of the Commission.					
4.2.3 Percentage of Customer Support Center inquiries resolved within established performance metrics.	100%	100%	✔		Customer Support Center resources will be increased to maintain performance as CFTC staffing is increased.
4.2.6 Percentage of major systems and networks certified and accredited in accordance with NIST guidance.	100%	100%	✔		Certification and accreditation for new major systems will begin early in the life cycles of those systems.
4.2.8 Percentage of network users who have completed annual security and privacy training.	99%	99%	✔		Annual security and privacy training will continue to address emerging threats to government networks.

Legend: Actual Targets Actual Results Met ✔ Not Met ✖

[10] *With the FY 2007 Strategic Plan, the Commission adopted the fourth strategic goal that focuses on assessing and measuring organizational and management excellence. In FY 2008, the Commission first published its Goal Four performance results.*

Program Evaluations

The Inspector General (IG) conducted a FY 2010 Assessment addressing the Commission's Most Serious Management Issues. The IG's 2010 Assessment is located in the *Other Accompanying Information* section of the PAR at *http://www.cftc.gov/About/CFTCReports/*.

In FY 2010, two external evaluations involving the CFTC were conducted by the U.S. Government Accountability Office (GAO):

- **Financial Regulation: Clearer Goals and Reporting Requirements Could Enhance Efforts by CFTC and the SEC to Harmonize Their Regulatory Approaches, GAO-10-410, April 22, 2010**

  The conference report accompanying the Consolidated Appropriations Act of 2010 directed GAO to assess the joint report of the SEC and the CFTC on harmonization of their regulatory approaches. In October 2009, CFTC and SEC issued this report in response to the Treasury's recommendation that the two agencies assess conflicts in their rules and statutes with respect to similar financial instruments. GAO's objectives were to review: 1) how CFTC and SEC identified and assessed harmonization opportunities; 2) the agencies' progress toward implementing the joint report's recommendations; and 3) additional steps the agencies could take to reduce inconsistencies and overlap in their oversight.

  To help ensure that CFTC and SEC are strategically positioned to implement the joint report's recommendations and address remaining harmonization opportunities, the GAO recommended that as CFTC and SEC continue to develop the charter for the Joint Advisory Committee, the Chairmen of the CFTC and SEC take steps to establish, with associated timeframes, clearer goals for future harmonization efforts and requirements for reporting and evaluating progress toward these goals.

  Specifically, the agencies could benefit from formalizing a plan to assess implementation of the joint report's recommendations and harmonization opportunities that may not have been fully addressed by the joint report, such as differences in market structure and investor definitions. Such a plan could include goals for future harmonization efforts, such as timeframes for implementing the recommendations; assessment of whether remaining differences in statutes and regulations result in inconsistent regulation of similar products and entities that could lead to opportunities for regulatory arbitrage; and periodic reports to Congress on their progress, including the implementation and impact of the recommendations.

  GAO's findings and conclusion are available on its Web site at *http://www.gao.gov*.

- **Carbon Trading: Current Situation and Oversight Considerations for Policymakers, GAO-10-851R, August 19, 2010**

  GAO issued a letter in response to a Congressional request concerning carbon trading in the United States and various design and implementation issues to be considered in discussions about a possible national carbon trading program.

  GAO briefed Congressional committee staff on the results of its work on July 23, 2010. Specifically, GAO provided information on: 1) carbon-related products currently traded in the United States and the extent of trading; 2) risks and challenges posed by these products; 3) the extent to which and how these products are regulated; and 4) issues that market observers identified for policymaker consideration as part of creating a national cap-and-trade carbon market.

  The GAO recommended that the Chairman of the CFTC ensure that the interagency working group created by the Dodd-Frank Act explores: 1) how the design of any primary carbon market could affect the liquidity of any secondary market trading; 2) the structure of the secondary market, including the role OTC markets may play in carbon trading; and 3) the resources Federal regulators may need to effectively oversee domestic carbon markets.

  GAO's findings and conclusion are available on its Web site at *http://www.gao.gov*.

A Message From the Chief Financial Officer

The public accounting firm, KPMG LLP, on behalf of the Inspector General, reported that the Commission's financial statements were presented fairly, in all material respects, and were in conformity with U.S. generally accepted accounting principles.

For the fourth consecutive year the Commission had no material weaknesses, and was compliant with laws and regulations. This includes substantial compliance with the Federal Information Security Management Act. No significant deficiencies in the controls over financial reporting were identified during the last three fiscal years.

The CFTC leverages a financial management systems platform operated by the U.S. Department of Transportation's Enterprise Service Center, an Office of Management and Budget designated financial management service provider. As a consequence, the CFTC is able to accumulate, analyze, and present reliable financial information, or provide reliable, timely information for managing current operations and timely reporting of financial information to central agencies. Furthermore, our system is in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996 (although CFTC is not required to comply with FFMIA, it has elected to do so).

Mark Carney
Chief Financial Officer
November 15, 2010

Summary of Audit and Management Assurances

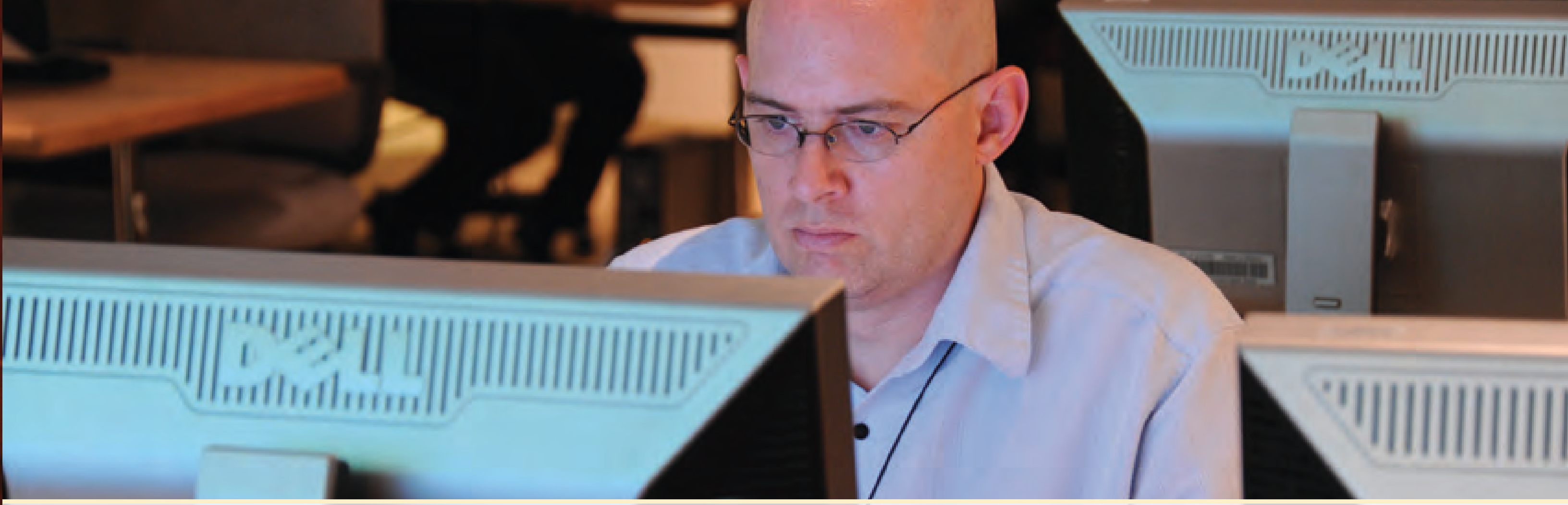
Summary of FY 2010 Financial Statement Audit

Audit Opinion:	Unqualified				
Restatement:	No				
MATERIAL WEAKNESS	**BEGINNING BALANCE**	**NEW**	**RESOLVED**	**CONSOLIDATED**	**ENDING BALANCE**
	0	0			0

Summary of Management Assurances

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)						
Statement of Assurance:	Unqualified					
MATERIAL WEAKNESS	**BEGINNING BALANCE**	**NEW**	**RESOLVED**	**CONSOLIDATED**	**REASSESSED**	**ENDING BALANCE**
	0	0				0
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)						
Statement of Assurance:	Unqualified					
MATERIAL WEAKNESS	**BEGINNING BALANCE**	**NEW**	**RESOLVED**	**CONSOLIDATED**	**REASSESSED**	**ENDING BALANCE**
	0	0				0
CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA § 4)						
Statement of Assurance:	Systems conform to financial management system requirements					
NON-CONFORMANCE	**BEGINNING BALANCE**	**NEW**	**RESOLVED**	**CONSOLIDATED**	**REASSESSED**	**ENDING BALANCE**
	0	0				0

COMPLIANCE WITH FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)		
Overall Substantial Compliance	**AGENCY**	**AUDITOR**
	Yes	Yes
1. System Requirements	Yes	
2. Accounting Standards	Yes	
3. USSGL at Transaction Level	Yes	



Financial Highlights

The following chart is an overview of the Commission's financial position, preceding a discussion of the agency's financial highlights for FY 2010.

	2010	2009
Condensed Balance Sheet Data		
Fund Balance with Treasury	$ 44,321,898	$ 43,961,950
Accounts Receivable	4,836	18,207
Prepayments	641,957	558,081
Other (Custodial)	2,319,934	1,703,220
General Property, Plant and Equipment	31,507,154	10,346,721
TOTAL ASSETS	**$ 78,795,779**	**$ 56,588,179**
FECA Liabilities	$ (256,801)	$ (207,532)
Accounts Payable	(7,650,033)	(4,081,180)
Payroll, Benefits and Annual Leave	(14,460,136)	(11,529,246)
Custodial Liabilities	(2,319,934)	(1,703,220)
Depost Fund Liabilities	(22,226)	(142,279)
Deferred Lease Liabilities	(12,174,352)	(3,226,161)
Other	(7,226)	(7,513)
Total Liabilities	**(36,890,708)**	**(20,897,131)**
Cumulative Results of Operations	(11,455,579)	(491,751)
Unexpended Appropriations	(30,449,492)	(35,199,297)
Total Net Position	**(41,905,071)**	**(35,691,048)**
TOTAL LIABILITIES AND NET POSITION	**$ (78,795,779)**	**$ (56,588,179)**
Condensed Statements of Net Cost		
Total Cost	$ 169,540,776	$ 131,435,739
Net Revenue	(71,839)	(101,965)
TOTAL NET COST OF OPERATIONS	**$ 169,468,937**	**$ 131,333,774**
Net Cost by Strategic Goal		
Goal One - Economic Vitality	$ 54,230,060	$ 40,713,470
Goal Two - Market User and Public	38,977,856	30,206,768
Goal Three - Industry	42,367,234	30,206,768
Goal Four - Organizational and Management Excellance	33,893,787	30,206,768
	$ 169,468,937	**$ 131,333,774**

Financial Discussion and Analysis

The CFTC prepares annual financial statements in accordance with U.S. generally accepted accounting principles (GAAP) for Federal government entities and subjects the statements to an independent audit to ensure their integrity and reliability in assessing performance.

Management recognizes the need for performance and accountability reporting, and fully supports assessments of risk factors that can have an impact on its ability to do so. Improved reporting enables managers to be accountable and supports the concepts of the Government Performance and Results Act (GPRA), which requires the Commission to: 1) establish a strategic plan with programmatic goals and objectives; 2) develop appropriate measurement indicators; and 3) measure performance in achieving those goals.

The financial summary as shown on the preceding page highlights changes in financial position between September 30, 2010 and September 30, 2009. This overview is supplemented with brief descriptions of the nature of each required financial statement and its relevance. Certain significant balances or conditions featured in the graphic presentation are explained in these sections to help clarify their relationship to Commission operations. Readers are encouraged to gain a deeper understanding by reviewing the Commission's financial statements and notes to the accompanying audit report presented in the Financial Section of the PAR located at *http://www.cftc.gov/About/CFTCReports/*.

Understanding the Financial Statements

The CFTC presents financial statements and notes in the format required for the current year by OMB Circular A-136, *Financial Reporting Requirements*, which is revised annually by OMB in coordination with the U.S. Chief Financial Officers Council. The CFTC's current year and prior year financial statements and notes are presented in a comparative format.

Balance Sheet

The Balance Sheet presents, as of a specific point in time, the economic value of assets and liabilities retained or managed by the Commission. The difference between assets and liabilities represents the net position of the Commission.

For the year ended September 30, 2010, the Balance Sheet reflects total assets of $78.8 million. This reflects a 39 percent increase from FY 2009. The Commission's General Property, Plant and Equipment balance were $21.1 million more in FY 2010 than it was at the end of FY 2009. The increase was attributable to technology modernization and space renovations made in FY 2010, which included major upgrades in market surveillance systems and performed space renovations, including market watch rooms in Chicago and Washington, D.C.

The CFTC litigates against defendants for alleged violations of the CEA and Commission regulations. Violators may be subject to a variety of sanctions including civil monetary penalties, injunctive orders, trading and registration bars and suspensions, and orders to pay disgorgement and restitution to customers. When collectible custodial receivables (non-entity assets) are high, the civil monetary sanctions that have been assessed and levied against businesses or individuals for violations of law or regulations dominate the balance sheet.

The Commission enters into commercial leases for its headquarters and regional offices. In FY 2010, the agency extended its lease agreements in Chicago and Washington DC. The extensions allowed for monthly rent payments to be deferred until future years as well as provided for landlord contributions to space renovations. These amounts are reflected as a Deferred Lease Liability on the Balance Sheet. Additionally, as should be expected from a small regulatory agency; payroll, benefits, accounts payable and annual leave make up the majority of the remaining CFTC liabilities.

Statement of Net Cost

This statement is designed to present the components of the Commission's net cost of operations. Net cost is the gross cost incurred less any revenues earned from Commission activities. The Statement of Net Cost is categorized by the Commission's strategic goals. The Commission experienced a 29 percent increase in the total net cost of operations during FY 2010.

Strategic Goal One, which tracks activities related to market oversight, continues to require a significant share of Commission resources at 32 percent of net cost of operations in FY 2010. The $54.2 million reflects a continuation of management's effort to address market volatility.

Strategic Goal Two is representative of efforts to protect market users and the public. In FY 2010, the net cost of operations for this goal was $39 million or 23 percent. The funding for this goal is primarily to support DOE with new and ongoing investigations in response to market activity. Investigations into crude oil and related derivative contracts, and suspected Ponzi schemes have been extremely resource intensive.

Strategic Goal Three is representative of efforts to ensure market integrity. In FY 2010, the net cost of operations for this goal was $42.4 million or 25 percent, an increase of two percent from FY 2009. Productivity improvements continued to be achieved through the use of automated audit and reporting tools. Commission staff completed three compliance reviews of DCOs' programs.

Strategic Goal Four is representative of efforts to achieve organizational excellence and accountability. Included in this goal are the efforts of the Chairman, Commissioners, and related staff to ensure more transparency in the commodity markets, address globalization, and lay the groundwork for the future. Additionally, these costs are reflective of the planning and execution of human capital, financial management, and technology initiatives. In FY 2010, the net cost of operations for this goal was $33.9 million or 20 percent.

Statement of Budgetary Resources

This statement provides information about the provision of budgetary resources and its status as of the end of the year. Information in this statement is consistent with budget execution information and the information reported in the *Budget of the U. S. Government, FY 2010*.

The $168.8 million appropriation level received in FY 2010 represented a 15.6 percent increase for the Commission. This permitted the Commission to continue to fund benefits and compensation, lease expenses, printing, services to support systems users, telecommunications, operations, and maintenance of IT equipment. In FY 2010, gross outlays were in line with the gross costs of operations due to increased hiring, space renovations, and technology spending.

Statement of Custodial Activity

This statement provides information about the sources and disposition of non-exchange revenues. Non-exchange revenue at the CFTC is primarily represented by fines, penalties, and forfeitures assessed and levied against businesses and individuals for violations of the CEA or Commission regulations. Other non-exchange revenues include registration, filing, appeal fees, and general receipts. The Statement of Custodial Activity reflects total non-exchange revenue collected (cash collections) in the amount of $75.8 million and a transfer of the collections to Treasury in the same amount. This amount represents an increase of $57.9 million from FY 2009, of which the Commission collected $17.9 million.

Historical experience has indicated that a high percentage of custodial receivables prove uncollectible. The methodology used to estimate the allowance for uncollectible amounts related to custodial accounts is that custodial receivables are considered 100 percent uncollectible unless deemed otherwise. An allowance for uncollectible accounts has been established and included in the accounts receivable on the Balance Sheet. The allowance is based on past experience in the collection of accounts receivables and an analysis of outstanding balances. Accounts are re-estimated quarterly based on account reviews and a determination that changes to the net realizable value are needed.

Limitations of Financial Statements

Management has prepared the principal financial statements to report the financial position and operational results for the CFTC for FY 2010 and FY 2009 pursuant to the requirements of Title 31 of the U.S. Code, section 3515 (b).

While the statements have been prepared from the books and records of the Commission in accordance with GAAP for Federal entities and the formats prescribed by OMB Circular A-136, *Financial Reporting Requirements*, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are a component of the U.S. government, a sovereign entity.

COMMODITY FUTURES TRADING COMMISSION

Association of Government Accountants (AGA) Awards the

CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING

In recognition of your outstanding efforts in preparing the Commodity Futures Trading Commission Performance and Accountability Report for the fiscal year ended September 30, 2009

League of American Communications Professionals (LACP) Awards the

PLATINUM 2009 VISION AWARD

In recognition of your outstanding efforts in preparing the Commodity Futures Trading Commission Performance and Accountability Report for the fiscal year ended September 30, 2009. Awarded PLATINUM in the Government classification, and received overall ranking of 58 out of more than 4,000 total entries.

VISION AWARDS 2009 ANNUAL REPORT COMPETITION WINNER
PLATINUM LACP
OVERALL

VISION AWARDS 2009 ANNUAL REPORT COMPETITION WINNER
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BEST REPORT NARRATIVE

LACP TOP 100 ANNUAL REPORTS OF 2009

Additional copies of the
Commodity Futures Trading Commission
FY 2010 Summary of Performance and Financial Information
are available by contacting the
Office of Financial Management:

Office of Financial Management
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Telephone: Emory Bevill, 202.418.5187 or
Lisa Malone, 202.418.5184
Fax: 202.418.5414
E-mail: *ebevill@cftc.gov or lmalone@cftc.gov*
Web: *http://www.cftc.gov/About/CFTCReports/index.htm*

The CFTC's Strategic Plan and FY 2010 Performance and Accountability Report are available on the Web at:
http://www.cftc.gov/About/CFTCReports/index.htm

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