Commodity Futures Trading Commission

SUMMARY OF FINANCIAL AND PERFORMANCE INFORMATION

Fiscal Year 2009

COMMODITY FUTURES TRADING COMMISSION

Gary Gensler
Chairman

Madge Bolinger Gazzola
Executive Director

Mark Carney
Chief Financial Officer

February 2010

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The Best Places to Work
IN THE FEDERAL GOVERNMENT 2009

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Fiscal Year 2009 Commissioners

Back row from left; **Jill E. Sommers,** *Commissioner*; **Bart Chilton,** *Commissioner*

Front row from left; **Michael V. Dunn,** *Commissioner*; **Gary Gensler,** *Chairman*

U.S. Commodity Futures Trading Commission Chairman Gary Gensler testifies on Capitol Hill in Washington, Monday, June 22, 2009, before the Senate Banking Committee hearing on over-the-counter derivatives.

(AP Photo/Susan Walsh)

In the Tradition of Quality Reporting, the Commodity Futures Trading Commission Proudly Presents the FY 2009 Performance and Accountability Report

A Message from the Chairman

One year ago, the financial system and our financial regulatory system failed the American public. There were gaps in our regulatory structure that left the Nation unprepared and unable to respond quickly to changing market environments. The last 12 months have taught us much about the new realities of our financial markets. We have learned the limits of foresight and the need for candor about the risks we face. We have learned that transparency and accountability are essential. Only through strong, intelligent regulation—coupled with aggressive enforcement mechanisms—can we fully protect the American people and keep our economy strong.

The need for reform of our financial system today has many similarities to the situation facing the country in the 1930s. In 1934, President Roosevelt boldly proposed to the Congress "the enactment of legislation providing for the regulation by the Federal Government of the operation of exchanges dealing in securities and commodities for the protection of investors, for the safeguarding of values, and so far as it may be possible, for the elimination of unnecessary, unwise, and destructive speculation." The Congress swiftly responded to the clear need for reform by enacting the Securities Act of 1933, the Securities Exchange Act of 1934 and the Commodity Exchange Act of 1936.

It is clear that we need the same type of comprehensive regulatory reform today. That is why the Obama Administration is working closely with the Congress to close the gaps in our laws to bring much-needed transparency and regulation to

the over-the-counter (OTC) derivatives market to promote transparency, lower risks, strengthen market integrity and protect investors. This is vital for the future of our economy and the welfare of the American people.

The Commodity Futures Trading Commission's (CFTC or Commission) mission is to protect market users and the public from fraud, manipulation and abusive practices related to the sale of commodity and financial futures and options, and to foster open, competitive and financially sound futures and options markets.

Specifically, the CFTC is working with Congress on comprehensive regulatory reform of the OTC derivatives marketplace. Last year's crisis highlighted all too well how opaque markets can threaten the financial system and the American public. There has neither been transparency to the public nor to the regulators in these markets. Only through addressing the lack of transparency can we reduce information deficits for regulators, market users, and the public. Further, we also are working with Congress on lowering risk to the system created by OTC derivative transactions by requiring standardized products to be centrally cleared. Lastly, we must ensure that entities that deal in derivatives are required to register and come under comprehensive regulation. This includes capital standards, margin requirements, business conduct standards and record-keeping and reporting requirements. The CFTC also should have the authority to set aggregate position limits in the OTC derivatives marketplace.

Gary Gensler, chairman of the Commodity Futures Trading Commission, conducts a hearing on energy speculators and whether they influence fluctuations in the energy market that could affect the price of oil and natural gas in an adverse or destabilizing way, at the CFTC headquarters in Washington, Wednesday, Aug. 5, 2009. (AP Photo/J. Scott Applewhite)

While regulatory reforms are underway, the CFTC remains steadfast in using existing authorities to achieve our mission. As such, the CFTC is vigorously using every tool available to protect the American people from fraud, manipulation and other abuses.

In the past few months, the CFTC has conducted a number of substantive public hearings and meetings on a number of critical initiatives. The Commission held three days of hearings into whether concentration position limits should be set in the energy futures markets similarly to how they are currently set in many agriculture markets. We continue to review public comments on this issue and seriously consider proposing a rule to set position limits in the energy markets.

The CFTC and the Securities and Exchange Commission (SEC) held unprecedented joint meetings on regulatory harmonization in September. The agencies jointly made 20 recommendations where we can change our statutes and regulations to enhance both agencies' enforcement powers,

U.S. President Barack Obama, left, shakes hands with Gary Gensler, chairman of the Commodity Futures Trading Commission, after making remarks on financial regulatory reform in the East Room of the White House in Washington, D.C., U.S., on Wednesday, June 17, 2009. Obama said his plan to refashion supervision of the U.S. financial system is needed to fix lapses in oversight and excessive risk taking that helped push the economy into a prolonged recession.
(Photo by Brendan Smialowski/Bloomberg via Getty Images)

strengthen market and intermediary oversight, and facilitate greater operational coordination. We are committed to working with the SEC to implement these recommendations and will work with Congress to secure necessary changes in statute to best protect the American public.

A core mission of the CFTC is to promote market transparency. As such, we have recently taken a number of initiatives to promote transparency in the futures markets. The Commission has for decades provided the public with weekly Commitments of Traders (COT) reports consisting of aggregated data on large-trader positions. Historically, the CFTC reported the trades of commercial entities and noncommercial entities. These data categorizations became less relevant as the markets continued to evolve. In September, the Commission began disaggregating swap dealers and managed money (*i.e.* hedge funds) to more accurately reflect the makeup of the American futures markets. This has given market participants, regulators and the public a better idea of who is participating in risk management markets. The CFTC also has begun releasing data on index investment in the commodity futures markets. This data informs market participants, regulators and the public about how much involvement index investors have in the derivatives markets. These two steps are part of an ongoing process of looking for ways to best improve transparency in the commodities markets.

Our surveillance staff are keeping a close eye for signs of manipulation or congestion. In the past year, the Commission filed 50 enforcement actions and enforcement staff opened 251 investigations of potential violations of the Act and Commission regulations. Through these and existing cases previously filed by the Commission, the Commission imposed monetary penalties of more than $183 million in restitution and disgorgement and $97 million in civil monetary penalties.

Gary Gensler (R), chairman of the Commodity Futures Trading Commission, and Mary Schapiro (L), chairman of the Securities and Exchange Commission, testify before the House Financial Services Committee July 22, 2009 in Washington, DC. The full committee met to hear testimony on 'Regulatory Perspectives on the Obama Administration's Financial Regulatory Reform Proposals.'
(Photo by Win McNamee/Getty Images)

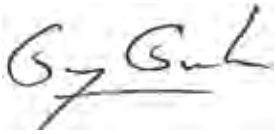
U.S. Secretary of the Treasury Timothy Geithner (3rd L) speaks as Commodity Futures Trading Commission Chairman Gary Gensler, Federal Deposit Insurance Corporation Chairman Sheila Bair, Securities and Exchange Commission Chairman Mary Shapiro, Director of the National Economic Council Larry Summers, and other members look on as he convenes the President's Working Group on Financial Markets (PWG) at the Department of the Treasury June 25, 2009 in Washington, DC. The PWG will help coordinate the Administration's plan for regulatory reform. (Photo by Alex Wong/Getty Images)

The CFTC is highly engaged with our foreign partners. We have recently jointly signed a Memorandum of Understanding with the U.K. Financial Services Authority (FSA) to enhance cooperation and the exchange of information relating to the supervision of cross-border clearing organizations and strengthen cross-border supervision of energy futures markets. We also are working with our foreign partners to implement consistent regulatory reform of the OTC derivatives marketplace.

As we begin the new fiscal year (FY), the Commission continues to be under-resourced. With about 580 staff, we have just now returned to our staffing levels 10 years ago. In the last decade, futures trading volume went up nearly five fold. The number of actively traded futures and options contracts went up seven fold, and many of these are considerably more complex in nature. We also moved from an environment with open-outcry pit trading to highly sophisticated electronic markets. What was once a group of regional domestic markets is now a global marketplace. I am pleased that Congress has given the CFTC a 16 percent budget increase for FY 2010. We are currently working with the Office of Management and Budget (OMB) and Congress to address the CFTC's significant further resource needs in the 2011 budget.

For example, the Commission requires additional resources to replace legacy surveillance equipment with 21st Century computers. Significant changes in the markets demand new systems capable of efficiently receiving and managing massive amounts of raw data and converting it to useful market information for analysis by skilled market experts, economists and technologists. Should Congress enact regulatory reform of the OTC derivatives markets, the CFTC would need additional resources to effectively monitor the markets.

In closing, in FY 2009, we received for the fifth consecutive year an unqualified opinion on our financial statements. As was the case for three consecutive years, the auditors disclosed no material instances of noncompliance with laws and regulations. I am also proud to report we had no material internal control weaknesses and that our financial and performance data in this report are reliable and complete under OMB's guidance.



Gary Gensler
November 13, 2009

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.

Commodity Futures Industry

Futures contracts on agricultural commodities have been traded in the United States for more than 150 years, and have been under Federal regulation since the 1920s. At the time the Commission was established in 1974, the vast majority of futures trading took place on commodities in the agricultural sector. These contracts gave farmers, ranchers, distributors, and end users of everything from corn to cattle, an efficient and effective set of tools to hedge against price movements.

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

The increase in trading activity, number of participants, and complexity and number of contracts available, has transformed the futures markets into a trillion dollar industry with massive economic force. In addition, the rapid evolution in trading technologies, cross-border activities, product innovation, and greater competition have made the futures markets an integral and significant part of the global economy.

Moreover, the electronic integration of cross-border markets and firms, as well as cross-border alliances, mergers, and other business activities continue to transform the futures markets and the firms involved in these markets into a global industry.

How the CFTC is Organized and Functions

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 the policies, regulations, and guidance regarding the CEA, as amended. The Office of the Executive Director (OED), by delegation of the Chairman, directs the internal management of the Commission, ensuring that funds are responsibly accounted for and that program performance is measured and improved effectively.

Attorneys at the Commission work on complex and novel legal issues in areas such as litigation, regulation, and policy development. Among other things, they represent the Commission in administrative and civil proceedings; assist U.S. Attorneys in criminal proceedings involving futures law violations; develop regulations governing clearinghouses, exchanges, and intermediaries; provide a wide range of analysis, technical assistance, and guidance on regulatory, legislative, and supervisory issues; and provide legal advice to the Commission on policy and adjudicatory matters. In response to the globalization of the futures markets, attorneys represent the CFTC internationally in multilateral regulatory organizations, bilaterally with individual foreign regulators, and participate in country dialogues organized by the U.S. Department of the Treasury (Treasury).

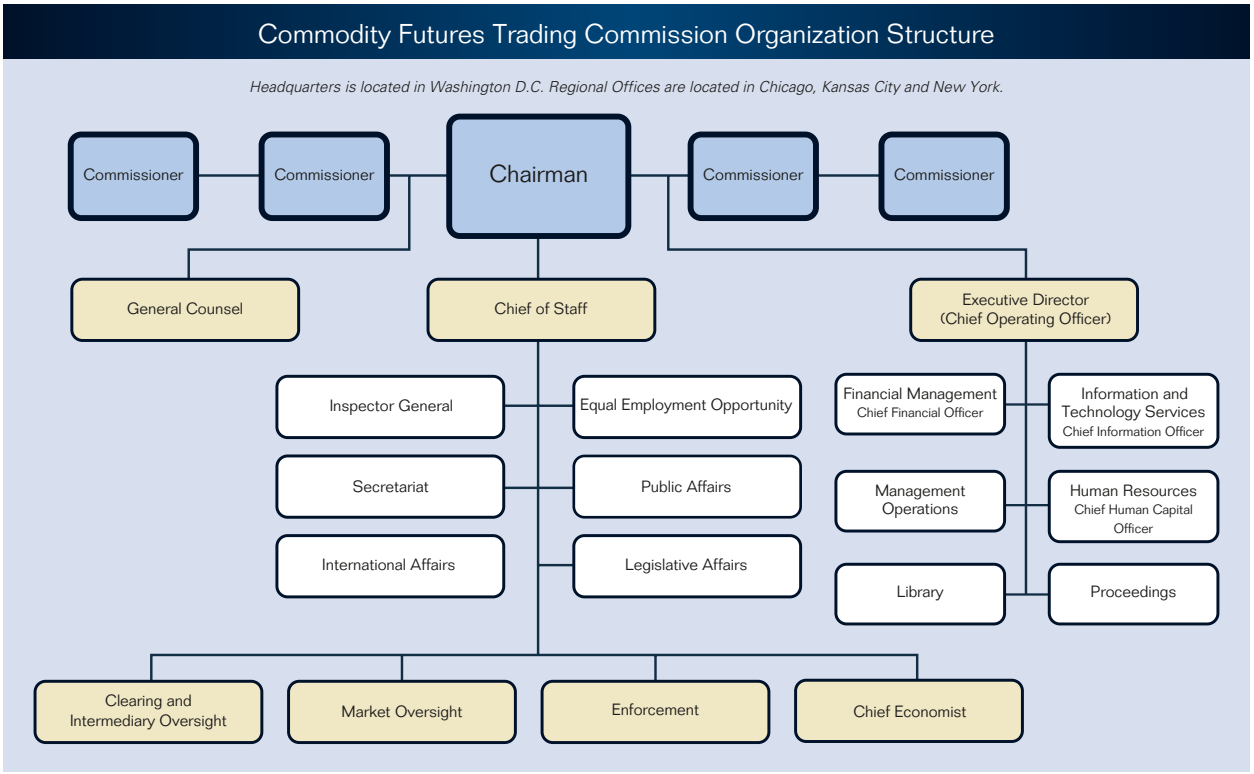
Organization and Locations

Auditors, risk analysts, and attorneys examine records and operations of futures exchanges, clearinghouses, and firms for compliance with the provisions of the CEA and the Commission's regulations, while futures 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 includes stress testing, to evaluate financial risk at the trader, firm, and clearinghouse levels.

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

The CFTC is headquartered in Washington, D.C. Regional offices are located in Chicago, Kansas City, and New York.

Additional information about the Commission and its history can be obtained from the Commission's Office of Public Affairs or through its Web site, *http://www.cftc.gov*.



CFTC Programs

The Commission is charged with a significant responsibility to ensure the fair, open, and efficient functioning of futures markets. These regulatory responsibilities, expressed and measured through three strategic goals, are administered by the CFTC programs: Market Oversight; Clearing and Intermediary Oversight; and Enforcement. The fulfillment of the Commission's mission and the achievement of the strategic goals are tied to a foundation of sound management and organizational excellence expressed in the agency's fourth strategic goal.

- **Market Oversight**

  The Market Oversight program fosters markets that accurately reflect the forces of supply and demand for the underlying commodities and are free of disruptive activity. In order to achieve this goal, program staff, oversee trade execution facilities and perform market surveillance, market compliance, and market and product review functions.

- **Clearing and Intermediary Oversight**

  The Clearing and Intermediary Oversight program oversees the compliance activities of derivatives clearing organizations (DCOs), intermediaries, and the futures industry self-regulatory organizations (SROs), which include the U.S. commodity exchanges and 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, in addition to, policies for coordination with foreign market authorities and emergency procedures to address market-related events.

- **Enforcement**

  The Enforcement program investigates and prosecutes alleged violations of the CEA and Commission regulations. Violations may involve commodity futures or option trading on U.S. futures exchanges, or the improper marketing and sales of commodity futures products to the general public.

- **International Affairs**

  The Office of International Affairs (OIA) coordinates the Commission's non-enforcement related international activities; represents the Commission in international organizations, such as the International Organization of Securities Commissions (IOSCO); coordinates Commission policy as it relates to Treasury global initiatives; and provides technical assistance to foreign market authorities.

- **Chief Economist**

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

- **General Counsel**

  The General Counsel 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, and advising the Commission on the application and interpretation of the CEA and other administrative statutes.

- **Proceedings**

  The Office of Proceedings manages the agency's reparations program, which provides an inexpensive, expeditious, fair, and impartial forum to handle customer complaints and resolve disputes between futures customers and commodity futures trading professionals. The Office of Proceedings also provides a forum for the adjudication of administrative enforcement cases brought by the Commission against persons or firms responsible for violating the CEA or Commission regulations.

- **Agency Direction**

  The Office of the Chairman and the Commissioners provide executive direction and leadership to the Commission, particularly on policies that implement and enforce the CEA and amendments to that Act, including the Commodity Futures Modernization Act of 2000 (CFMA). The Offices of the Chairman include:

Public Affairs, Legislative Affairs, the Secretariat, the Inspector General, and Equal Employment Opportunity.

- **Administrative Management and Support**

  The Executive Director 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. The Offices of the Executive Director include: Human Resources, Financial Management, Information and Technology Services, Management Operations, and the Library.

Evolving Mission and Responsibilities

Congress created the CFTC in 1974 as an independent agency with the mandate to regulate commodity futures and option markets in the United States. The Commission's mandate was renewed and/or expanded in 1978, 1982, 1986, 1992, and 1995. In December 2000, the Commission was reauthorized through FY 2005 with passage of the CFMA. The CFMA repealed the ban on futures contracts based on individual securities and narrow-based security indexes, and instituted a regulatory framework for such products to be administered jointly by the CFTC and the SEC. The legislation also placed bilateral, OTC derivatives transactions largely outside the CFTC's jurisdiction and addressed CFTC anti-fraud authority over retail, off-exchange foreign currency (forex) transactions.

In FY 2008, the Commission was reauthorized as part of that year's Food, Conservation, and Energy Act of 2008 (Farm Bill). The Farm Bill included other amendments to the CEA as well—primarily to increase the Commission's regulatory oversight role with respect to forex transactions and significant price discovery contracts (SPDCs) traded on electronic trading facilities known as exempt commercial markets (ECMs). The Commission has adopted a rule to implement the new statutory responsibilities for SPDCs and is conducting evaluations for ECM contracts consistent with those regulatory provisions.

Although Congress changed the Commission's approach to regulation over time, the Commission's mission remains the same. The CFTC continues to be responsible for fostering the economic vitality of the regulated futures markets by encouraging their competitiveness and efficiency; ensuring their integrity; and protecting market participants against manipulation, abusive trading practices, and fraud. Through its oversight regulation, the CFTC enables the commodity futures and option markets to serve their vital function in the Nation's economy, providing a mechanism for price discovery and a means of offsetting price risks.

During the past two years, Congress and Federal financial regulators began to re-examine the financial regulatory structure. The recent economic stress has resulted in heightened congressional scrutiny of Federal financial regulation, which is expected to continue in the year ahead. The Commission continues to undertake its own evaluation of its regulatory structure. For example, to address concerns about the growth of nontraditional participants in the futures markets and concerns and about excessive speculation, the Commission is evaluating whether to adopt speculative position limits for commodities with limited supplies, such as energy contracts. The Commission recently held a series of hearings on this subject.

Keeping Pace with Change

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

In 2007, the Commission issued *Keeping Pace with Change*, its Strategic Plan for FY 2007 through FY 2012. With the 2007 Strategic Plan, the Commission adopted a fourth strategic goal that assesses and measures organizational and management excellence. Establishing this fourth strategic goal allows the Commission to establish and measure its progress in achieving outcome objectives and strategic goals in a broad performance and management framework, evaluating not only program performance but the overall performance and management of the organization.

The following table is an overview of the Commission's strategic mission, statement, strategic goals, and outcome objectives.

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

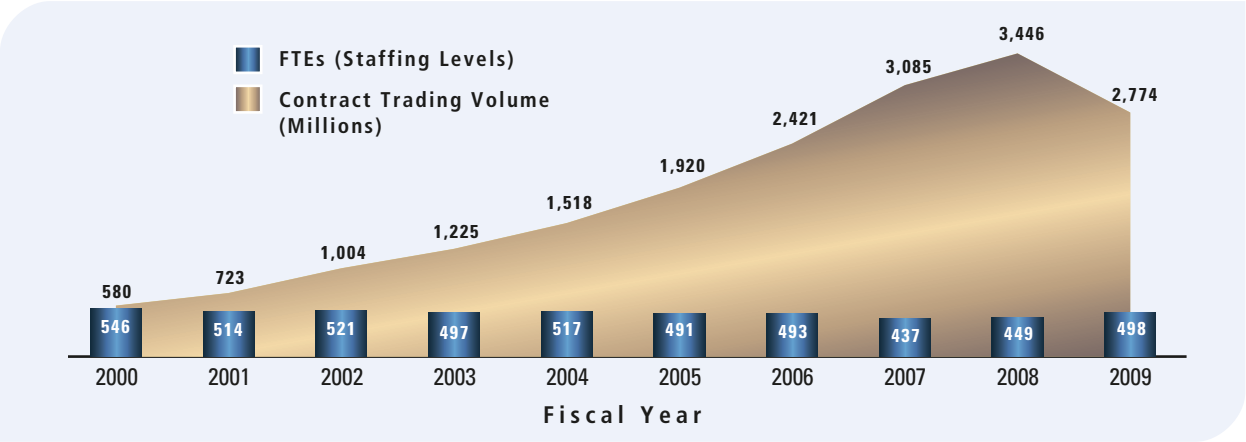
CFTC and Industry Trends

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;
- Enforcement actions to preserve market integrity and protection of market users;
- Number of registrants;
- Contract markets designated by the CFTC;
- Number of derivatives clearing organizations (DCOs) registered with the CFTC;
- Exempt commercial markets (ECMs);
- Exempt boards of trade (EBOTs); and
- Amount of customer funds held at futures commission merchants (FCMs).

Growth in Volume of Futures & Option Contracts Traded & CFTC Full-time Equivalents (FTEs), 2000–2009

Trading volume has increased almost five-fold in the last decade (2000–2009), while staffing levels at the Commission have trended downward.[1]



Actively Traded Futures & Option Contracts, 2000–2009

The number of actively traded contracts on U.S. exchanges has increased seven-fold in the last decade (2000–2009).

[1] *Volume started decreasing at the end of FY 2008 and has continued at about a 20 percent decline for FY 2009.*

Enforcement Actions to Preserve Market Integrity and Protection of Market Users

Manipulation, Attempted Manipulation, and False Reporting

The CFTC uses 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.

For example, CFTC enforcement efforts in the energy arena from December 2001 through September 2009 resulted in 47 enforcement actions, charging 80 companies and individuals and assessing approximately $458 million in penalties.

Actions Taken Since December 2001 in Energy Markets	Energy Markets
Number of Cases Filed or Enforcement Actions	47
Number of Entities/Persons Charged	80
Number of Dollars in Civil Monetary Penalties Assessed	$458,525,000

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

Investors continue to fall prey to unscrupulous CPOs and CTAs, including CPOs and CTAs operating hedge funds. The majority of the Commission's pool/hedge fund fraud cases are brought against unregistered CPOs and/or CTAs. These cases tend to involve Ponzi schemes or outright misappropriation, rather than legitimate hedge fund operations. From October 2000 through September 2009, the Commission filed a total of 95 enforcement actions alleging misconduct in connection with commodity pools and hedge funds.

Actions Taken Since October 2000	Pools/Hedge Funds
Number of Cases Filed or Enforcement Actions	95
Cases/Actions Charging Commission Registrants	33
Number of Dollars in Penalties Assessed	$618,666,128

Forex Fraud

The Commission vigorously uses its enforcement authority to combat the problem of forex fraud. Since passage of the CFMA in December 2000 through September 2009, the Commission, on behalf of more than 26,000 customers, has filed 114 cases. Those efforts have thus far resulted in approximately $476 million in restitution and $576 million in civil monetary penalties.

Actions Taken Since Passage of the CFMA in December 2000	Foreign Currency Markets
Number of Cases Filed or Enforcement Actions	114
Number of Entities/Persons Charged	437
Number of Customers Affected	26,865
Number of Dollars in Civil Monetary Penalties Assessed	$576,119,521
Number of Dollars in Restitution Assessed	$476,599,896

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, an SRO with delegated oversight authority from the Commission.

The Commission regulates the activities of over 66,000 registrants:

Registration Category[2]	Number as of September 30, 2009
Associated Persons (APs) (Salespersons)	51,921
Commodity Pool Operators (CPOs)	1,277
Commodity Trading Advisors (CTAs)	2,568
Floor Brokers (FBs)	7,114
Floor Traders (FTs)	1,447
Futures Commission Merchants (FCMs)	166[3]
Introducing Brokers (IBs)	1,694[4]
TOTAL	**66,187**

Contract Markets Designated by the CFTC, 2004–2009

The following designated contract markets (DCMs) are boards of trade or exchanges that meet the CFTC criteria and CFTC Core Principles for trading futures or options by both institutional and retail participants. Currently, 14 DCMs meet CFTC criteria and CFTC Core Principles for trading futures and options.

DCMs[5]	2004	2005	2006	2007	2008	2009
CBOT	●	●	●	●	●	●
CCFE	●	●	●	●	●	●
CFE	●	●	●	●	●	●
CME	●	●	●	●	●	●
CSCE	●					
EPFE	●					
ELX						●
ICE US (NYBOT)	●	●	●	●	●	●
KCBT	●	●	●	●	●	●
ME	●					
MGE	●	●	●	●	●	●
Nadex (HedgeStreet)	●	●	●	●	●	●
NFX (PBOT)	●	●	●	●	●	●
NQLX	●	●				
NYCE	●					
NYFE	●					

(continued on next page)

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

[3] *Includes 15 notice-registered FCMs.*

[4] *Includes 44 notice-registered IBs.*

[5] *Full names of organizations are located in the CFTC Glossary of the PAR at http://www.cftc.gov/aboutthecftc/cftcreports.html*

DCMs[5] *(continued)*	2004	2005	2006	2007	2008	2009
NYMEX *(incl. COMEX)*	●	●	●	●	●	●
NYSE LIFFE					●	●
OCX	●	●	●	●	●	●
USFE	●	●	●	●	●	●
TOTAL	**18**	**13**	**12**	**12**	**13**	**14**

Number of Derivatives Clearing Organizations Registered with the CFTC, 2004–2009

Clearinghouses that provide clearing services for CFTC-regulated exchanges must register as DCOs. Currently, 12 DCOs are registered with the Commission.

DCOs[6]	2004	2005	2006	2007	2008	2009
AE Clearinghouse		●	●	●		
CBOT	●	●	●	●	●	●
CCorp	●	●	●	●	●	●
CME	●	●	●	●	●	●
ICE Clear US	●	●	●	●	●	●
IDC						●
KCBT	●	●	●	●	●	●
LCH	●	●	●	●	●	●
MGE	●	●	●	●	●	●
NADEX	●	●	●	●	●	●
NGX						●
NYMEX	●	●	●	●	●	●
OCC	●	●	●	●	●	●
TOTAL	**10**	**11**	**11**	**11**	**10**	**12**

Exempt Commercial Markets, 2004–2009

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 31 ECMs have filed notices with the Commission. In FY 2009, 27 ECMs were in business for at least part of the year; four however, withdrew their ECM notifications during the fiscal year.

[5] *Full names of organizations are located in the CFTC Glossary of the PAR at http://www.cftc.gov/aboutthecftc/cftcreports.html*

[6] *Full names of organizations are located in the CFTC Glossary of the PAR at http://www.cftc.gov/aboutthecftc/cftcreports.html*

ECMs[7]	2004	2005	2006	2007	2008	2009
Agora-X						●
CCX	●	●	●	●	●	●
CDXchange	●	●	●			
ChemConnect			●	●		
DFox						●[8]
EnergyCross.com						●
EOXLIVE					●	●
FCRM						●
Flett				●	●	●[8]
GFI				●	●	●
HSE	●	●	●	●	●	●
ICAP			●	●	●	●
ICAPture			●	●	●	●
ICAP Shipping			●	●	●	●
ICE	●	●	●	●	●	●
IMAREX	●	●	●	●	●	●
LiquidityPort				●	●	●
NGX	●	●	●	●	●	●
Nodal				●	●	●
NTP			●	●	●	●
OILX						●
OPEX	●	●	●	●	●	●[8]
Parity					●	●
SL	●	●	●	●		
TCX		●	●	●	●	●
TFSWeather	●	●	●	●	●	●
tpENERGYTRADE						●[8]
Tradition Coal.Com					●	●
Trading Optx						●
TS	●	●	●			
WORLDPULP	●	●	●	●	●	●
TOTAL	**11**	**12**	**17**	**19**	**20**	**27**

[7] *Full names of organizations are located in the CFTC Glossary of the PAR at http://www.cftc.gov/aboutthecftc/cftcreports.html*

[8] *These ECMs withdrew their ECM notifications during FY 2009.*

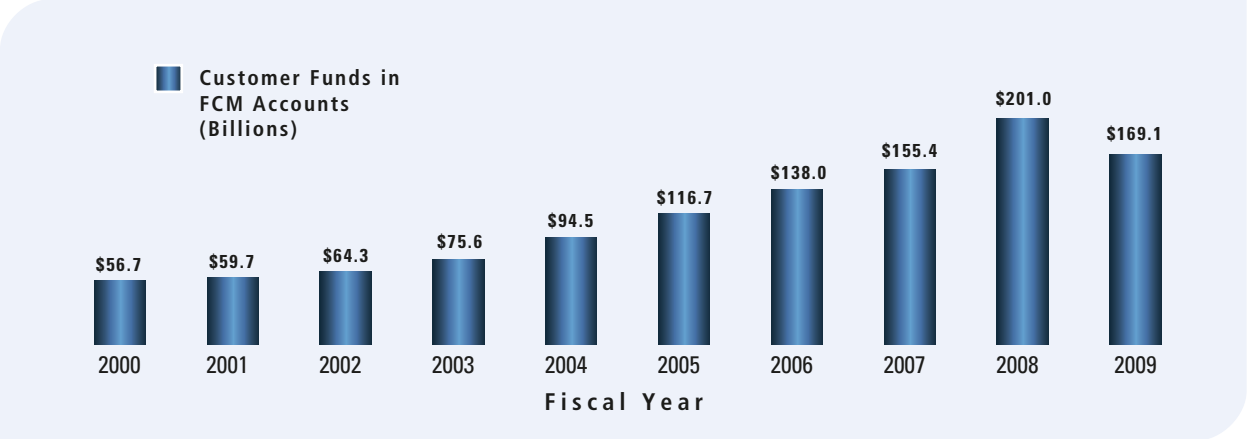
Exempt Boards of Trade, 2004–2009

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 information to the public. To date, 15 EBOTs filed notices with the Commission. In FY 2009, 10 EBOTs were in business for at least part of the year; one however, withdrew its EBOT notification during the fiscal year.

EBOTs[9]	2004	2005	2006	2007	2008	2009
AE	●	●	●	●	●	●[10]
CME AM		●	●	●	●	●
Derivatives Bridge					●	●
GFI ForexMatch				●	●	●
Intrade		●	●	●	●	●
IRESE					●	●
LiquidityPort				●	●	
Longitude				●	●	●
MATCHBOXX ATS			●			
Storm			●	●	●	●
Swapstream			●	●	●	●
TACE						●
WBOT	●	●	●			
WXL	●	●	●			
Yellow Jacket				●		
TOTAL	**3**	**5**	**8**	**9**	**10**	**10**

Customer Funds Held in Futures Commission Merchant Accounts, 2000–2009

The amount of customer funds held at FCMs decreased in the past year after having nearly quadrupled since 2000.



[9] *Full names of organizations are located in the CFTC Glossary of the PAR at http://www.cftc.gov/aboutthecftc/cftcreports.html*

[10] *This EBOT withdrew its EBOT notification during FY 2009.*

Overview of Performance Management

The mission of the CFTC has been expressed and measured through three strategic goals, each focusing on a vital area of regulatory responsibility. This Summary report focuses on the three strategic goals. The fourth goal, which focuses on assessing and measuring organizational excellence is located in the performance sections of the PAR at *http://www.cftc.gov/aboutthecftc/cftcreports.html*

Success for CFTC:

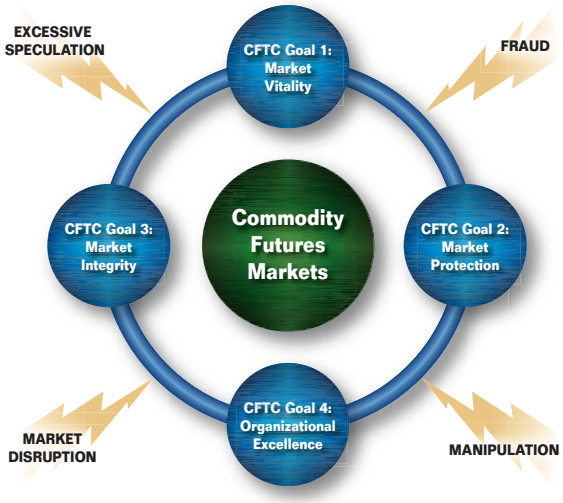
Public has confidence in futures markets and markets are open, competitive, and financially healthy.

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 Strategy: How we measure what we accomplish

The mission of the CFTC is accomplished through four strategic goals, each focusing on a vital area of regulatory responsibility to: 1) ensure the economic vitality of the commodity futures and option markets; 2) protect market users and the public; 3) ensure market integrity in order to foster open, competitive, and financially sound markets; and 4) facilitate Commission performance through organizational and management excellence, efficient use of resources, and effective mission support.

Under each of these strategic goals, the Commission has identified several desirable outcome objectives. To more accurately assess progress towards these outcome objectives, the Commission sets performance targets for various measures under each desired outcome objective. Commission staff members perform key business processes and strategies that provide the means for producing the desired outcomes and achieving the Commission's mission. The following diagram defines specific concepts of the Commission's strategic planning process:

CFTC Strategic Planning Process	
Strategic Goals	The Commission's long-term desired results; each focuses on a vital area of regulatory responsibility. In 2008, the Commission adopted a fourth goal assessing and measuring organizational and management excellence.
Annual Performance Goals	The Commission's short-term level of performance expected of the CFTC programs to accomplish the strategic goals.
Outcome Objectives	The intended effect or outcome that results from the CFTC program's activities and strategies.
Business Processes[14]	A collection of activities and strategies that the CFTC staff perform to produce the desired outcomes and achieve the strategic goals.
Performance Measures	Key indicators, statistics and metrics that the CFTC uses to measure its effectiveness as an oversight regulator.

Annually, the agency analyzes the performance metrics to determine the measure of success the programs' activities have achieved in accomplishing the Commission's overall strategic mission.

Due to the broad economic functions that the Commission oversees, it is not easy to identify detailed objectives and performance metrics that will be accomplished each year. While some measures do reflect specific performance (*e.g.*, the number of days to process a reparations complaint), other measures identify conditions that, if present, are indicators that the Commission's activities are contributing successfully to the health of the industry it regulates (*e.g.*, the increase in the number of products traded). The metrics that measure the health and dynamics of the markets determine the Commission's actions or decision-making.

In addition, external influences affect many performance measures so metrics alone cannot fully disclose as to the success of the performance result. The Commission, therefore, further analyzes the progress of each performance metric using a rating tool to help program managers evaluate performance results more effectively.

The analytical tool provides program managers with the ability to apply adjectival ratings to the performance measures, as defined below, and presented in the Performance Section of the PAR located at *http://www.cftc.gov/aboutthecftc/cftcreports.html*

Summary Outline of Adjectival Ratings	
Effective	Significantly exceeds the standards of performance and achieves noteworthy results.
Moderately Effective	Exceeds the standards of performance; although there may be room for improvement in some elements, better performance in all other elements more than offsets this.
Adequate	Meets the standard of performance; deficiencies do not substantially affect performance.
Marginal	Below the standard of performance; deficiencies require attention and corrective action.
Unsatisfactory	Significantly below the standard of performance; deficiencies are serious, may affect overall results, urgently require senior management attention, and prompt corrective action.
Results Not Demonstrated	Data is not available to evaluate the performance.

[14] *Business processes are detailed in the CFTC's 2007-2012 Strategic Plan available on the Internet at http://www.cftc.gov/reports/strategicplan/2012.*

Performance Highlights

Growth continued in the futures industry, as the CFTC continued to meet the challenges of regulating the increasingly global and complex commodities markets.

FY 2009 Highlights

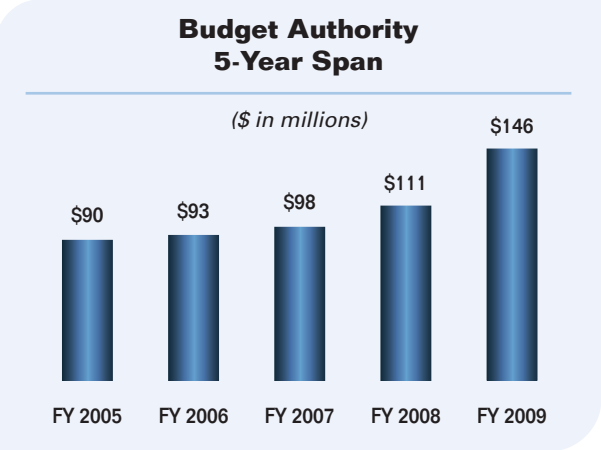
- Adopted new regulations, pursuant to new authority granted by the Farm Bill, to extend the Commission's oversight to previously unregulated SPDCs, in particular energy contracts, and in addition, conducted three open hearings on speculative trading in the energy markets to assess the feasibility of adopting energy contract position limits.
- Enhanced market transparency of the publicly-available COT[11] reports by disaggregating Commercial and Noncommercial positions into four categories and by including position data of foreign contracts linked to the settlement price of domestic contracts and contracts determined to perform a significant price discovery function.
- The CFTC and SEC issued a joint harmonization report[12] to bring greater consistency, where appropriate, to the agencies' regulatory approaches. The report includes 20 recommendations to enhance enforcement powers, strengthen market and intermediary oversight, and facilitate operational coordination.
- Filed 50 Enforcement actions and opened 251 investigations of potential violations of the Act and Commission regulations. Obtained $183 million in restitution and disgorgement and $97 million in civil monetary penalties in previously filed or existing cases.

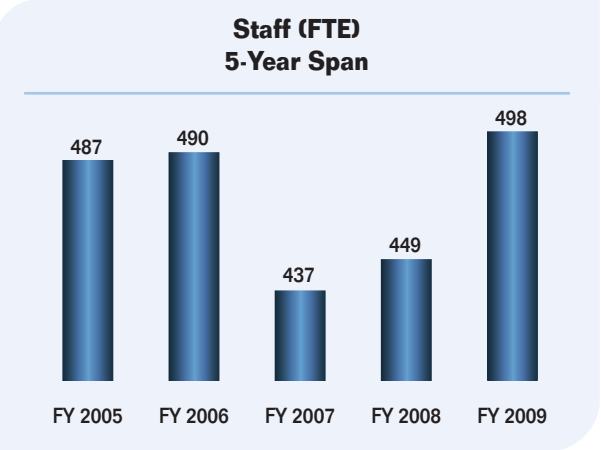
[11] *The COT report is an important tool for market participants and the public to track the positions of important groups of market participants. The COT report is available at http://www.CFTC.gov.*

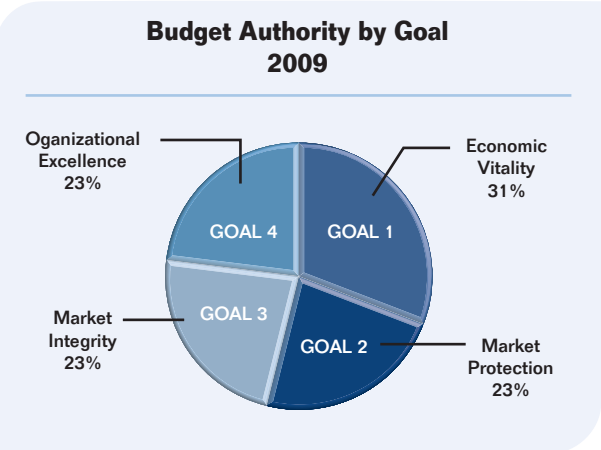
[12] *The report is available at http://www.cftc.gov/stellent/groups/public/@otherif/documents/ifdocs/opacftc-secfinaljointreport101.pdf*

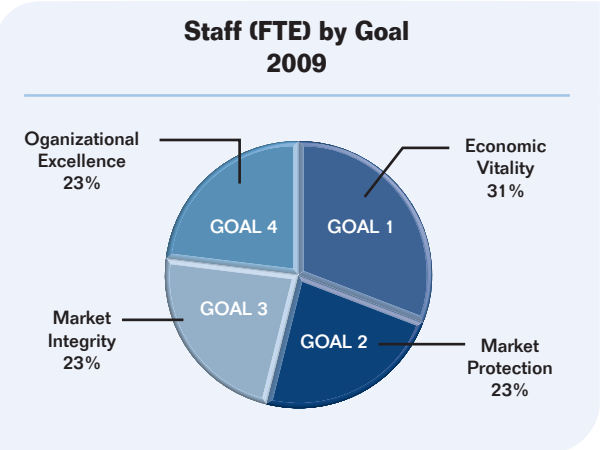
FY 2009 Resources at a Glance

In 2009, Congress invested $146 million in the CFTC to ensure that the Nation's futures markets operate without disruption. The agency focused these increases on critical technology modernization and hiring and retaining highly-trained staff with mission-critical skills.









Program Evaluations

The Inspector General (IG) conducted a FY 2009 Assessment addressing the Commission's Most Serious Management Issues. The IG's 2009 Assessment is located in the Other Accompanying Information section of the PAR at *http://www.cftc.gov/aboutthecftc/cftcreports.html*.

In FY 2009, two external evaluations involving the CFTC were conducted by the U.S. Government Accountability Office (GAO):

- **Issues Involving the Use of the Futures Markets to Invest in Commodity Indexes, GAO-09-285R, January 30, 2009**

  GAO conducted this study at the request of the House Committee on Agriculture. In summary, until mid-2008, prices for a broad range of physical commodities, from crude oil to crops such as wheat, had increased dramatically for several years—leading to concerns and debate over the possible causes. The GAO was asked to address the following: 1) whether the Federal law governing futures trading prohibits investors from using the futures markets to gain an exposure to commodity indexes; 2) whether the Federal law governing pension plans prohibits them from investing in commodities through the futures markets; 3) how margins have affected the ability of investors to obtain exposures to commodity indexes; and 4) how position limits have affected the ability of investors to obtain exposures to commodity indexes.

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

- **Bank Secrecy Act: Federal Agencies Should Take Action to Further Improve Coordination and Information-Sharing Efforts, GAO-09-227, February 12, 2009**

  GAO conducted this study of the Bank Secrecy Act (BSA) enforcement program administered by the Financial Crimes Enforcement Network (FinCEN), a bureau of Treasury, in which the CFTC has been delegated compliance examination authority. The goal of the study was to identify opportunities that exist to improve FinCEN's interagency coordination with the Federal banking regulators, SROs, and state agencies.

  Two recommendations were made involving the CFTC. The first recommendation was that CFTC should direct the appropriate staff to consider developing or using an existing process to share and discuss regularly information on BSA/ anti-money laundering examination procedures and general trends in a nonpublic setting. In response to the GAO's recommendation, CFTC has been included in Federal Financial Institutions Examination Council (FFIEC) working group meetings with the Federal banking regulators and the FinCEN. CFTC now also participates in a number of other interagency groups, including the Data Management Council and the Bank Fraud Working Group, which CFTC believes allows for significant information sharing, including information regarding examination procedures.

  The second recommendation was that CFTC should consider including the SROs that conduct BSA examinations in interagency meetings. This recommendation was not implemented. SROs have not been included in interagency meetings because concerns have been raised about whether the involvement of the private sector SROs would cause the meetings to fall under the Federal Advisory Committee Act. Moreover, discussions of specific suspicious activity report (SAR) details have occurred in past interagency meetings that would cause the SROs to have access to SARs that was not envisioned in the BSA and other applicable laws.

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

Introduction to Strategic Goal One

The focus of this goal 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.

Performance Results for Goal One

Monitoring market activity represents one of the ways the Commission seeks to protect the economic function of the markets. Market surveillance is conducted to detect attempted manipulation and other abusive practices that could undermine the capacity of these markets to perform their economic function. The Commission takes preventive measures to ensure that market prices accurately reflect fundamental supply and demand conditions, including the routine daily monitoring of large trader positions, futures and cash prices, price relationships, and supply and demand factors in order to detect threats of price manipulation.

- **Market Volume and New Products**

  In preparing the estimates of expected growth in futures trading activity for FY 2009, the Commission considers historical growth in activity over several prior years. However, in 2008, the United States and world economies suffered a severe downturn that had a material effect on futures trading on the U.S. regulated exchanges. This financial crisis and its effect on futures trading was not anticipated when the estimates of future growth were prepared. In particular, the demise of several large financial firms and the consolidation of others into a reduced number of entities meant that a smaller number of financial firms participated in the futures markets, which significantly reduced the volume of futures contracts traded. With decreased demand for products traded on the exchanges, overall trading volume dipped to 2.8 billion in FY 2009, as shown in the figure, *Growth in Volume of Futures & Option Contracts Traded & CFTC FTEs*, on page 11.

  Even though overall trading volume decreased in FY 2009, the percentage of new products offered on the exchanges, in FY 2009, increased above projections as shown in the figure, *Actively Traded Futures and Option Contracts*, on page 11. This growth in the number of new products occurred despite the severe downturn in the economy. In response to the financial crisis and to accommodate firms' hedging needs, exchanges remained innovative and rolled out many new contracts, most of which most were either slight variations of existing contracts or were attempts to duplicate existing products traded in the OTC market. The increased number of new products, above earlier projections, was not foreseeable.

The following table summarizes the FY 2009 investment and overall performance results for Strategic Goal One. In addition, FY 2009 performance results are compared against the FY 2009 targets and FY 2008 actual results.

Strategic Goal One

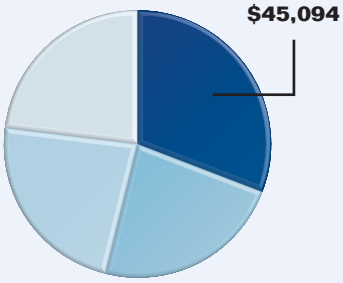
Ensure the economic vitality of the commodity futures and option markets.

Annual Performance Goal One

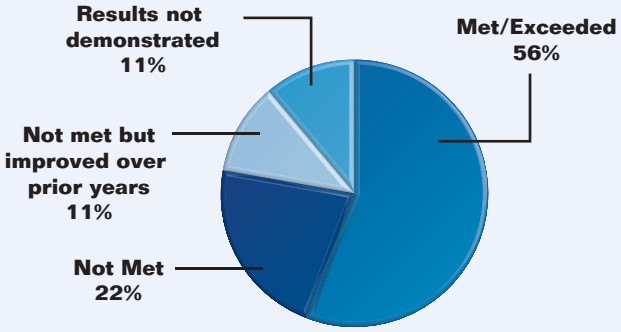
No price manipulation or other disruptive activities that would cause loss of confidence or negatively affect price discovery or risk shifting.

Budget Authority

($ in millions)



Performance Results



Outcome Objectives and Performance Measures		2009 Performance Results		
		Met/Not Met	Change (+/-) from 2009 Target	Change (+/-) from 2008 Actual
1.1 Markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.				
1.1.1.	Percentage growth in market volume.	Not Met	-43.5%	-19.5%
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.	Met	0%	-25%
1.1.3.	Percentage increase in number of products traded.	Exceeded	+12.7%	+11.3%
1.1.4.a.	Percentage of new exchange applications completed within expedited review period.	Results Not Demonstrated	-75%	-100%
1.1.4.b.	Percentage of new clearinghouse organization applications completed within expedited review period.	Results Not Demonstrated	-100%	-100%
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.	Not Met	-11%	-11%
1.1.6.	Percentage of rule change certification reviews completed within three months, to identify and correct deficiencies in exchange rules that make contracts susceptible to manipulation or trading abuses or result in violations of law.	Not Met	-13%	-13%
1.2 Markets that are effectively and efficiently monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.				
1.2.1	Percentage of derivatives clearing organization applications demonstrating compliance with CFTC Core Principles.	Met	0%	+100%
1.2.2	Ratio of markets surveilled per economist.	Exceeded	+2	0
1.2.3	Percentage of contract expirations without manipulation.	Met	0%	0%

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.

Over the years, the Commission has taken action in a number of cases involving manipulation or attempted manipulation of commodity prices. A variety of administrative sanctions, such as bans on futures trading, civil monetary penalties, and restitution orders, are available to the Commission. The Commission may also seek Federal court injunctions, asset freezes, and orders to disgorge ill-gotten gains.

Performance Results for Goal Two

An increasing segment of the population has money at risk in the futures markets, either directly or indirectly through pension funds, or ownership of shares in publicly held companies that participate in the markets.

Commission staff work to protect market users and the public by promoting compliance with, and deterring violations of, the CEA and Commission regulations. The Division of Enforcement (DOE) investigates potential misconduct, brings administrative and civil injunctive enforcement actions to prosecute such misconduct, seeks sanctions against wrongdoers, and publicly reports the outcome of those enforcement actions. The majority of the work in this area involves investigating and prosecuting manipulation, attempted manipulation, and fraud. The Commission's enforcement actions send a message to industry professionals and participants about the kinds of conduct that will not be tolerated.

- **Enforcement Investigation and Litigation**

  In FY 2009, the Commission filed 50 enforcement actions and DOE staff opened 251 investigations of potential violations of the Act and Commission regulations. Through these and existing cases previously filed by the Commission, monetary penalties imposed during FY 2009 included more than $183 million in restitution and disgorgement, and $97 million in civil monetary penalties.

  Energy markets and the financial downturn have resulted in increased investigative and litigation activity. In FY 2008, the Commission made an unprecedented announcement that it would conduct a nationwide crude oil investigation into practices surrounding the purchase, transportation, storage, and trading of crude oil and related derivative contracts. This investigation continues and has been extremely resource intensive. The financial downturn has revealed a number of fraudulent schemes, including Ponzi schemes that could stay afloat only during periods of rising asset values. DOE staff have been actively investigating and prosecuting these schemes. The increased DOE activity to address potential energy market misconduct and ongoing fraud has created a challenge for DOE to ensure it effectively and efficiently investigates potential violations, including staff-intensive manipulation investigations. During FY 2009, unprecedented market activity caused the DOE to shift resources to investigations. DOE continues to perform at a high level while striving to meet its goals.

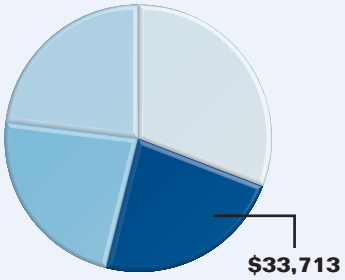
The following table summarizes the FY 2009 investment and overall performance results for Strategic Goal Two. In addition, FY 2009 performance results are compared against the FY 2009 targets and FY 2008 actual results.

Strategic Goal Two
Protect market users and the public.

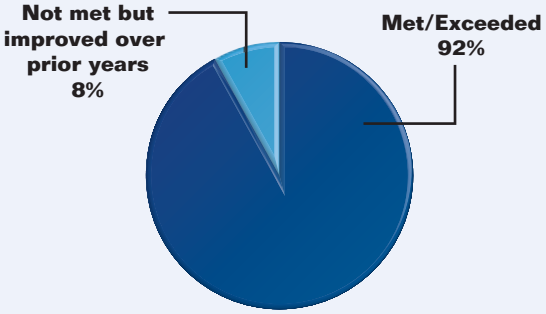
Annual Performance Goal Two
To have an effective and efficient market surveillance program.

Budget Authority

($ in millions)



Performance Results



Outcome Objectives and Performance Measures	2009 Performance Results		
	Met/Not Met	Change (+/-) from 2009 Target	Change (+/-) from 2008 Actual
2.1 Violations of Federal commodities laws are detected and prevented.			
2.1.1. Number of enforcement investigations opened during the fiscal year.	Exceeded	+109	+36
2.1.2. Number of enforcement cases filed during the fiscal year.	Met	0	+10
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).	Met	0%	+1%
2.1.4. Cases filed by other criminal and civil law enforcement authorities during the fiscal year that included cooperative assistance from the Commission.	Exceeded	+20	+13
2.2 Commodity professionals meet high standards.			
2.2.1. Percentage of self-regulatory organizations that comply with CFTC Core Principles.	Met	0%	0%
2.2.2. Percentage of derivatives clearing organizations that comply with CFTC Core Principles.	Met	0%	0%
2.2.3. Percentage of professionals compliant with standards regarding testing, licensing, and ethics training.	Met	0%	0%
2.2.4. Percentage of self-regulatory organizations that comply with requirement to enforce their rules.	Met	0%	0%
2.2.5. Percentage of total requests for guidance and advice receiving CFTC response.	Met	0%	+15%
2.3 Customer complaints against persons or firms registered under the Act are handled effectively and expeditiously.			
2.3.1.a Percentage of filed complaints resolved within one year of the filing date for Voluntary Proceedings.	Not Met	-17%	+16%
2.3.1.b Percentage of filed complaints resolved within one year and six months of the filing date for Summary Proceedings.	Exceeded	+20%	+23%
2.3.1.c Percentage of filed complaints resolved within one year and six months of the filing date for Formal Proceedings.	Exceeded	+3%	+20%
2.3.2 Percentage of appeals resolved within six months.	Exceeded	+30%	-16%

Introduction to Strategic Goal Three

The Commission focuses on issues of market integrity, seeking to protect: 1) the economic integrity of the markets so that markets may operate free from manipulation; 2) 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 3) the operational integrity of the markets so that transactions are executed fairly and proper disclosures to existing and prospective customers are made.

Performance Results for Goal Three

In fostering open, competitive, and financially sound markets, the Commission's two main priorities are to avoid disruptions to the system for clearing and settling contract obligations and to protect the funds that customers entrust to FCMs. Clearing organizations and FCMs are the backbone of the clearing and settlement system; together, they protect against the possibility that the financial difficulties of one trader may become a systemic problem for other traders.

Commission staff members also work with the SROs and NFA to monitor closely the financial condition of FCMs through review of various monthly and annual financial reports and notices of reportable events. The SROs and NFA also conduct audits and daily financial surveillance of their respective member FCMs, reviewing and assessing each FCM's exposure to losses from large customer positions that it carries. As an oversight regulator, the Commission not only reviews the audit and financial surveillance work of the SROs and NFA, but also monitors the financial strength of FCMs directly, as appropriate. In addition, the Commission periodically reviews clearing organization procedures for monitoring risks and protecting customer funds.

Protecting Customer Funds

Staff members monitor the operations of registrants in possession of customer funds through a number of financial oversight and risk surveillance activities. One of the oversight activities involves the review of regulatory notices that FCMs are required to file with the Commission. These notices disclose predefined reportable events that may indicate a financial issue with the firm (*e.g.*, under-segregation or undercapitalization), which warrant further staff analysis. Staff also review monthly financial reports submitted by FCMs, review annual reports of FCMs certified by independent public accountants, and conduct on-site examinations of FCMs. In FY 2009, staff processed monthly and annual financial reports filed by approximately 140 FCMs, and performed examinations and on-site reviews of several FCMs to assess their compliance with the Commission's financial requirements, including the Commission's minimum capital and customer fund protection requirements.

The financial and risk surveillance activities performed by staff continue to take on greater importance due to the ongoing market volatility and its impact on market intermediaries and the clearing system. During FY 2009, staff engaged in frequent contact with traders, firms, and clearinghouses to monitor the potential for, and instances of, market volatility, market disruptions, or emergencies that had the potential to impact: 1) the

proper capitalization of firms; 2) the proper segregation of customer funds; and 3) the ability of financial intermediaries to make payments to a DCO in a timely manner. Staff also evaluated systemic risk.

As a result of these and other ongoing financial oversight and risk surveillance activities in FY 2009, there were no losses of regulated customer funds as a result of an FCM failure or the inability of customers to transfer their funds from a failing FCM to a financially sound FCM. The performance result indicates that the program's objectives of ensuring sound financial practices of clearing organizations and firms holding customer funds, and the protection of customer funds are being met.

Oversight of SROs and DCOs

As a key aspect of assuring effective self-regulation, the Commission oversees futures industry SROs, which include exchanges and NFA, to ensure that they fulfill their responsibilities for monitoring and ensuring the financial integrity of market intermediaries and for protecting customer funds. Commission staff oversee, review and report to the Commission on SRO and DCO programs for monitoring and enforcing compliance with applicable provisions of the Act and Commission regulations, including the CFTC Core Principles, and with the SRO's or DCO's rules. The Commission employs a risk-based approach to its examination cycles of SROs and DCOs, *i.e.*, both the scheduling and scope of the risk-based reviews are based on an analysis of the underlying risks to which an institution is exposed and the controls that it has in place to address those risks.

In FY 2009, the agency committed substantial staff resources to the examination of selected SROs. Division of Clearing and Intermediary Oversight (DCIO) staff completed two reviews to assess the financial surveillance programs of SROs and a review to assess an SRO's arbitration program. In one examination DCIO staff focused on an SRO's staffing levels, including the appropriate training of SRO staff, and the SRO's review of FCM financial statements and regulatory notices filed by FCMs. The second examination focused on the SRO's staffing levels, review of financial statements and regulatory notices, and FCM examination program. The staff's review of the arbitration program focused on the SRO's program for the resolution of disputes involving commodity futures and option contracts among public customers and market intermediaries. Staff are in the process of conducting a third review of an SRO's financial surveillance program that will not be completed until FY 2010 and are finalizing a review of an SRO's registration program that also will be completed in FY 2010.

In addition to reviews of SROs, DCIO staff completed three reviews of DCOs, one of them a joint review with the Division of Market Oversight (DMO), to assess the DCOs' programs for compliance with certain CFTC Core Principles. Based on its reviews, staff determined that the SROs' and DCOs' programs were meeting the applicable requirements of the Act and Commission regulations. The performance results indicate that the Commission's oversight program objectives of ensuring the financial integrity of market intermediaries and the protection of customer funds are being met.

The following table summarizes the FY 2009 investment and overall performance results for Strategic Goal Three. In addition, FY 2009 performance results are compared against the FY 2009 targets and FY 2008 actual results.

Strategic Goal Three

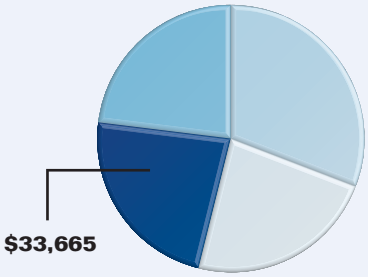
Ensure market integrity in order to foster open, competitive, and financially sound markets.

Annual Performance Goal Three

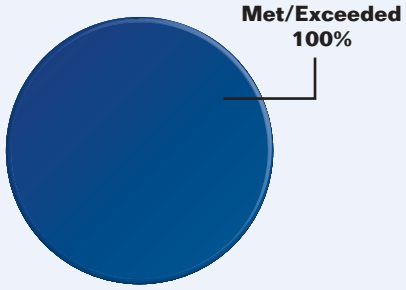
No loss of customer funds as a result of firms' failure to adhere to regulations.
No customers prevented from transferring funds from failing firms to sound firms.

Budget Authority

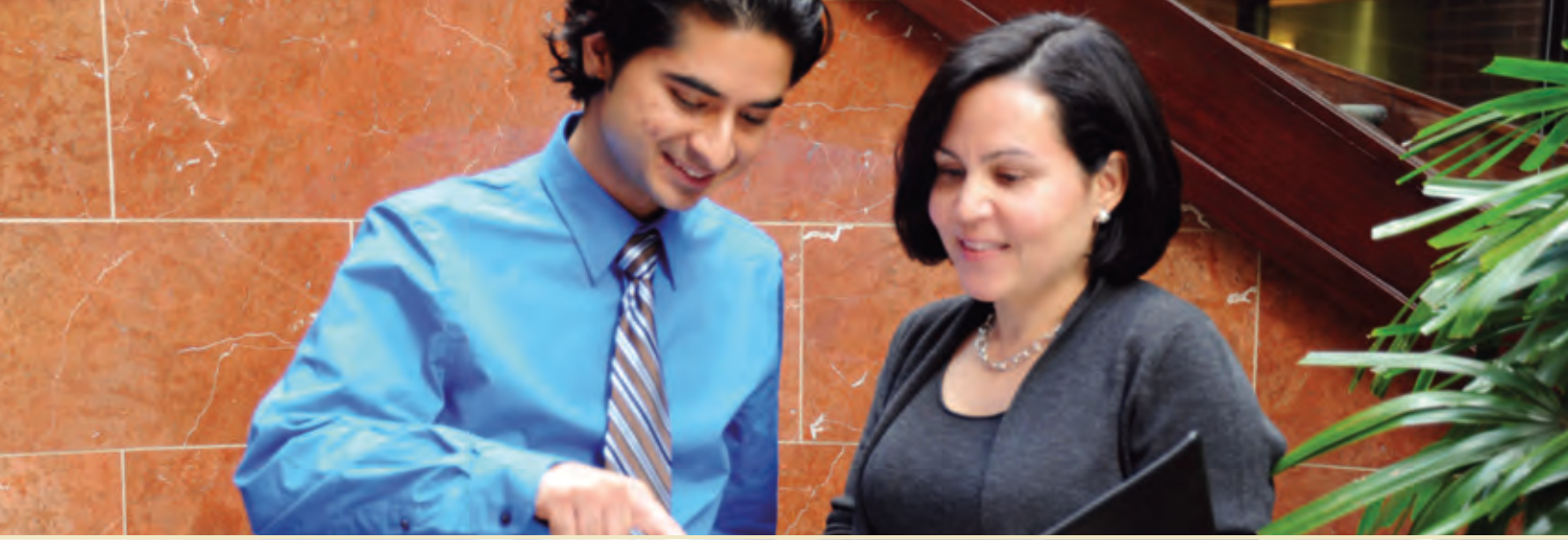
($ in millions)



Performance Results



Outcome Objectives and Performance Measures	2009 Performance Results		
	Met/Not Met	Change (+/-) from 2009 Target	Change (+/-) from 2008 Actual
3.1 Clearing organizations and firms holding customer funds have sound financial practices.			
3.1.1. Lost funds:			
a) Number of customers who lost funds.	Met	0	0
b) Amount of funds lost.	Met	$0	$0
3.1.2. Number of rulemakings to ensure market integrity and financially sound markets.	Exceeded	+1	+4
3.1.3. Percentage of clearing organizations that comply with requirement to enforce their rules.	Met	0%	0%
3.2 Commodity futures and option markets are effectively self-regulated.			
3.2.1. Percentage of intermediaries who meet risk-based capital requirements.	Met	0%	0%
3.2.2. Percentage of self-regulatory organizations that comply with requirement to enforce their rules.	Met	0%	0%
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.	Met	0%	0%
3.3.2. Percentage of exchanges that comply with requirement to enforce their rules.	Met	0%	0%
3.4 Regulatory environment is flexible and responsive to evolving market conditions.			
3.4.1. Percentage of CFMA Section 126(b) objectives addressed.	Met	0%	0%
3.4.2. Number of rulemakings, studies, interpretations, and statements of guidance to ensure market integrity and exchanges' compliance with regulatory requirements.	Exceeded	+27	+22
3.4.3. Percentage of requests for no-action or other relief completed within six months related to novel market or trading practices and issues to facilitate innovation.	Met	0%	0%
3.4.4. Percentage of total requests for guidance and advice receiving CFTC response.	Exceeded	+6%	+18%



Summary of Audit and Management Assurances

Summary of FY 2009 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	**AGENCY**	**AUDITOR**
Compliance	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 2009.

	2009	2008
Condensed Balance Sheet Data		
Fund Balance with Treasury	$ 43,961,950	$ 27,666,831
Property, Equipment, and Software, Net	10,346,721	2,810,441
Accounts Receivable	18,207	11,534
Prepayments	558,081	461,552
Other (Custodial)	1,703,220	1,721,526
TOTAL ASSETS	**$ 56,588,179**	**$ 32,671,884**
FECA Liabilities	$ (207,532)	$ (218,888)
Payroll, Benefits and Annual Leave	(11,529,246)	(8,029,377)
Deposit Fund Liabilities	(142,279)	—
Other Deferred Lease Liabilities	(3,226,161)	(3,294,324)
Accounts Payable	(4,081,180)	(2,496,958)
Custodial Liabilities	(1,703,220)	(1,721,526)
Other	(7,513)	(9,957)
Total Liabilities	**(20,897,131)**	**(15,771,030)**
Cumulative Results of Operations	(491,751)	5,224,895
Unexpended Appropriations	(35,199,297)	(22,125,749)
Total Net Position	**(35,691,048)**	**(16,900,854)**
TOTAL LIABILITIES AND NET POSITION	**$ (56,588,179)**	**$ (32,671,884)**
Condensed Statements of Net Cost		
Total Cost	$ 131,435,739	$ 105,583,743
Net Revenue	(101,965)	(67,479)
TOTAL NET COST OF OPERATIONS	$ 131,333,774	$ 105,516,264
Net Cost by Strategic Goal		
Goal One - Economic Vitality	$ 40,713,470	$ 31,654,879
Goal Two - Market User and Public	30,206,768	25,323,903
Goal Three - Industry	30,206,768	24,268,741
Goal Four - Organizational Excellance	30,206,768	24,268,741
	$ 131,333,774	**$ 105,516,264**

Financial Discussion and Analysis

The CFTC prepares annual financial statements in accordance with 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, 2009 and September 30, 2008. 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/aboutthecftc/cftcreports.html*.

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, 2009, the Balance Sheet reflects total assets of $56.6 million. This reflects a 73 percent increase from FY 2008. The Commission's Fund Balance with Treasury was $16.3 million more in FY 2009 than it was at the end of FY 2008. A majority of the increase was attributable to obligated but unexpended contract funding for technology modernization and space renovations. For example, major upgrades in market surveillance systems are underway and market watch rooms are being implemented in Chicago and Washington, D.C. Moreover, budget increases received in FY 2009 and anticipated in FY 2010 allows the CFTC to increase staffing by approximately 200 new positions. Accordingly, existing space in Chicago and Washington, D.C. is being renovated to increase seating capacity and addition space has been acquired. Construction is scheduled to begin in FY 2010.

In FY 2009, the net book value of general property, plant, and equipment increased by $7.5 million. This is attributed to increases of $4.6 million, $2.3 million, and $600 thousand for equipment, software and leasehold improvements, respectively.

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.

As should be expected from a small regulatory agency; payroll, benefits, and annual leave make up the majority of 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 24.5 percent increase in the total net cost of operations during FY 2009. This is consistent with the 30.3 percent budget increase the Commission received for its appropriation.

Strategic Goal One, which tracks activities related to market oversight, continues to require a significant share of Commission resources at 31 percent of net cost of operations in FY 2009. The $40.7 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 2009, the net cost of operations for this goal was $30.2 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 2009, the net cost of operations for this goal was $30.2 million or 23 percent. Productivity improvements continued to be achieved through the use of automated audit and reporting tools. Commission staff completed two reviews of financial surveillance programs of SROs, and a review of an SRO's arbitration program. In addition, 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 2009, the net cost of operations for this goal was $30.2 million or 23 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 2009*.

The $146.0 million appropriation level received in FY 2009 represented a 30.3 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 2009, gross outlays were in line with the gross costs of operations due to increased hiring and technology spending.

Statement of Custodial Activity

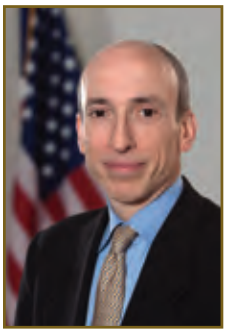
This statement provides information about the sources and disposition of non-exchange revenues. Non-exchange revenue at the CFTC is primarily represented by fines, penalties, and forfeitures assessed and levied against businesses and individuals for violations of the CEA or Commission regulations. Other 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 $17.9 million and a transfer of the collections to Treasury in the same amount. This amount represents a decrease of $123.9 million from FY 2008, during which the Commission collected $125 million assessed against British Petroleum (BP) Products North America.

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.

FY 2009 Commissioners

The 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.

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. 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 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.

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.

On February 4, 2008 the Commission appointed Commissioner Sommers to serve as Chairman and Designated Federal Official of the Global Markets Advisory Committee, which meets periodically to discuss issues of concern to exchanges, firms, market users and the Commission regarding the regulatory challenges of a global marketplace. She also serves as the Commission designee to the Financial Literacy and Education Commission, which is chaired by the Secretary of Treasury and was established to improve the financial literacy and education of U.S. citizens.

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 7, 6, and 5.

Bart Chilton, Commissioner

Bart Chilton was sworn in as CFTC Commissioner in August of 2007. He currently serves as the Chairman of the CFTC's Energy and Environmental Markets Advisory Committee. 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. Mr. Chilton and his wife, Sherry Daggett Chilton, reside on the Western Shore of the Chesapeake Bay.

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, 2008

League of American Communications Professionals (LACP) Awards the

Gold 2008 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, 2008. Awarded GOLD in the Government classification, and received overall ranking of 70 out of over 3,500 total entries.

VISION AWARDS 2008 ANNUAL REPORT COMPETITION WINNER GOLD LACP

OVERALL

VISION AWARDS 2008 ANNUAL REPORT COMPETITION WINNER GOLD LACP

AMERICAS REGION BEST REPORT FINANCIALS

LACP TOP 100 ANNUAL REPORTS OF 2008

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FY 2009 Summary of Financial and Performance Report
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Office of Financial Management
Commodity Futures Trading Commission
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1155 21st Street, N.W.
Washington, DC 20581

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Lisa Malone, 202.418.5184
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E-mail: *ebevill@cftc.gov or lmalone@cftc.gov*
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The CFTC's Strategic Plan and FY 2009 Performance
and Accountability Report are available on the Web at:
http://www.cftc.gov/aboutthecftc/cftcreports.html

Clark Day Photography: Pages Cover II, 1, 6, 17, 19, 29, 30, 33, 34, Cover III

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