COMMODITY FUTURES TRADING COMMISSION

PRESIDENT'S BUDGET *and* PERFORMANCE PLAN

FISCAL YEAR 2011

PREPARED FOR THE COMMITTEE ON APPROPRIATIONS

FEBRUARY 2010

Chairman's Transmittal Letter

February 1, 2010

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

The Honorable Thad Cochran
Vice Chairman
Committee on Appropriations
United States Senate
S-128 Capitol Building
Washington, D. C. 20510

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

The Honorable Jerry Lewis
Ranking Republican Member
Committee on Appropriations
United States House of Representatives
H-218 Capitol Building
Washington, D. C. 20515

Dear Senators Inouye and Obey and Representatives Cochran and Lewis:

In the fall of 2008, the financial system and the financial regulatory system failed. While more than a year has passed and the system appears to have stabilized, we cannot relent in our mission to vigorously implement our mandate to protect the public from fraud, manipulation and other abuses in the commodity markets. The Commodity Futures Trading Commission (CFTC) needs additional resources to promote transparency and market integrity. Only through strong, intelligent regulation can we fully protect the American people and keep our economy strong.

As we began FY 2010, the Commission had on-board more than 580 staff. While this gets us back to our staffing levels ten years ago, it is just a start. I believe that merely raising our staffing levels to the same as a decade ago will not be enough to adequately fulfill the agency's statutory mandate. In the last ten years, trading volume went up almost five-fold. The number of actively traded futures and options contracts went up seven-fold, and many of these have become 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. What was once just a $500 billion business has grown to a $33 trillion industry.

Therefore, I am pleased to transmit to you the CFTC's Budget and Performance Estimate for FY 2011. This budget requests, for currently existing statutory authorities, an appropriation of $216,000,000 and 745 staff-years. For proposed new authorities related to financial regulatory reform, the budget requests an appropriation of $45,000,000 and 119 FTE, for a total request of $261,000,000 and 864 FTE.

The $216,000,000 requested for current authorities is an increase of $47,200,000 and 95 staff years over the estimated FY 2010 appropriation of $168,800,000 and 650 staff years. The increases requested are critical to providing the CFTC with the resources required to ensure that the Nation's futures markets operate without disruption.

The requested funding increase includes resources for the following:

- <u>Updating the Commission's Surveillance and Technology Programs.</u> 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. Upgraded systems and analytical tools, such as detection alert software, will increase the staff's ability to monitor the markets and provide better information about futures and options trading to the American public. This transparency and new level of oversight will foster market integrity.

- Boosting the Commission's Clearing and Intermediary Oversight Program. Additional resources would allow the Commission to perform regular and direct reviews of registrants and more frequently assess compliance with Commission regulations. In the case of intermediaries, the Commission requires additional resources to directly assess compliance instead of relying on designated self-regulatory organizations (DSROs). The frequency of the reviews will increase from once every three years to annually. New staff will permit the review annually of all derivatives clearing organizations (DCOs), designated contract markets (DCMs) and the audit and financial surveillance programs of each DSRO ensuring ongoing rather than intermittent oversight.

- Strengthening the Commission's Enforcement Program. The CFTC should be adequately resourced to vigorously investigate and litigate complex market manipulation and trade-practice violations. Properly functioning markets must be free from fraud, manipulation and other abuses to ensure their integrity in setting price and offsetting risk. This budget provides funding to grow the Enforcement staff to 200 in FY 2011, from a staff of 121 in FY 2009. A robust Enforcement program will foster regulatory compliance in the marketplace, protecting the American public and the marketplace. Adequate legal staff is necessary to act swiftly to investigate and prosecute fraudulent schemes, such as the rash of Ponzi schemes experienced after the recent market downturn.

- Rigorously Exercising Existing Authorities to Ensure Market Integrity. Additional economic and legal staff will allow the annual review of all contracts listed on exempt commercial markets (ECMs) to determine if they are significant price discovery contracts (SPDCs). Such contracts must be reviewed to determine compliance with a stringent set of CFTC Core Principles under the Commission's regulations. These and other new and increasingly diverse products add to the scope and complexity of products staff must review and monitor to ensure the integrity of the marketplace.

- Establishing Enterprise Risk Management. This program would identify plausible risks that may affect the CFTC's ability to respond effectively and assess risks and determine an appropriate response strategy. The objective is to proactively address enterprise-wide risks so that the CFTC may discharge its responsibilities without any obstacles.

- Initiating Major Reviews of Existing Programs. The Commission seeks additional resources to initiate major programmatic reviews of existing programs; expand development of the Commission's continuity of operations program (COOP); increase public and consumer education and outreach; implement the strategic plan; and improve performance metrics.

- Continuing Current Service Level. The CFTC requires additional resources to provide a continuation of the FY 2010 current service level into FY 2011. This includes annual merit based compensation adjustments for staff, lease of office space, utilities and communications, printing, supplies, capital equipment and fixed equipment.

We are currently working with the Congress to bring comprehensive regulation to the over-the-counter derivatives marketplace and appropriate oversight to any trading markets that may be developed on carbon equivalent allowances as a result of cap-and-trade legislation. In addition to increases relating to existing regulatory responsibilities, this budget requests an additional $45,000,000 and 119 FTE for FY 2011 to begin implementation of the Administration's comprehensive proposal for financial regulatory reform. The Commission's FY 2012 total (current and proposed new authorities related to financial regulatory reform) staff requirement is estimated to be approximately 1,000 FTE. The requested funds will permit Commission implementation of new responsibilities, such as:

- Requiring swap dealers and major swap participants to register and come under comprehensive regulation, including capital standards, margin requirements, business conduct standards and recordkeeping and reporting requirements;

- Requiring dealers and major swap participants to use transparent trading venues for their standardized swaps;

- Ensuring that dealers and major swap participants bring their clearable swaps into central clearinghouses; and
- Providing the CFTC with authority to impose aggregate position limits in the OTC derivatives markets.

Appendix 3 of this document provides additional supporting detail of the $45,000,000 and 119 FTE requested for the Administration's financial regulatory reform proposal.

The staff of the CFTC is a talented and dedicated group of public servants. The financial crisis and the significant increase in trade volume, market complexity and globalization command additional resources to effectively protect American taxpayers. For all of these reasons, I feel it is necessary and appropriate for our staffing levels and our technology to be bolstered to more closely match the new financial realities of the day.

In short, despite a recent increase in funding, the Commission remains an underfunded agency. With additional resources, we will be better able to police the market, promote market integrity and protect the public from fraud, manipulation and other abuses.

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

Sincerely yours,

Gary Gensler
Chairman

cc:

The Honorable Blanche Lincoln
Chairman
Committee on Agriculture,
Nutrition, and Forestry
U.S. Senate
SR-328A Russell Senate Office Building
Washington, D. C. 20510-6000

The Honorable Saxby Chambliss
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The FY 2011 President's Budget & Performance Plan

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Executive Summary

The CFTC is charged with a significant responsibility to ensure the fair, open and efficient functioning of futures markets. The CFTC has exclusive jurisdiction over the regulatory oversight of all exchanges, clearing organizations, and intermediaries in the U.S. futures industry. The Commission's duty is to protect market participants and the American public from fraud, manipulation and other abuses and to promote open, competitive and financially sound futures markets.

The Commission faces growing and significant challenges. We must be adequately prepared to meet them. This requires additional resources to fulfill staffing and technology needs.

FY 2011 BUDGET PRIORITIES

Market Transparency and Technology Modernization. Existing Commission surveillance systems annually process more than one billion transactions to capture mission-critical data. Recent Commission initiatives to promote transparency of market data reveal the need for a substantial investment in systems development. The timely reporting of quality and meaningful market information is not possible with current legacy systems. Integration of two legacy systems, one with position data and one with trade data, is vital to building necessary functionality to capture more detailed data by trader, account ownership, inter-day transactions and intra-day transactions across all markets. New staff competencies and skill sets are also critical. Market transparency is crucial to public trust and confidence in the vital price discovery and risk management functions of the futures and option markets. The 21st century marketplace, now largely electronic, demands 21st century systems, applications and analytics.

For many years, the CFTC has been limited to only minimum maintenance on existing technology infrastructure. The FY 2010 and 2011 investments will target the building of mission-essential systems responsive to the need to oversee an increasingly large, diverse and complex industry. This budget reflects a $34 million technology program.

Ensure Robust Enforcement of the Law. The recent financial downturn revealed, and continues to reveal, Ponzi-type schemes that could only stay afloat during periods of rising asset values. The types of investigations being handled by the Enforcement Division have become increasingly more complex. The Division must devote significantly more resources to the activities of multiple markets and market participants. This is true for fraud and Ponzi schemes, as well as staff-intensive manipulation and trade practice investigations. Enforcement staff is operating at full capacity and is forced to balance resources from important investigations to ongoing and future litigation demands, which limits the Division's ability to pursue new investigations.

Review of New Products and Rule Changes/Significant Price Discovery Contracts. The 2008 Farm Bill requires staff to annually review all contracts listed on ECMs to determine if they are SPDCs. Approximately 50 contracts have been identified as possible SPDCs to date. If they are determined to be SPDCs, then any ECM listing such a contract must be reviewed to determine compliance with a stringent set of CFTC Core Principles. Commission staff must also conduct day-to-day surveillance and general market oversight of all the contracts deemed to be SPDCs, a significant undertaking that cannot be fully accomplished without additional staff and technology investments. Conducting timely reviews of all new products and rule change filings has lagged due to staffing shortfalls in the face of the growth of products listed by the exchanges and the increasing complexity of many of the new markets. This delay in monitoring the marketplace and its products jeopardizes the oversight of products listed on the regulated futures exchanges.

Review and Audit of Registrants. More frequent, regular direct audits of CFTC registrants are essential to enhance effective self-regulation and ensure that exchanges rigorously enforce compliance with their rules. Currently, the CFTC is limited to conducting reviews, on average, every three years, thereby diluting their intended effect. The Commission needs additional staff to perform regular and direct reviews of all exchanges and intermediaries and to assess their compliance with the Commodity Exchange Act (CEA). The CFTC should no longer rely on the DSROs for these reviews. The Commission especially requires staff with expertise in trading. Commission staff should have the resources to build knowledge of how exchanges' various electronic trading platforms operate and how violations may occur on and across electronically traded markets. In the absence of expert oversight, there is a risk that an ineffective self-regulatory program may go undetected or a systemic risk may not be identified. Adequate resources must exist to fully discharge the Commission's statutory responsibility to ensure financial integrity in the marketplace through annual reviews of every DSRO and derivatives clearing organization (DCO), as well as annual examinations of commodity pool operators (CPOs), commodity trading advisors (CTAs) and Futures Commission Merchants (FCMs).

Position Limits. The Commission has begun to consider carefully whether to adopt Federal speculative limits on energy commodities, including crude oil, heating oil, natural gas, gasoline and other energy products. Additional staff and expertise are critical to analyze whether position limits, consistently applied across all physically delivered commodities, would enhance market integrity and efficiency. If limits are adopted, the Commission will require additional investments in staff and technology to establish the limits, oversee traders' compliance with the limits and consider appropriate exemptions from the limits.

FY 2011 BUDGET REQUEST

Current Authorities. The FY 2011 President's Budget of $216,000,000 and 745 FTE proposes an increase of $47.2 million. Just over half of the increase is needed to maintain the FY 2010 level of operations, including funding increases for 650 FTE and on-going IT modernization into FY 2011. The balance would fund an additional 95 FTE for a total of 745 FTE in FY 2011. These funds are required to hire and equip additional staff in areas of critical need throughout the Commission.

The Commission faces a serious staffing shortfall. When the Commission received its FY 2009 appropriation in March, 2009, staff levels were below 500. That is the same level as the Commission's first year of operation 34 years ago. Six months after the Commission received its FY 2009 appropriation, the Commission hired more than 90 permanent staff. For FY 2010 and for FY 2011, staffing areas of critical need will remain a top priority.

The Commission requests an additional 95 FTEs, over estimated FY 2010 levels, allocated as follows:

- 39 for Enforcement;
- 29 for Market Oversight;
- 9 for Agency Direction
- 7 for Clearing and Intermediary Oversight and Risk Management;
- 4 for Chief Economist
- 3 for Enterprise Risk Management
- 2 for Commission Planning
- 1 for International Affairs
- 1 for Proceedings;

Enforcement. Earlier this fiscal year, the Commission's Enforcement program reached its lowest level since 1984. Enforcement staff is anticipated to reach nearly 145 by the beginning of FY 2010. This is still below the agency's peak of 167 and well below what is needed to address the current challenges brought by the recent financial turmoil. The goal of the Commission for FY 2011 is to have an Enforcement staff of 200, including strategic plans to double the Enforcement staff in the Kansas City office. Additionally, more professional staff comprised of attorneys, investigators, economists and paralegals are required to pursue resource-intensive investigations and litigation involving manipulation.

Market Oversight. The Division of Market Oversight requires more highly skilled economists, investigators, attorneys and statisticians so that: 1) position data may be analyzed quickly and thoroughly; 2) exchange applications and rule changes may be reviewed efficiently and comprehensively to ensure compliance with all CFTC Core Principles and CFTC policies; and 3) exchange self-regulatory programs may be examined on an on-going and routine basis with regard to trade practices, market surveillance and compliance with disciplinary, audit trail and record-keeping regulations.

Agency Direction. The Offices of the Chairman and the Commissioners require professional, legal, and economic expertise as they undertake a number of high priority programmatic initiatives, including: 1) regulation of derivatives markets and regulatory changes to protect the U.S. public from systemic financial risks; 2) regulatory coordination with other agencies such as the SEC and FERC; 3) market transparency; 4) transparency of the Commission's Web site; 5) regulation of energy markets -- especially with regard to position limits and SPDCs; 6) frequency of reviews and audits of Commission registrants; and 7) technology modernization, resource justification and program performance.

Clearing and Intermediary Oversight. The Division of Clearing and Intermediary Oversight requires auditors and attorneys to ensure effective clearing systems to protect against the financial problems of a single market becoming a systemic risk. Adequate staff will protect investors' funds from misuse or exposure to inappropriate risks of loss and protect customers from abusive sales practices that undermine market integrity.

Chief Economist. The Office of the Chief Economist (OCE) needs additional economists to review and analyze new market structures and off-exchange derivative instruments. OCE also needs additional resources to review and analyze risk management models supportive of the Commission's enforcement and surveillance programs.

International Affairs. The Office of International Affairs needs additional professional staff to address the increasing global reach of the futures markets. The Commission has a growing responsibility to coordinate with international markets authorities for supervisory and enforcement purposes. Additional resources are required to address the intense regulatory development work by the G20 and the International Organization of Securities Commissions (stemming from the global financial crisis) and to keep pace with global market integration and the deed to take forward recommendations for enhance commodity market transparency

Enterprise Risk Management. A new Enterprise Risk Management subprogram is proposed to focus on proactively developing and employing methods and processes to manage risks that may be obstacles to the discharge of the Commission's responsibilities and goal achievement. The staff will identify plausible risks posed by current and future events or circumstances that may affect the Commission's ability to respond effectively. Risks will be assessed in terms of the likelihood and magnitude of impact, determining an appropriate response strategy, and monitoring outcomes

Commission Planning. The Office of the Executive Director requires staff to establish a small Commission strategic and operational planning and evaluation function, the first such permanent resource. It is imperative that program measurement and evaluation methodologies are developed and implemented. Additional staff will assist the Commission's programs in establishing metrics to track, monitor and evaluate program results, outcomes, and goal achievement to ensure the effective and efficient allocation of resources. Staff is required for a comprehensive records management program being designed to leverage technology to protect these assets. Expertise is needed to ensure a sufficient level of human capital expertise focusing on employee development, leadership, management training and employee relations.

Proceedings. The Office of Proceeding requires one additional position to cover the current staff requirement for this office, which is responsible for providing an inexpensive, impartial, and expeditious forum for handling customer complaints against persons or firms registered under the CEA. The one position will cover the recently filled, long-vacant, office director position.

Proposed New Authorities Related to Financial Regulatory Reform.

The FY 2011 President's Budget proposes an additional $45,000,000 and 119 FTE to support FY 2011 implementation of the Administration's comprehensive proposal for financial regulatory reform. The FY 2011 budget estimate of $45,000,000 includes a substantial investment of $18,000,000 in information technology and $27,000,000 for an additional 119 FTE and related operating expenses.

Information Technology. Approximately $18,000,000 is needed to provide for additional critical Information Technology capacity, principally for new systems development, capital equipment and mission support. For example, substantial additional IT resources will be critical for implementing the automated surveillance and comprehensive analysis solutions that are essential to meet the transparency objectives of the new authorities. The CFTC anticipates major systems development to address voluminous transaction processing, data storage, and data analysis requirements, and new IT systems development projects will require extensive business and industry analysis. The complexity, diversity, and volume of instruments proposed for regulation will also demand extensive data analysis. Newly developed systems will be more complex than current systems and will require thorough integration with current systems, leading to an increase in solutions development not only for new systems but also for existing systems. New sources of commercially-developed information will be assessed and may be acquired as part of the strategy to support CFTC resources in rule adoption and implementation. Supporting new program requirements will require substantial increases in all facets of CFTC infrastructure, including communications circuits, circuit capacity, cabling and connection, switches, routers, the server processer farm, and data storage and backup. Given the increased volume and frequency of data submitted, CFTC may have to supplement current data storage area network (SAN) infrastructure with large scale data warehousing and analytical appliances.

Human Capital. The balance of $27,000,000 would fund an additional 119 FTE in FY 2011. These funds are required to hire and equip additional staff in areas affected by the proposed new authorities. The Commission's requests an additional 119 FTE are allocated as follows:

- 41 for Market Oversight and Analysis;
- 30 for Clearing and Intermediary Oversight and Risk Management;
- 18 for Enforcement;
- 15 for Information Technology;
- 8 for General Counsel.
- 5 for Human Resources and Management Operations
- 1 for Chief Economist
- 1 for International Affairs

The 119 FTE requested will permit the Commission to implement reforms that, among others changes, require: 1) swap dealers and major swap participants to register and come under comprehensive regulation — including capital standards, margin requirements, business conduct standards and recordkeeping and reporting requirements; 2) ensure that dealers and major swap participants bring their clearable swaps into central clearinghouses; 3) require dealers and major swap participants to use transparent trading venues for their clearable swaps; and 4) provide the CFTC with authority to impose position limits in the OTC derivatives markets.

SUMMARY

Financial markets are complex, global and interconnected. The Commission needs the resources to ensure the integrity of the U.S. futures and option markets, which is a critical component of this broader marketplace. The future of the American and global economy depends on effective oversight by the Commission. The agency needs to grow — by the end of FY 2011 — to a staffing level of nearly 1,000 to perform its present duties. This need has not diminished.

The Commission looks forward to working with the Congress and the Administration to address the challenges outlined here and to secure the necessary funding to strengthen market integrity, lower risks, protect investors, promote transparency and continue to restore health to the economy.

SUMMARY ON CHANGE FROM FY 2010 TO FY 2011

Current Statutory Authority

FY 2010 President's Budget (BASE)	**$168.8 M**	**650 FTE**
Requested for FY 2011:		
To provide for current services increases:		
o Personnel Compensations (Pay Adjustment)	5.2	
o Personnel Benefits (Pay Adjustment)	1.6	
o Pay Parity with FIRREA Agencies	0.3	
o Leases, Communications and Utilities (Including -$0.3 for IT))	4.8	
o Other Services (Including $6.8 M for IT)	7.5	
o Equipment (Including $2.8 M for IT)	3.5	
o Building and Fixed Equipment	1.4	
To provide for program increases:		
o New Staff Compensation and Benefits	20.1	95 FTE
o New Staff Operating Expenses	1.1	
o Program Initiatives	1.7	
Information Technology (included above)	(9.3)	(0 FTE)
FY 2011 President Budget	**$216.0 M**	**745 FTE**

Proposed Statutory Authority

FY 2010 President's Budget (Current Authority Base)	**$216.0 M**	**745 FTE**
Requested for FY 2011:		
o Personnel Compensation and Benefits	21.8	119 FTE
o Operating Expenses (Office Space, Equipment, Communications, Travel)	5.2	
o Information Technology Expenses (Systems Development and Analysis, Technology Mission Support, and Capital Equipment)	18.0	
FY 2012 President Budget (Current and Proposed Authority)	**$261.0 M**	**864 FTE**

The Commission and the Industry We Regulate

Indicators of Industry Growth Complexity

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

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

Growth in Volume of Futures & Option Contracts Traded & FTEs

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

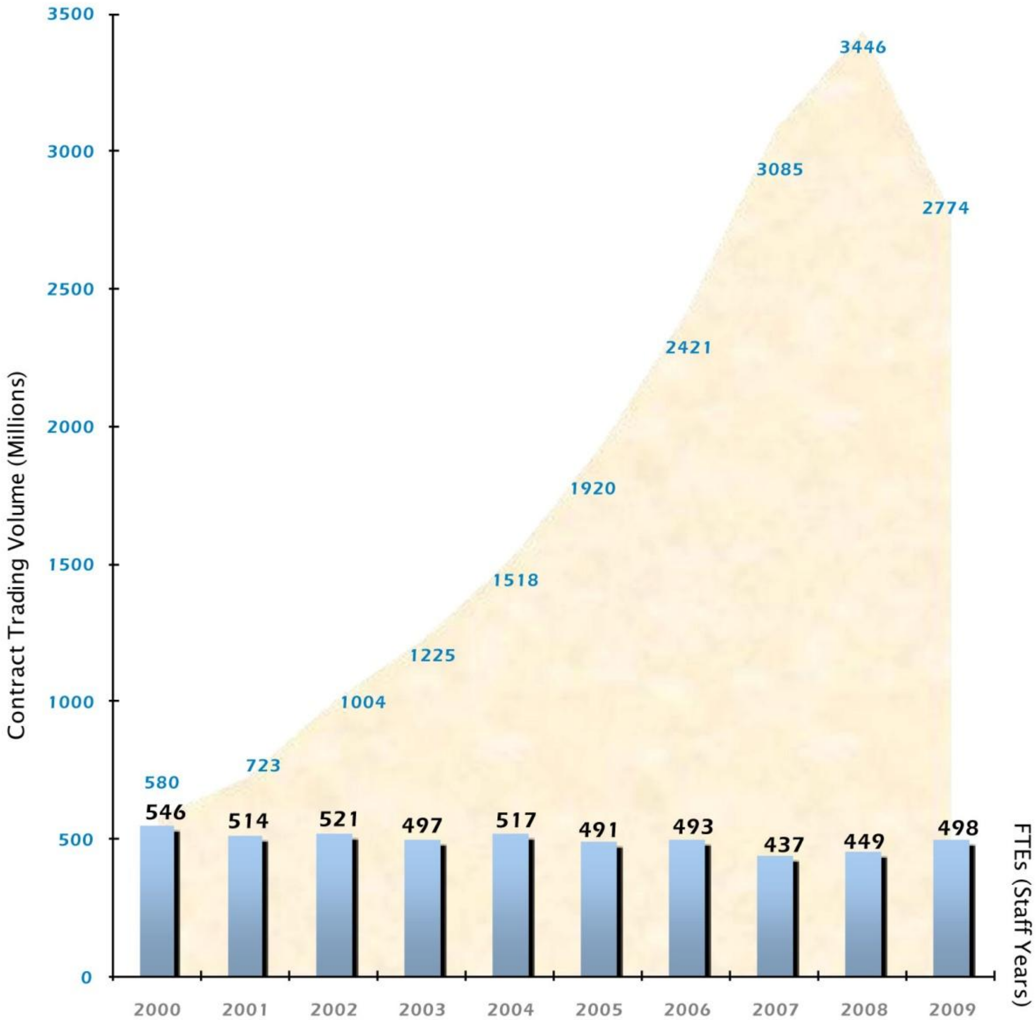


Figure 1: Growth of Volume of Contracts Traded and FTEs

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

Actively Traded Futures & Option Contracts

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

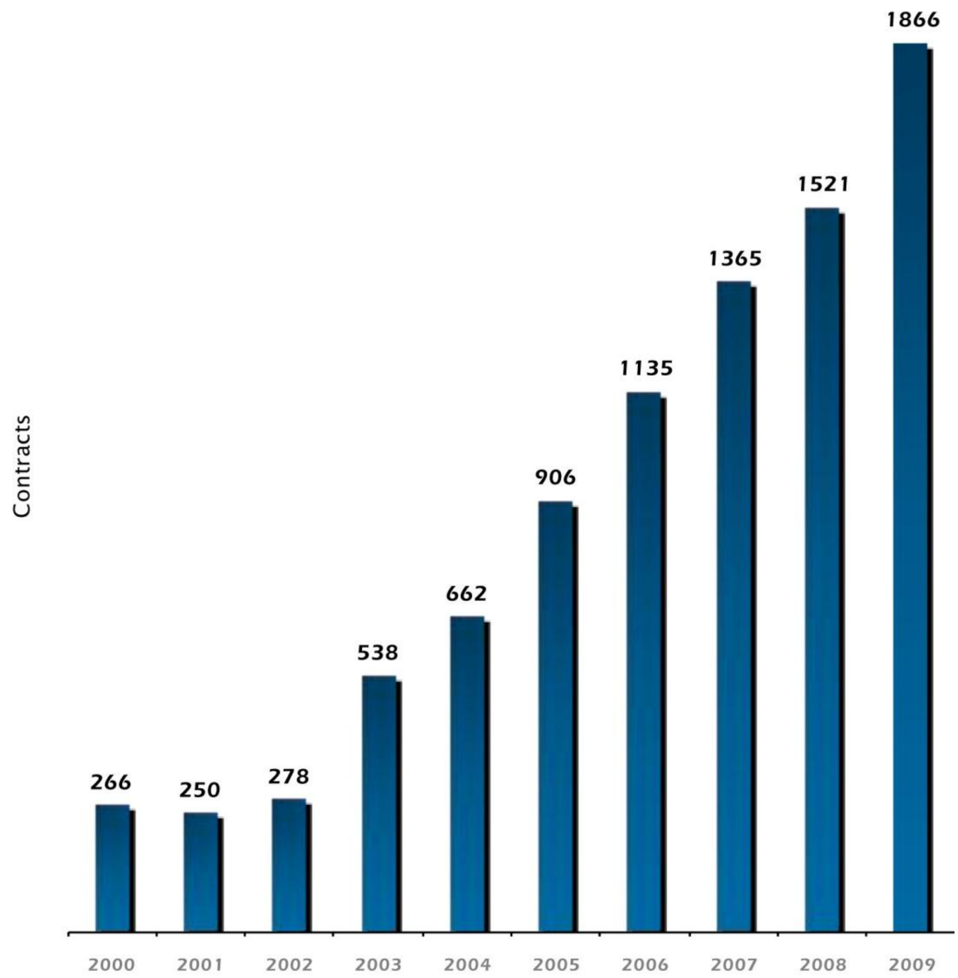


Figure 2: CFTC Actively Traded Contracts

Customer Funds in Futures Commission Merchants Accounts, 2000 – 2009

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

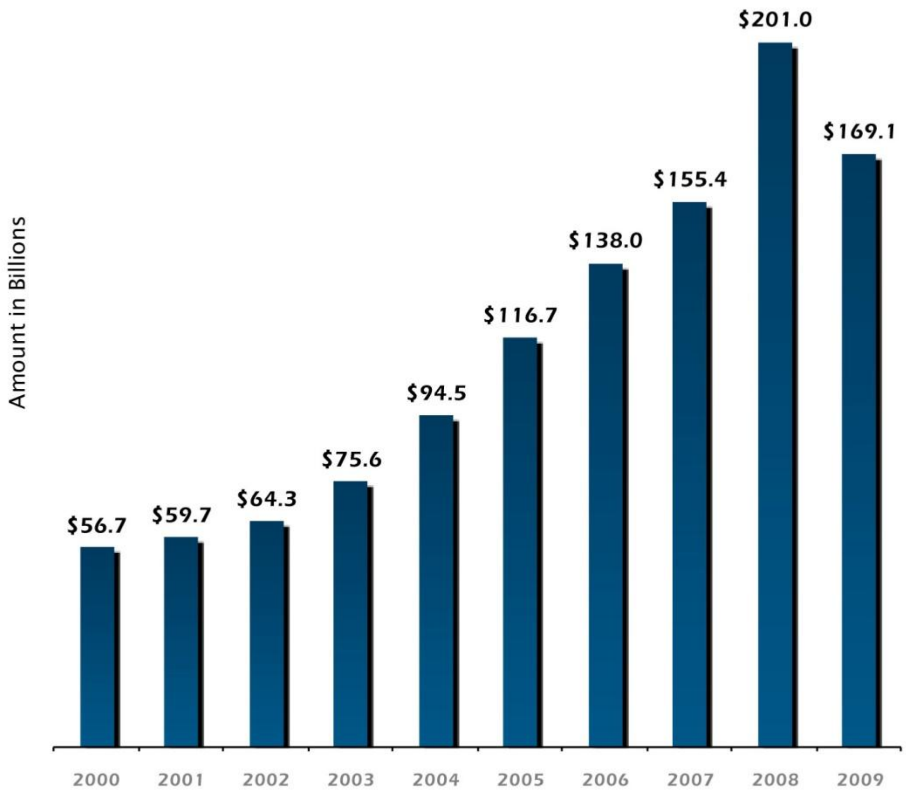


Figure 3: Customer Funds in FCM Accounts

Number of Registrants

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

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

Registration Category[2]	Number as of Sept. 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*

Table 1: Number of Registrants

[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.

Enforcement Actions to Preserve Market Integrity and Protection of Market Users

Manipulation, Attempted Manipulation, and False Reporting

The CFTC utilizes every tool at its disposal to detect and deter 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 have 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*

Table 2: Energy Markets

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

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	**Pool/Hedge Funds**
Number of Cases Filed or Enforcement Actions	*95*
Case/Actions Charging Commission Registrants	*33*
Number of Dollars in Penalties Assessed	*$618,666,128*

Table 3: Pool/Hedge Funds

Forex Fraud

The Commission vigorously uses its enforcement authority to combat the problem of foreign currency (forex) fraud. Since passage of the Commodities Futures Modernization Act of 2000 (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 the award of 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*

Table 4: Foreign Currency Markets

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	✓					
NYMEX (incl. COMEX)	✓	✓	✓	✓	✓	✓
NYSE LIFFE					✓	✓
OCX	✓	✓	✓	✓	✓	✓
USFE	✓	✓	✓	✓	✓	✓
TOTAL	18	13	12	12	13	14

Table 5: Designated Contract Markets

5 Refer to Appendix 8 for full names of organizations.

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

Table 6: CFTC-Registered Derivatives Clearing Organizations

[6] Refer to Appendix 8 for full names of organizations.

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 an SPDF, 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.

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					✓	✓

7 Refer to Appendix 8 for full names of organizations.
8 These ECMs withdrew their ECM notifications during FY 2009.

Trading Optx						✓
TS	✓	✓	✓			
WORLDPULP	✓	✓	✓	✓	✓	✓
TOTAL	**11**	**12**	**17**	**19**	**20**	**27**

Table 7: Exempt Commercial Markets

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**	**9**	**10**

Table 8: Exempt Boards of Trade

[9] Refer to Appendix 8 for full names of organizations.
[10] This EBOT withdrew its EBOT notification during FY 2009.

Overview of Planned Outcomes by Strategic Goal

Introduction

The futures industry is experiencing a period of tremendous growth. Volume has increased almost five-fold in the last decade and reached a record level of almost 2.8 billion contracts traded in 2009. The Commission's mission in the futures industry is protect market users and the public from fraud, manipulation and abusive trading practices, and to foster open, competitive, and financially sound markets.

The Commission requests $216.0 million in FY 2011 to fund its efforts to reach its four strategic goals:

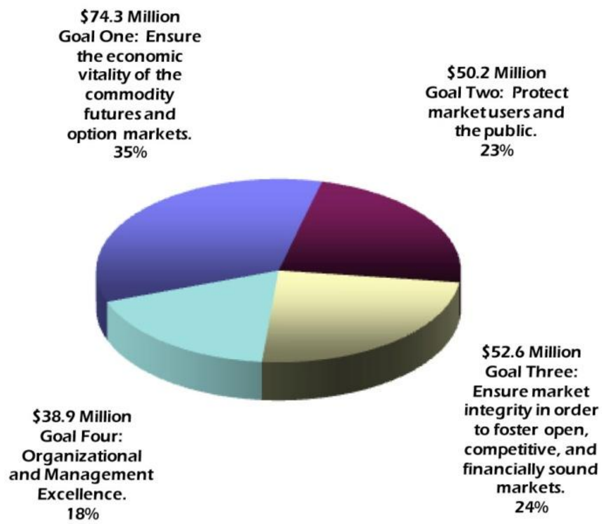


Figure 4: Budget & Performance Estimate by Strategic Goal

To achieve the planned outcomes for FY 2011, the Commission will allocate the $216.0 million request among seven programs: Enforcement; Clearing & Intermediary Oversight; Market Oversight; Chief Economist; Proceedings; General Counsel and International Affairs. There are two support programs: Agency Direction and Administrative Management and Support[11] .

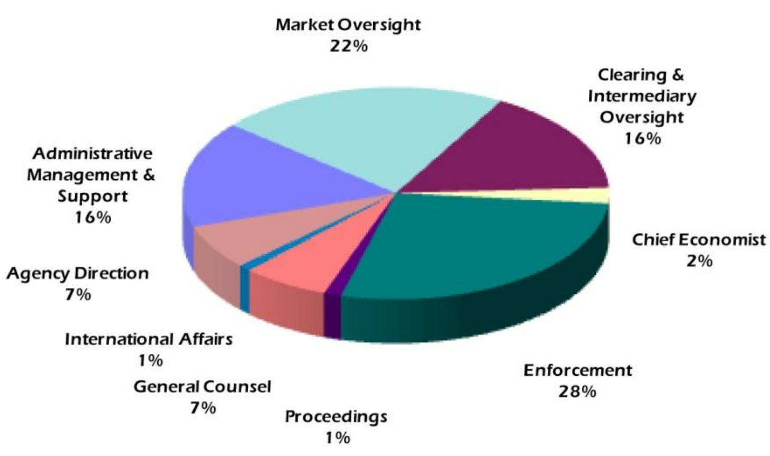


Figure 5: $216.0 Million Budget Estimate by Program

[11] Includes information technology staff in support of all programs.

FY 2011 Outcomes by Goal

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

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

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

In FY 2011, the Commission requests $74.3 million to fund its efforts to reach the following outcomes of Strategic Goal One:

- Markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity—with an FY 2011 performance goal of zero price manipulations that would cause loss of confidence or negatively affect price discovery or risk shifting.

- Markets that are effectively and efficiently monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality—with an FY 2011 performance goal of improving effectiveness and efficiency of market surveillance.

Breakout of Goal One Request by Outcome

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL ONE: Ensure economic vitality of commodity futures and option markets.						
Outcomes						
1.1 Futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	$48,302	186	$65,400	226	$17,098	40
1.2 Markets that can be monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.	6,661	26	8,875	31	2,214	5
Total Goal One	**$54,963**	**212**	**$74,275**	**257**	**$19,312**	**45**

Table 9: Breakout of Goal One by Outcome

Goal Two: Protecting Market Users and the Public

While our country reaps the rewards of an explosive futures industry, there is an accompanying increased risk of fraud for market users and the public. The trend toward electronic trading platforms as well as the expanding complexity of trading instruments has challenged the Commission to reconfigure its ability to identify, investigate, and prosecute all parties involved in violating applicable laws and regulations. Typically, the Commission has over 150 investigations open at any particular time, however in FY 2009; an unprecedented 251 investigations were opened. If evidence of criminal activity is found, matters are referred to state or Federal authorities for criminal prosecution.

Over the years, the Commission has prosecuted a number of cases involving manipulations or attempted manipulations of commodity prices. The Sumitomo copper case and the Hunt brothers silver case are well-known examples manipulation. Since 2001, the Commission charged over 80 companies and individuals and assessed approximately $458 million in penalties for attempting to manipulate, or for manipulating energy markets. A variety of administrative sanctions are available to the Commission, such as bans on futures trading, civil monetary penalties, and restitution orders. The Commission may also seek Federal court injunctions, asset freezes, and orders to disgorge ill-gotten gains.

In FY 2011, the Commission requests $50.2 million to fund its efforts to reach the following outcomes of Strategic Goal Two:

- Violations of Federal commodities laws are detected and prevented—with an FY 2011 performance goal of increasing the probability of violators being detected and sanctioned.

- Commodity professionals meet high standards—with an FY 2011 performance goal of zero unregistered, untested, or unlicensed commodity professionals, unless they qualify for exemption from registration.

- Customer complaints against persons or firms registered under the Act are handled effectively and expeditiously—with an FY 2011 performance goal of resolving: voluntary proceedings customer complaints within one year from the date filed; summary and formal proceedings customer complaints within one year and six months from the date filed; and resolving appeals within six months from the date filed.

Breakout of Goal Two Request by Outcome

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL TWO: Protect markets users and the public.						
Outcomes						
2.1 Violations of Federal commodities laws are detected and prevented.	$27,540	103	$36,166	122	$8,626	19
2.2 Commodities professionals meet high standards.	7,633	29	9,002	31	1,369	2
2.3 Customer complaints against persons or firms falling within the jurisdiction of the Commodity Exchange Act are handled effectively and expeditiously.	4,502	18	5,045	18	543	0
Total Goal Two	**$39,675**	**150**	**$50,213**	**171**	**$10,538**	**21**

Table 10: Breakout of Goal Two by Outcome

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

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

In FY 2011, the Commission requests $52.6 million to fund its efforts to reach the following outcomes of Strategic Goal Three:

- Clearing organizations and firms holding customer funds have sound financial practices—with FY 2011 performance goals of zero loss of customer funds as a result of firms' failure to adhere to regulations and zero customers prevented from transferring funds from failing firms to sound firms.
- Commodity futures and option markets are effectively self-regulated—with an FY 2011 performance goal of zero loss of funds resulting from failure of self-regulatory organizations (SROs) to ensure compliance with their rules.
- Markets are free of trade practice abuses.
- Regulatory environment is flexible and responsive to evolving market conditions.

Breakout of Goal Three Request by Outcome

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL THREE: Ensure market integrity in order to foster open, competitive, and financially sound markets.						
Outcomes						
3.1 Clearing organizations and firms holding customer funds have sound financial practices.	$12,824	49	$15,609	54	$2,785	5
3.2 Commodity futures and option markets are effectively self-regulated.	16,097	64	19,905	69	3,808	5
3.3 Markets are free of trade practice abuses.	5,162	20	6,223	21	1,061	1
3.4 Regulatory environment responsive to evolving market conditions.	8,885	33	10,908	37	2,023	4
Total Goal Three	**$42,968**	**166**	**$52,645**	**181**	**$9,677**	**15**

Table 11: Breakout of Goal Three by Outcome

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

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

In FY 2011, the Commission requests $38.9 million to fund its efforts to reach the following outcomes of Strategic Goal Four:

- A productive, technically competent, competitively compensated, and diverse workforce that takes into account current and future technical and professional needs of the Commission.

- A modern and secure information system that reflects the strategic priorities of the Commission.

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

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

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

Breakout of Goal Four Request by Outcome Objective

	FY 2010 $ (000)	FY 2010 FTE	FY 2011 $ (000)	FY 2011 FTE	Change $ (000)	Change FTE
***GOAL FOUR:* To facilitate Commission performance through management excellence, efficient use of resources, and effective mission support.**						
Outcomes						
4.1 A productive, technically competent, competitively compensated, and diverse workforce that takes into account current and future technical and professional needs of the Commission.	$4,542	18	$5,063	18	$521	0
4.2 A modern and secure information system that reflects the strategic priorities of the Commission. [12]	7,052	28	7,862	28	810	0
4.3 An organizational infrastructure that efficiently and effectively responds to and anticipates both the routine and emergency business needs of the Commission.	4,289	17	4,782	17	493	0
4.4 Financial resources are allocated, managed, and accounted for in accordance with the strategic priorities of the Commission.	4,037	16	4,501	16	464	0
4.5 The Commission's mission is fulfilled and goals are achieved through sound management and organizational excellence provided by executive leadership.	11,274	43	16,659	57	5,385	14
Total Goal Four	**$31,194**	**122**	**$38,867**	**136**	**$7,673**	**14**

Table 12: Breakout of Goal Four by Outcome

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

Summary of CFTC Mission Statement, Strategic Goals & Outcomes

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.

Goal One
Ensure the economic vitality of the commodity futures and option markets.
Outcomes
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.

Goal Two
Protect market users and the public.
Outcomes
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 Commodity Exchange Act are handled effectively and expeditiously.

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

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

Commission Strategies to Influence Outcomes

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

Background and Context

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

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

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

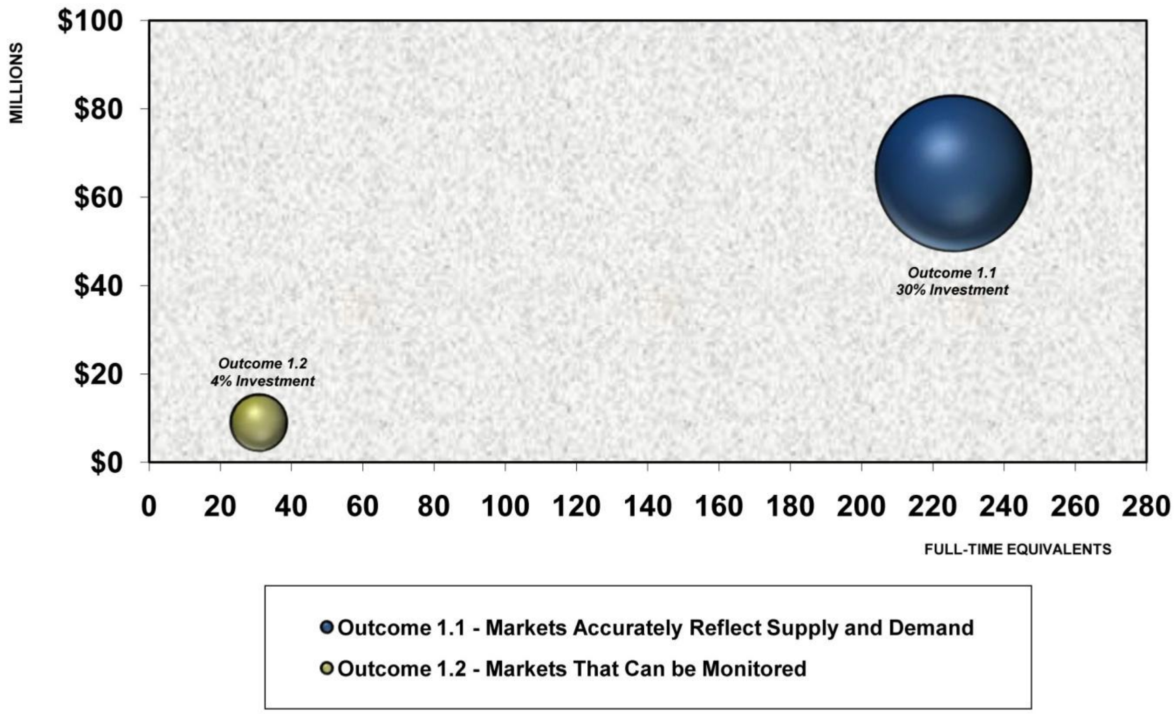
The Commissioners and senior staff are kept apprised of market events and potential problems at weekly surveillance meetings, and more frequently when necessary. At these meetings, surveillance staff briefs the Commission on broad economic and financial developments and on specific market developments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

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

CFTC Strategy Mapping

FY 2011 Goal One Resource Investment by Outcome Objective

Figure 6: Goal One Resource Strategy Mapping



Outcome Objectives and Annual Performance Goals

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

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

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

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

Means and Strategies for Achieving Objectives

Means:

- Directly monitor the markets to detect and protect against price manipulation and abusive trading practices to ensure that the markets are performing the vital economic function of price discovery and risk transfer or hedging.

- Perform market surveillance and trade practice oversight by conducting examinations of exchange programs to ensure that the exchange is appropriately monitoring daily trading activity, positions of large traders, and the supply and demand factors affecting prices.

- Review products listed by exchanges and rules and rule amendments submitted by exchanges to ensure compliance with the Act and to develop, implement, and interpret regulations that are designed to protect the economic functions of the market, protect market participants, prevent trading abuses, and facilitate innovation.

Strategies:

- *Collect and analyze trading data*. On a daily basis, CFTC collects and analyzes U.S. futures and option data for all actively traded contracts to detect congestion and/or price distortion. Economists analyze the activities of traders, key price relationships, and relevant supply and demand conditions for nearly 1,400 contracts representing major agricultural commodities, metals, energy, financial instruments, equity indices, foreign currencies and emission allowances. CFTC staff also analyze markets to determine how conditions and factors observed may impact individual registrants or the markets in general to deter potentially negative situations and to take appropriate action, responding quickly to potentially disruptive situations.

- *Review products and rules*. Properly designed futures and option markets serve vital price discovery and hedging functions, which are essential to a healthy, capital-based economy. Business, agricultural, and financial enterprises use the futures markets for pricing information and to hedge against price risk. The participants in commercial transactions rely extensively on the prices established by futures markets that affect trillions of dollars in commercial activity. Moreover, the prices established by the futures markets directly or indirectly affect all Americans. They affect what Americans pay for food, clothing, and shelter, what we pay to heat our homes and fuel our cars, as well as other necessities. Deficiencies in the terms and conditions of futures and option contracts increase the likelihood of cash, futures, or option market disruptions, and also decrease the economic usefulness and efficiency of a contract. Furthermore, deficiencies in market rules can increase the likelihood that the market will operate in an unfair manner or will not have appropriate safeguards in place for the protection of customers. To meet its statutory mission of ensuring market integrity and customer protection, the Commission places greater reliance on its existing oversight authorities in permitting exchanges to list contracts for trading without prior Commission approval and to amend contracts when necessary. Commission staff conducts a due diligence review of each contract and contract amendment to ensure compliance with the CEA and the Commission's regulations, while the Commission relies on its authority to then alter, or supplement, exchange rules or to take emergency action, as appropriate, if a violation is discovered.

- *Analyze markets and provide expert analysis*. Each week, reports are prepared on special market situations and on market conditions for all contracts approaching their critical expiration periods. Potential problems detected in preparing these reports are shared with the Commissioners and senior staff. The Commission shares pertinent information with other regulatory agencies and works with the affected exchange to develop and administer responsive measures as necessary. Economists and futures trading specialists keep abreast of innovation in the marketplace in technology, trading strategies, trading instruments, and methods to ensure an understanding of how the markets are functioning and to develop a flexible, effective regulatory response to market conditions as they evolve.

- *Coordinate with other financial regulators*. The Chairman participates in the President's Working Group on Financial Markets to ensure coordination of information and efforts among U.S. financial regulators. The Working Group brings together the leaders of the Federal financial regulatory agencies, including the Secretary of the Treasury, who chairs the group, and the chairs of the Board of Governors of the Federal Reserve System, the CFTC, and the Securities and Exchange Commission (SEC). In addition to the four primary financial regulators, the Working Group also includes the heads of the National Economic Council, the Council of Economic Advisors, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Reserve Bank of New York, and the Office of Thrift Supervision. Issues considered by the Working Group and its staff have included: 1) individual and coordinated agency initiatives concerning risk assessment; 2) capital requirements; 3) internal controls; 4) disclosure; 5) accounting; 6) private pools of capital, including hedge funds; 7) market practices relating to trading in derivative instruments; 8) bankruptcy law revisions; 9) security futures product (SFP) portfolio margining; 10) futures on security indexes; and 11) contingency planning for market emergencies. Every two weeks, Commission staff participates in the President's Working Group to discuss ongoing issues.

- *Address specific CFTC-SEC cross-jurisdictional products and issues*. The CFTC and SEC have entered into a Memorandum of Understanding (MOU) establishing a permanent regulatory liaison between the agencies to address areas of mutual interest, and providing a forum to discuss and address these issues on a timely basis. The agencies continue to address cross-jurisdictional issues as they arise, such as those presented by credit event products and commodity exchange-traded funds. The agencies' cooperative efforts seek to avoid barriers to entry and reduce legal uncertainty.

- *Cooperate with FERC*. The CFTC and the Federal Energy Regulatory Commission (FERC) cooperate under the terms of an MOU mandated by the Energy Policy Act of 2005 and entered into in October 2005, regarding the sharing of information and the confidential treatment of proprietary energy trading data.

- *Provide information on the functions of the marketplace*. Commission staff prepare and provide materials and information on the functions and utility of the markets to the public through public Commission meetings, public roundtables, advisory committee meetings, symposia, publications, press releases, advisories, and publication of the Commitments of Traders reports. Staff also participates as appropriate in seminars sponsored by other Federal and state government organizations and industry-sponsored conferences. The Commission's Web site plays a significant role in providing information to the public.

- *Investigate and prosecute wrongdoing*. The Commission attorneys and investigators conduct investigations and institute enforcement actions against potential violators. Violators are sanctioned. The sanctions are publicized and enforced. The administrative law judges continue to hear and decide administrative enforcement cases brought by the Commission against persons or firms charged with violating the Act or Commission regulations.

- *Review regulations and amend or abolish as appropriate*. In order to ensure that the regulations enforced by the CFTC are reflective of the needs of the industry and the public, the Commission reviews and adapts its regulations with evolving conditions and changes in the industry.

Summary of Goal One Performance Indicators

Goal One: Ensure the economic vitality of the commodity futures and option markets.				
Outcome 1.1: Futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.				
Annual Performance Goal: No price manipulation or other disruptive activities that would cause loss of confidence or negatively affect price discovery or risk shifting.				
Performance Measures	**FY 2008 Actual**	**FY 2009 Actual**	**FY 2010 Plan**	**FY 2011 Plan**
1.1.1 Percentage growth in market volume	12.8%	-19.5%	28%	10%
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	100%	75%	75%	90%
1.1.3 Percentage increase in number of products traded	11.4%	22.7%	10%	10%
1.1.4 Percentage of new exchange and clearinghouse organization applications completed within expedited review period:				
a) new exchange applications	100%	N/A[13]	25%	50%
b) new clearinghouse applications	100%	N/A[14]	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	82%	71%	70%	85%
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	86%	73%	75%	85%

Outcome 1.2: Markets are effectively and efficiently monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.				
Annual Performance Goal: To have an effective and efficient market surveillance program.				
Performance Measures	**FY 2008 Actual**	**FY 2009 Actual**	**FY 2010 Plan**	**FY 2011 Plan**
1.2.1 Percentage of DCO applications demonstrating compliance with Core Principles	N/A[15]	100%	100%	100%
1.2.2 Ratio of markets surveilled per economist	14	14	13	10
1.2.3 Percentage of contract expirations without manipulation	99.9%	99.9%	99.9%	99.9%

[13] The applicants of two fast track submissions were taken off the fast track review.
[14] The applicants of two fast track submissions voluntarily requested to be taken off the fast track review. A third application did not qualify for fast track review.
[15] No applications for registration as a DCO were received in FY 2008.

Breakout of Goal One Request by Program Activity

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Market Oversight	$24,346	97	$33,691	120	$9,345	23
Clearing & Intermediary Oversight	1,547	6	2,015	7	468	1
Chief Economist	3,538	13	5,115	17	1,577	4
Enforcement	18,717	70	25,870	87	7,153	17
Proceedings	0	0	0	0	0	0
General Counsel	2,626	10	2,915	10	289	0
International Affairs	0	0	0	0	0	0
Agency Direction	0	0	0	0	0	0
Administrative Mgmt. & Support	4,189	16	4,669	16	480	0
TOTAL:	**$54,963**	**212**	**$74,275**	**257**	**$19,312**	**45**

Table 13: Breakout of Goal One Request by Program Activity

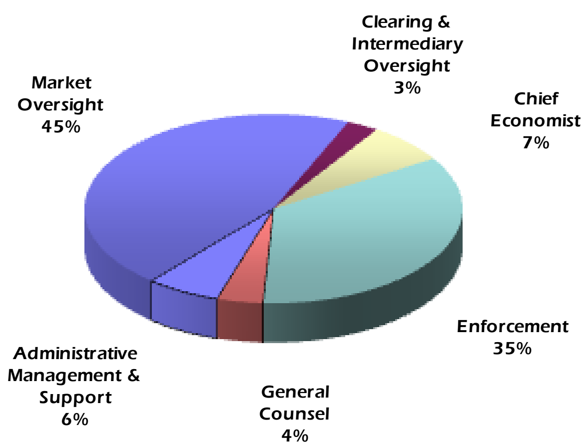


Figure 7: Breakout of Goal One Request by Program Activity

Breakout of Goal One Request by Outcome Objective

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL ONE: Ensure economic vitality of commodity futures and option markets.						
Outcomes						
1.1 Futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	$48,302	186	$65,400	226	$17,098	40
1.2 Markets that can be monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.	6,661	26	8,875	31	2,214	5
Total Goal One	**$54,963**	**212**	**$74,275**	**257**	**$19,312**	**45**

Table 14: Breakout of Goal One by Outcome

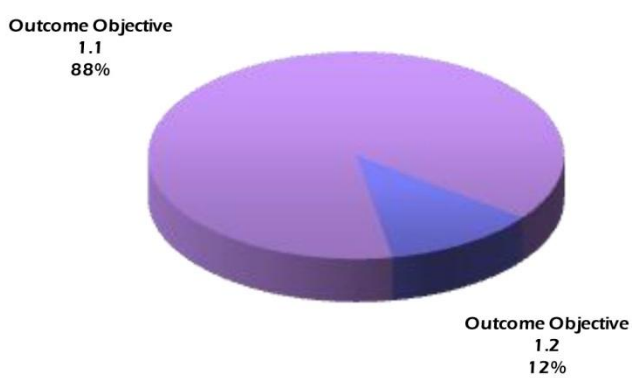


Figure 8: Breakout of Goal One Request by Outcome Objective

Strategic Goal Two – Protecting Market Users and the Public.

Background and Context

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

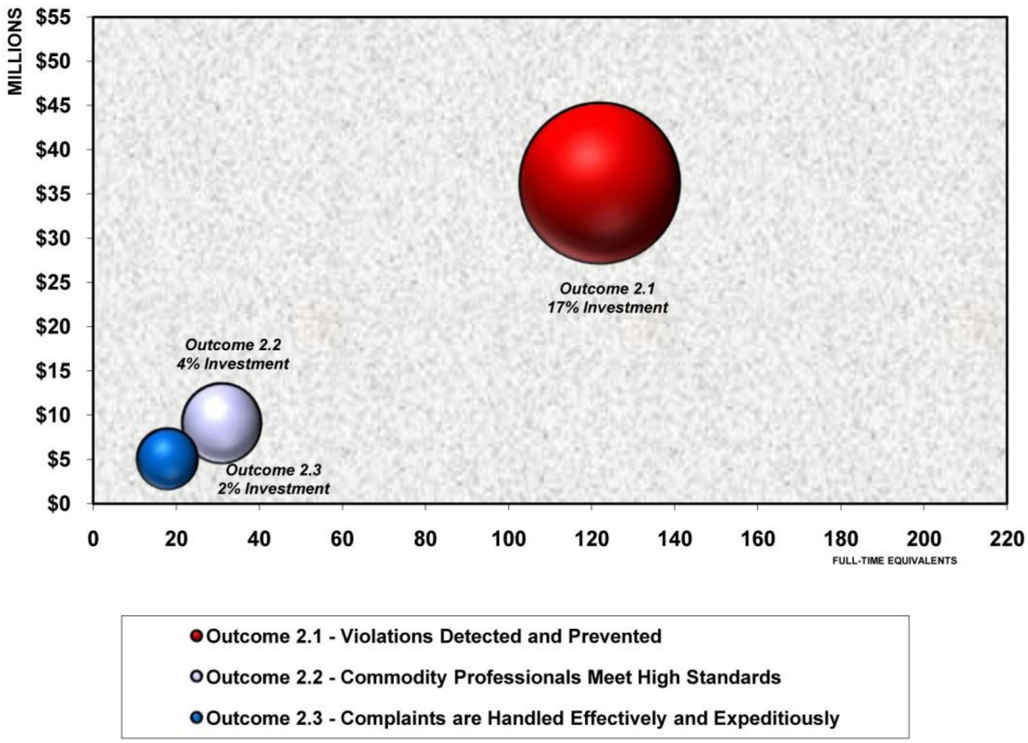
The Commission has promulgated regulations that mandate appropriate disclosure and customer account reporting, as well as fair sales and trading practices by registrants. The Commission has also sought to maintain appropriate sales practices by screening the fitness of industry professionals and by requiring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

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

CFTC Strategy Mapping

FY 2011 Goal Two Resource Investment by Outcome Objective

Figure 9: Goal Two Resource Strategy Mapping



Outcome Objectives and Annual Performance Goals

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

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

Outcome 2.2 – Commodity professionals meet high standards.

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

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

- Annual Performance Goal: Customer complaints involving the voluntary proceedings are resolved within one year from the date filed, and summary and formal proceedings are resolved within one year and six months from the date filed.

Means and Strategies for Achieving Objectives

Means:

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

Strategies:

- *Investigate and prosecute wrongdoing*. The Commission identifies, investigates, and brings enforcement actions regarding possible fraudulent and other illegal activities relating to retail forex transactions and the commodity futures and option markets. The Administrative Law Judges will continue to hear and decide administrative enforcement cases brought by the Commission against persons or firms charged with violating the Act or Commission rules and regulations.

- *Inform the public concerning violators*. Allegations of wrongdoing and associated legal actions are publicized and communicated to the industry and the public in order to ensure informed market users.

- *Provide a forum to bring complaints*. The Commission provides a reparations program for commodity futures and option market users to resolve complaints concerning possible violations of the Act. Approximately 50-60 reparations cases are filed per year. Presently, the cases are maintained in the Reparations Case Tracking System (Repcase), which houses all filings relating to the complaints, as well as reparations sanctions information. The Office is transitioning to Practice Manager, a Project eLaw automated tool that will assist staff in managing the reparations complaints more efficiently and effectively. In FY 2010, we anticipate that Practice Manager will replace Repcase for new cases filed after the implementation date.

  Information regarding the Reparations program is available on the Commission's Web site and information regarding the various reparations documents that have been filed or issued by a Presiding Officer or the Commission is available internally to Commission staff. In FY 2010, dispositions from 1997 through the present will be available through the Web site.

- *Oversee the NFA's registration program*. The Commission oversees the NFA's registration program, requiring testing, licensing, and ethics training for commodity futures and option professionals. CFTC maintains a strong working relationship with the NFA, including joint representation on the Registration Working Group (RWG).

- *Review regulations and amend or abolish as appropriate*. In order to ensure that the regulations enforced by the Commission are reflective of the needs of the industry and the public, the Commission reviews and adapts its regulations with the evolving conditions and changes in the industry.

- *Monitor media*. The Internet and other media venues are monitored for fraudulent activities and other possible violations of the Act.

- *Maintain cooperative relationships*. Strong working relationships with the exchanges, the NFA, other Federal agencies, state governments and law enforcement entities, and foreign authorities maintain the Commission's ability to gain information for regulatory and law enforcement purposes and to provide enforcement assistance as necessary and appropriate.

Summary of Goal Two Performance Indicators

Goal Two: Protect market users and the public.

Outcome 2.1: Violations of Federal commodities laws are detected and prevented.

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

Performance Measures	FY 2008 Actual	FY 2009 Actual	FY 2010 Plan	FY 2011 Plan
2.1.1 Number of enforcement investigations opened during the fiscal year	215	251	195	226
2.1.2 Number of enforcement cases filed during the fiscal year	40	50	51	55
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)	97%	98%	98%	98%
2.1.4 Cases filed by other criminal and civil law enforcement authorities during the fiscal year that included cooperative assistance from the Commission	31	44	25	30

Outcome 2.2: Commodity professionals meet high standards.

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

Performance Measures	FY 2008 Actual	FY 2009 Actual	FY 2010 Plan	FY 2011 Plan
2.2.1 Percentage of SROs that comply with CFTC Core Principles	100%	100%	100%	100%
2.2.2 Percentage of DCOs that comply with CFTC Core Principles	100%	100%	100%	100%
2.2.3 Percentage of professionals compliant with standards regarding testing, licensing, and ethics training	100%	100%	100%	100%
2.2.4 Percentage of SROs that comply with requirement to enforce their rules	100%	100%	100%	100%
2.2.5 Percentage of total requests receiving CFTC responses for guidance and advice	75%	90%	90%	90%

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

Annual Performance Goal: Voluntary Proceedings customer complaints are resolved within one year from the date filed, Summary and Formal Proceedings are resolved within one year and six months from the date filed, and appeals are resolved within six months.

Performance Measures	FY 2008 Actual	FY 2009 Actual	FY 2010 Plan	FY 2011 Plan
2.3.1(a) Percentage of filed complaints resolved within one year of the filing date for Voluntary Proceedings	67%	83%	90%	100%
2.3.1(b) Percentage of filed complaints resolved within one year and six months of the filing date for Summary Proceedings	57%	80%	90%	100%
2.3.1 (c)Percentage of filed complaints resolved within one year and six months of the filing date for Formal Proceedings	73%	93%	95%	95%

Breakout of Goal Two Request by Program Activity

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Market Oversight	$0	0	$0	0	$0	0
Clearing & Intermediary Oversight	8,833	34	10,568	37	1,735	3
Chief Economist	0	0	0	0	0	0
Enforcement	19,445	72	26,661	89	7,216	17
Proceedings	2,289	10	2,860	11	571	1
General Counsel	6,509	24	7,227	24	718	0
International Affairs	0	0	0	0	0	0
Agency Direction	0	0	0	0	0	0
Administrative Mgmt. & Support	2,599	10	2,897	10	298	0
TOTAL:	**$39,675**	**150**	**$50,213**	**171**	**$10,538**	**21**

Table 15: Breakout of Goal Two Request by Program Activity

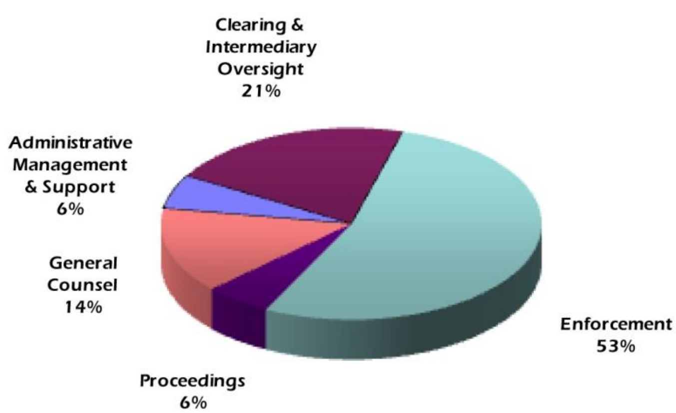


Figure 10: Breakout of Goal Two Request by Program Activity

Breakout of Goal Two Request by Outcome Objective

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL TWO: Protect markets users and the public.						
Outcomes						
2.1 Violations of Federal commodities laws are detected and prevented.	$27,540	103	$36,166	122	$8,626	19
2.2 Commodities professionals meet high standards.	7,633	29	9,002	31	1,369	2
2.3 Customer complaints against persons or firms falling within the jurisdiction of the Commodity Exchange Act are handled effectively and expeditiously.	4,502	18	5,045	18	543	0
Total Goal Two	**$39,675**	**150**	**$50,213**	**171**	**$10,538**	**21**

Table 16: Breakout of Goal Two by Outcome

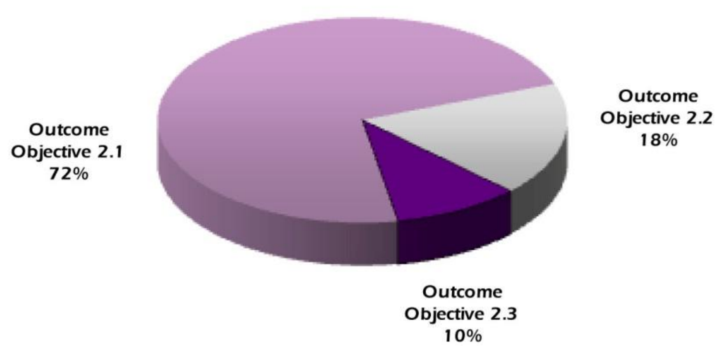


Figure 11: Breakout of Goal Two Request by Outcome Objective

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

Background and Context

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

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

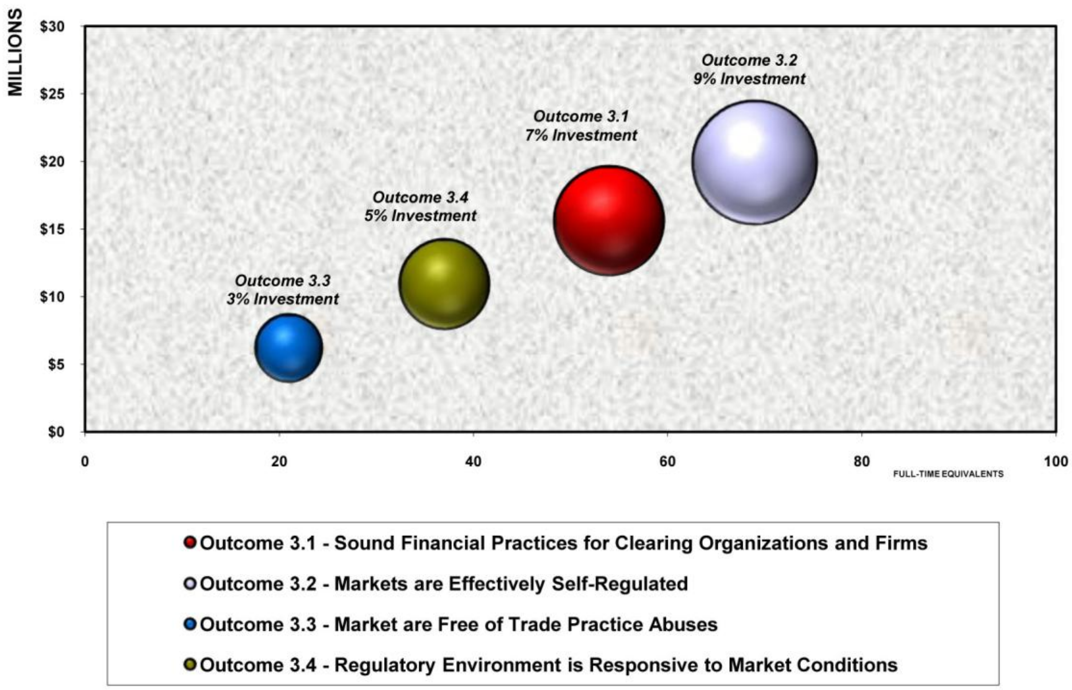
With respect to intermediary oversight, the Commission can investigate and prosecute FCMs alleged to have violated financial and capitalization requirements or to have committed supervisory or other compliance failures in connection with the handling of customer business. Such cases may result in substantial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

The financial crisis has led to heightened global concerns with regard to systemic risk, OTC derivatives, cross-border transactions and volatility and possible abusive practices in energy and agricultural commodity markets. There is general recognition that because markets are global as the result of electronic access, linkages, mergers, and cooperative business arrangements, an internationally harmonized approach is necessary to avoid regulatory gaps or arbitrage. This means that the Commission must continue to enhance its international coordination efforts with foreign market authorities in order to ensure that it can successfully supervise U.S. markets and protect U.S. customers. The Commission also is increasingly requested to provide technical assistance to developing markets, which helps foster global market integrity.

CFTC Strategy Mapping

FY 2011 Goal Three Resource Investment by Outcome Objective

Figure 12: Goal Three Resource Strategy Mapping



Outcome Objectives and Annual Performance Goals

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

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

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

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

Outcome 3.3 – Markets are free of trade practice abuses.

- Annual Performance Goal: Minimize trade practice abuses.

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

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

Means and Strategies for Achieving Objectives

Means:

- Oversee market intermediaries and the self-regulatory programs and compliance activities of the futures industry SROs, which include the U.S. commodity exchanges, the NFA, and DCOs.

- Protect market users and financial intermediaries by developing regulations including requirements related to registration, record-keeping and reporting, financial adequacy, sales practices, protection of customer funds, and clearance and settlement activities.

- Address cross-border transactions, the coordination of policy with foreign market authorities, systemic risk, anti-money laundering programs, and procedures to address extraordinary events such as firm defaults.

- Monitor market movements for potential financial impact on clearing firms and DCOs.

- Monitor trading activity to detect abusive trading practices through examinations of audit trail data.

Strategies:

- *Maintain a flexible regulatory environment responsive to evolving market conditions*. In an effort to ensure that the regulatory framework under which futures and option contracts are traded remains current, Commission staff will continue to review the Commission's regulations with the intention of: eliminating obsolete regulations; streamlining and coordinating regulations across markets; and fostering efficiency and competitiveness while assuring customer protection, sound financial practices, and market integrity. The Commission will also respond to requests for exemptions and other relief from regulatory requirements to address situations in which additional flexibility is warranted. The Commission also will issue advisories and other guidance concerning the application of Commission regulations.

- *Oversight of SROs and DCOs*. A key aspect of effective self-regulation is oversight by the Commission of SROs, NFA, and DCOs to ensure their fulfillment of responsibilities for monitoring and ensuring the financial integrity of market intermediaries and the protection of customer funds. This oversight program involves conducting risk-based reviews and examinations of SROs (including NFA) and DCOs to evaluate their compliance programs with applicable provisions of the Act and Commission regulations.

- *Conduct financial surveillance*. An important component of oversight of DCOs and SROs is the conduct of financial surveillance of market intermediaries by using automated tools for collecting, analyzing, and reporting upon the financial condition and risk exposures of FCMs and clearing organizations.

- *Enhance risk assessment*. To address changes in the operations and structures of multinational, multi-product financial firms, the Commission has implemented a risk assessment program by obtaining better information on such firms in the form of required organizational charts and internal control filings, consolidated and consolidating financial statements, identification of other regulators to whom such firms report, and descriptions of procedures in place to control risks associated with clearing of trades for affiliates of the regulated firm.

- *Develop global cooperation to enhance financial safeguards*. Internationally, recent market issues with global market impact have underscored the importance of developing international standards of best practice. The Commission has increased its efforts to achieve greater international coordination, both on a bilateral basis and multilaterally within international organizations and thereby enhance the effectiveness of financial safeguards applicable to U.S. markets and market participants, as well as those applicable internationally. The Commission has responded to growing concerns about energy and agricultural market volatility through its co-chairing of an International Organization of Securities Commissions (IOSCO) Commodity Task Force on Commodity Futures Markets and continuing efforts to promote greater transparency of futures, cash and OTC commodity market transactions.

- *Review SRO rule submissions*. New rules and rule changes submitted by the exchanges, DCOs, and NFA to the Commission are reviewed with a view towards ensuring compliance with CFTC Core Principles and regulatory standards in order to maintain the fairness and integrity of the markets, protect customers, and accommodate and foster innovation and efficiency in self-regulation consonant with the Commission's statutory mandates. Many of the rule submissions present complex new trading and clearing procedures, market structures, and financial arrangements that present novel issues and, in some cases, require amendments to or interpretations of Commission regulations to facilitate implementation of the SRO's rule changes. The Commission has adapted its requirements to ensure, when approval is requested, quicker implementation of rule changes, and attempts, when carrying out due diligence reviews of new rules and rule changes submitted by exchange certification and immediately implemented, to complete the review as soon as possible to ensure that the implemented rules comply with the CEA and the Commission's regulations. This due diligence review, when carried out in a timely fashion, allows the Commission to meet its statutory responsibility to ensure avoidance of systemic risks, protection of market participants, and the promotion of responsible innovation and fair competition.

- *Respond to globalization of the markets*. Electronic technology has integrated the world's commodity futures and option markets, resulting in increased cross-border trading volume, cross-border participation, and cross-border exchange linkages. In these circumstances no one regulator will have the information or geographic reach to address all regulatory and enforcement issues. The recent financial crises, which included the failure of a major investment bank with positions on multiple markets, and the concerns raised with respect to volatility in the energy and agricultural markets, illustrate that markets are global and require the Commission to coordinate with foreign regulators and within multilateral organization such as IOSCO. The calls for global regulatory reform will also necessitate even greater engagement within IOSCO and the foreign regulators.

Summary of Goal Three Performance Indicators

Goal Three: Ensure market integrity in order to foster open, competitive, and financial sound markets.

Outcome 3.1: Clearing organizations and firms holding customer funds have sound financial practices.

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

Performance Measures	FY 2008 Actual	FY 2009 Actual	FY 2010 Plan	FY 2011 Plan
3.1.1 Lost funds:				
a) Number of customers who lost funds	0	0	0	0
b) Amount of funds lost	$0	$0	$0	$0
3.1.2 Number of rulemakings to ensure market integrity and financially sound markets	0	4	4	7
3.1.3 Percentage of clearing organizations that comply with requirement to enforce their rules	100%	100%	100%	100%

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

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

Performance Measures	FY 2008 Actual	FY 2009 Actual	FY 2010 Plan	FY 2011 Plan
3.2.1 Percentage of intermediaries who meet risk-based capital requirements	100%	100%	100%	100%
3.2.2 Percentage of SROs that comply with requirement to enforce their rules	100%	100%	100%	100%

Outcome 3.3: Markets are free of trade practice abuses.

Annual Performance Goal: Minimize trade practice abuses.

Performance Measures	FY 2008 Actual	FY 2009 Actual	FY 2010 Plan	FY 2011 Plan
3.3.1 Percentage of exchanges deemed to have adequate systems for detecting trade practice abuses	100%	100%	100%	100%
3.3.2 Percentage of exchanges that comply with requirement to enforce their rules	100%	100%	100%	100%

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

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

Performance Measures	FY 2008 Actual	FY 2009 Actual	FY 2010 Plan	FY 2011 Plan
3.4.1 Percentage of CFMA Section 126(b) objectives addressed	100%	100%	100%	100%
3.4.2 Number of rulemakings, studies, interpretations, and guidances to ensure market integrity and exchanges' compliance with regulatory requirements	41	63	59	69
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	100%	100%	75%	90%
3.4.4 Percentage of total requests receiving CFTC responses for guidance and advice	75%	93%	87%	90%

Breakout of Goal Three Request by Program Activity

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Market Oversight	$10,775	42	$14,045	48	$3,270	6
Clearing & Intermediary Oversight	18,725	73	21,891	76	3,166	3
Chief Economist	0	0	0	0	0	0
Enforcement	5,086	19	7,089	24	2,003	5
Proceedings	0	0	0	0	0	0
General Counsel	3,694	14	4,100	14	406	0
International Affairs	1,771	9	2,074	10	303	1
Agency Direction	0	0	0	0	0	0
Administrative Mgmt. & Support	2,917	9	3,446	9	529	0
TOTAL	**$42,968**	**166**	**$52,645**	**181**	**$9,677**	**15**

Table 17: Breakout of Goal Three by Program Activity

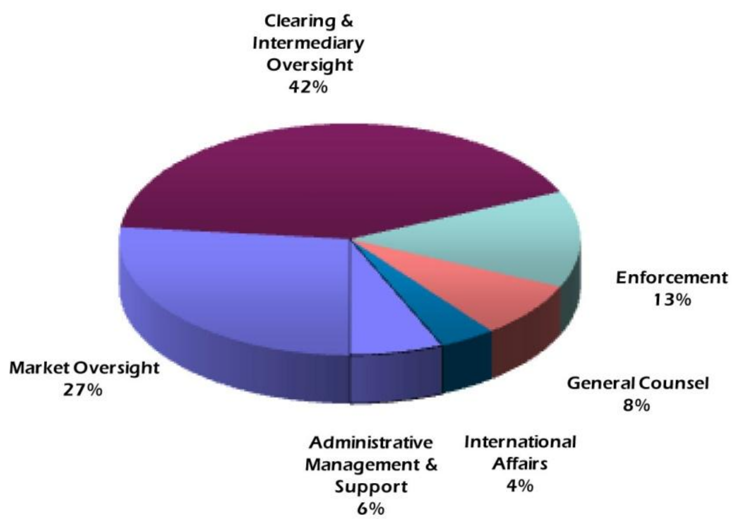


Figure 13: Breakout of Goal Three Request by Program Activity

Breakout of Goal Three Request by Outcome Objective

Table 18: Breakout of Goal Three Request by Outcome

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL THREE: Ensure market integrity in order to foster open, competitive, and financially sound markets.						
Outcomes						
3.1 Clearing organizations and firms holding customer funds have sound financial practices.	$12,824	49	$15,609	54	$2,785	5
3.2 Commodity futures and option markets are effectively self-regulated.	16,097	64	19,905	69	3,808	5
3.3 Markets are free of trade practice abuses.	5,162	20	6,223	21	1,061	1
3.4 Regulatory environment responsive to evolving market conditions.	8,885	33	10,908	37	2,023	4
Total Goal Three	**$42,968**	**166**	**$52,645**	**181**	**$9,677**	**15**

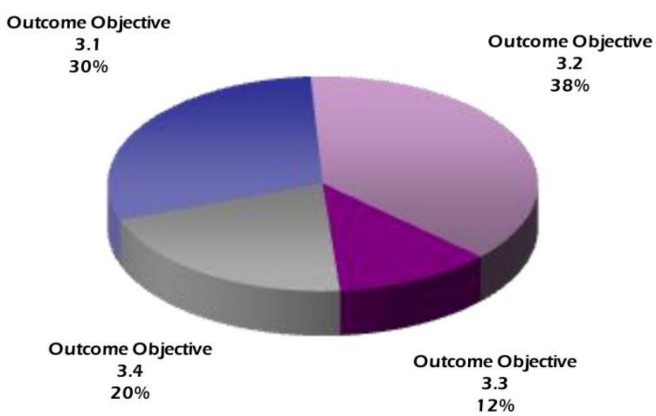


Figure 14: Breakout of Goal Three Request by Outcome Objective

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

Background and Context

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

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

The Commission continues to implement the CRA, (part of the 2008 Farm Bill), making critical improvements to the CEA and the Commission's authority. Specifically, the new legislation reauthorized the Commission through FY 2013, provided enhanced Commission oversight of ECMs that trade contracts performing a significant price discovery function, increased CFTC penalty authority for manipulation, clarified CFTC anti-fraud authority for off-exchange principal-to-principal energy trades, and clarified CFTC off-exchange retail foreign currency fraud authority.

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

The Commission continually refines and enhances its strategic human resource initiatives. A governance committee of senior managers draws on frequent employee input to develop programs that will support long-term mission goals of knowledgeable, diverse and productive human capital. The goal is a workforce that reacts and adapts quickly in terms of size, skills and composition to meet changes in the industry, technology and/or statutory or regulatory developments. The governance process has contributed to annual successes in the development and implementation of a comprehensive pay and benefits program mandated by Section 10702 of Public Law 107-171, the FSRIA of 2002. CFTC is in its second full year of measuring performance under a merit pay system to foster a performance culture. The Commission system for classifying its mission-critical positions is under review by the governance committee. Next steps include consideration of differentiating compensation for supervisory responsibilities and a review of the executive management classification system. This ongoing strategic management of human capital initiatives commits the agency to improving its ability to: 1) plan for anticipated change in workforce composition; 2) target and recruit employees to fill critical skill deficiencies; 3) support employee development; 4) identify and justify staff resources needed to perform statutory mandates; and 5) implement the Title V-exempt CT pay plan envisioned by FISRA.

Information Technology Management. The Commission's ability to fulfill its mission successfully depends on the collection, analysis, communication and presentation of information in forms useful to Commission employees and other interested parties, such as the industry it regulates: Federal, state, and international agencies with which we cooperate, the Congress, and the American public. A secure modern information technology infrastructure is a vital tool that enables the Commission to serve these stakeholders effectively. The Commission is making a concerted effort to use commercial best practices when developing and maintaining its information technology (IT) systems, applications and infrastructure, deploying a modern data analysis, reporting, messaging, archiving, and document management solution. The Commission's FY 2011 Budget includes approximately $32 million for information technology. The resources will allow the Commission to make improvements in information technology by upgrading hardware and software, improving existing systems and developing new systems critical to maintaining adequate market oversight and innovating new ways to assure transparency. See Appendix 3 for a more detailed summary of the information technology budget.

With the growth of trade and order volumes, the amount of reported trade and order data has grown multifold. Alongside that data growth, the Commission is frequently engaged in more complex and time sensitive information analysis efforts. The Commission is actively engaged in modernizing the technology base of core, mission-critical market surveillance systems – automating detection methods to identify and analyze market manipulation and trade practice violations in a global environment. Previously, such detection relied on the manual detection by Commission staff members. With the market growth experienced in the industry over recent years, manual detection methods are inadequate and extremely burdensome on staff. The Commission is making a significant investment to bring these systems in line with the requirements of 21st century surveillance.

The Commission is in the process of fully implementing the Trade Surveillance System (TSS), which will allow the Division of Market Oversight to better detect and assess a range of possible trade practice violations and market manipulation scenarios. TSS information is also being used by the Office of the Chief Economist for economic analyses and by the Division of Enforcement for investigatory purposes. The TSS implementation is an essential component of the technology modernization being undertaken at the Commission. This system takes advantage of state-of-the-art commercially available software to enhance market surveillance capability over the expanding and diverse electronic trading platforms. TSS will ultimately replace outdated legacy surveillance systems, which have limited capability to assess new trading techniques, such as inter-exchange trading. Several new custom trade practice surveillance models, reports, and alerting mechanisms are being developed. The implementation of TSS will facilitate the utilization of the essential trading-related data, around which considerable Commission industry analysis is based.

CFTC uses the Integrated Surveillance System (ISS) to receive end of day positions from large traders active in commodity markets. The Commission is planning a significant modernization of this mission critical system, which was originally developed when manual detection methods were sufficient to monitor market conditions. This system will be modernized to focus on greater market manipulation detection and reporting, increased internal and external data transparency enhanced reports, improved case management to track market surveillance activities, integration of large trader data with intraday trading activity, improving the automated collection of data from industry participants, and enhancing capabilities to manage position limits. The modernization of ISS, along with TSS, is an essential initiative that will be part of the technological foundation of the Commission's 21st century surveillance program in the global economy.

The Commission continues to upgrade its information technology management capabilities in the areas of analytics, statistical processing and market research. This ongoing initiative involves acquiring and implementing new and emerging software technologies that enhance and leverage our current information assets. The Commission is concentrating on leading edge technology that can be applied throughout the organization, using this new capability to assist staff in conducting market research that impacts policy decisions and provides the interpretive analysis necessary for Congressional inquiries and inter-agency programs.

The eLaw Program provides law office automation and modernization by seamlessly integrating technology and work processes to support managers and staff across the Commission in their investigative, trial, and appellate work. eLaw provides support in the areas of case planning, case management, litigation, and document management. The eLaw program has been an essential component of the Commission's successful execution of its enforcement objectives. With the eLaw program, the Commission has a state-of-the-art technology base to conduct investigations and bring enforcement actions through the analysis of massive quantities of data. We will be expanding this system into the Office of Proceedings and planning further expansion into the Office of General Counsel. Additional technical enhancements will also be introduced as the existing eLaw suite of products are upgraded or expanded. One such expansion of the eLaw suite is the addition of audio analytics capability. Audio analytics software is being phased-in to complement the investigative process. Electronic trial support capability is also being added to provide onsite trial support for our litigation teams interfacing with electronic courtrooms.

CFTC.gov and the Commission's intranet Web site, Open Interest, are being enhanced as part of an initiative to enhance both internal and external transparency of information. The objective for both sites is to provide a more dynamic, accessible and informative Web site with rich multi-media content and web 2.0 services. An evaluation and functional assessment of both CFTC.gov and Open Interest will be performed. Completion of these initiatives will ensure that the Commission's Web sites comply with government best practices, legal requirements, and industry guidelines, while leveraging emerging internet technologies.

The Commission's ability to fulfill its mission depends on the collection, analysis, communication, and presentation of information in forms that are easily retrieved and useful to Commission employees, the regulated industry, Federal, state, and international agencies, the Congress, and the American public. The Commission is planning the implementation of a new Records and Document Management System to modernize, centralize and automate the management of the Commission's information resources. When complete, the new system will transform the Commission's document management practices, technical solutions, and business process.

To effectively implement and sustain the modernization of the mission critical surveillance systems, the improved internet and intranet Web sites, and implementation of a document management system, the Commission will use enterprise architecture and data architecture best practice frameworks, tools, and processes. This approach will ensure that the development of an information management strategy that will transform a growing data stream and growing data analysis requirements into the Commission-wide information management environment. This strategic initiative will examine current capabilities, emerging data needs, data governance, data organization, data privileges, and software capabilities to provide an information architecture framework that supports current mission requirements. The resulting solution will provide the CFTC with more effective information analysis capability by modernizing the Commission existing data management environment.

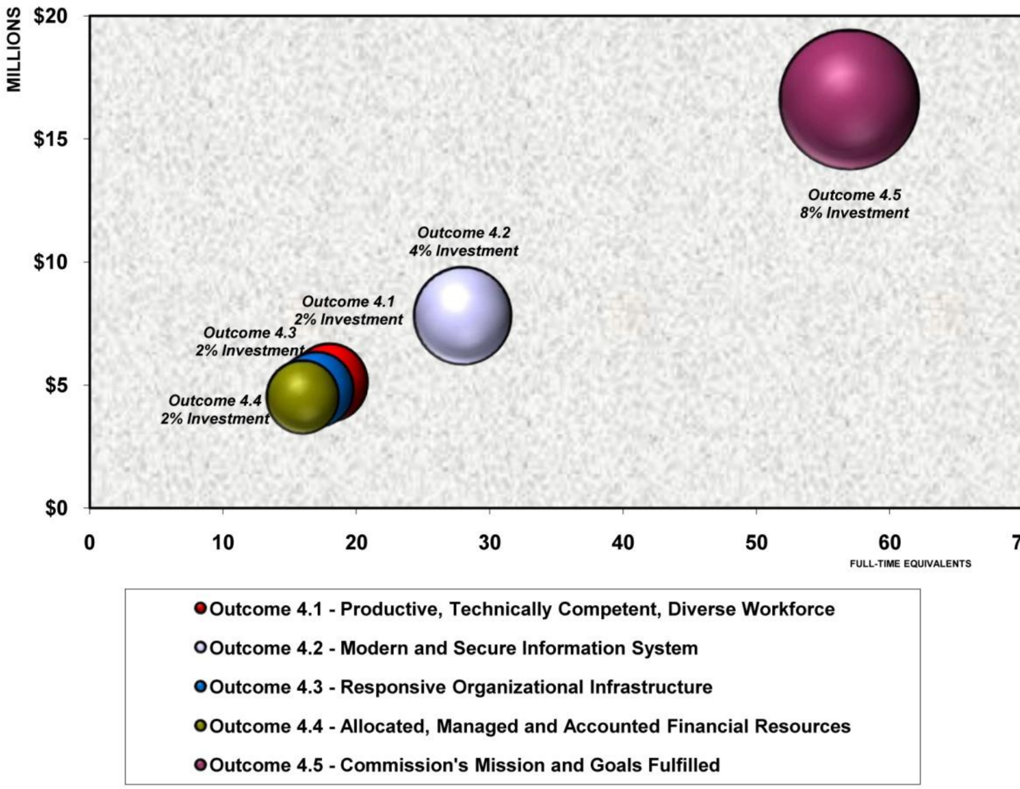
Management Operations. The Office of Management Operations provides support to Commission staff by ensuring the timely delivery of products and services, the safety and security of all employees, and operations and maintenance of the facilities at Headquarters and in the regional offices. Many improvements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

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

CFTC Strategy Mapping

FY 2011 Goal Four Resource Investment by Outcome Objective

Figure 15: Goal Four Resource Strategy Mapping



Outcome Objectives and Annual Performance Goals

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

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

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

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

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

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

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

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

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

- Annual Performance Goal: Progress in completing the 18 priorities established in the Commission Strategic Plan[16] for fiscal years 2007 through 2012.

[16] The Commission adopted the Strategic Plan for 2007 - 2012 on September 30, 2007.

Means and Strategies for Achieving Objectives

Means:

- Assess continually the external and internal issues and trends that may affect the mission and the way in which we must respond to meet it successfully.

- Evaluate and adjust management and strategic plans to ensure that potential problems or weaknesses are managed before they develop into crises.

- Develop and employ strategies that will focus on achieving results—strategies that will: define the basis for developing policies, making decisions, taking actions, allocating resources, and defining program definition; and clarify why the organization exists, what it does, and why it does it—providing a bridge to understanding how the Commission connects to its environment.

Strategies:

- Refine existing workforce planning tools and hiring strategies to better target mission-critical staff competencies needed in future years.

- Continue adjusting agency ability to compete as an employer with total compensation programs under the FSRIA mandates.

- Continue to develop and enhance e-learning and other training and development initiatives to build both management expertise and staff technical competencies in mission-critical areas.

- Implement an on-boarding system to provide enhanced online support for new employees as they are oriented, acclimated, trained, and mentored during their first year at CFTC.

- Link business decisions on IT resources to CFTC strategic goals and establish a decision-making process for allocation of IT resources.

- Build roadmap for all IT systems requirements to improve planning, resource allocation, systems development and capital planning.

- Build/ensure robust information security program.

- Improve access to information with user-centric Web sites that provide current, consistent, and accurate information.

- Secure agency assets by ensuring appropriate internal controls on assets and providing a basis for life cycle management of assets.

- Build/ensure archives management program that supports electronic records and improves handling, management, and storage of records.

- Improve IT customer service by improving linkage between program areas and short and long-term technology goals.

- Build a Contingency Planning Program to ensure that the CFTC is prepared for emergencies and is fully capable of recovery and reconstitution.

- Comply with U.S. Homeland Security directives and improve Federal identification procedures in the event of a disaster.

- Standardize furniture assets and implement life cycle management; improving financial planning, management, and maintenance.

- Manage the space expansion project at Headquarters and two of the three regional offices to create additional space to house new priority hires.

- Manage events proactively to ensure effective application of scarce resources and to improve customer service.

- Ensure a clean independent audit opinion of the agency's financial statements by improving internal controls and improving financial reporting.

- Execute an audit remediation plan to correct any deficiencies and/or implement recommendations.

- Integrate budget and performance information to improve management and performance of the Commission.

- Undertake IT investments reviews to ensure the prudence of ongoing IT investments.

- Undertake physical security upgrades commensurate with Federal Protective Service Level III facility standards.

- Integrate contingency planning efforts of the Commission according to risk management principles and methodologies.

Summary of Goal Four Performance Indicators

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

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

Annual Performance Goal: Recruit and retain a skilled and diversified staff to replace aging and retiring workforce.

Performance Measures	FY 2008 Actual	FY 2009 Actual	FY 2010 Plan	FY 2011 Plan
4.1.1 Percentage of fiscal year program development objectives met under CFTC pay for performance authority	100%	100%	100%	100%
4.1.2 Average number of days between close of vacancy announcement and job offer, per Federal standards of 45 days or less	59	57	45	45
4.1.3 Rate of employee turnover, exclusive of retirements	2.4%	1.9%	3.6%	3.6%
4.1.4 Percentage of employees in mission-critical positions rating themselves at "extensive" or higher level of expertise on Strategic Workforce Planning Survey	78%	43%	55%	55%
4.1.5 Percentage of underrepresented groups among new hires	23%	24%	27%	27%

Outcome 4.2: A modern and secure information system that reflect the strategic priorities of the Commission.

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

Performance Measures	FY 2008 Actual	FY 2009 Actual	FY 2010 Plan	FY 2011 Plan
4.2.1 Percentage of CFTC IT resources directly tied to Commission resource priorities as stated in the Strategic Plan	100%	100%	100%	100%
4.2.2 Percentage of major IT investments having undergone an investment review within the last three years	100%	100%	100%	100%
4.2.3 Percentage of Customer Support Center inquires resolved within established performance metrics	84%	100%	100%	100%
4.2.4 Percentage of employees with network availability	100%	100%	100%	100%
4.2.5 Percentage of employees who require remote network availability that have it	100%	100%	100%	100%
4.2.6 Percentage of major systems and networks certified and accredited in accordance with the *National Institute Standards and Technology* guidance	100%	100%	100%	100%
4.2.7 Percentage of IT E-Government initiatives on target for compliance with implementation schedule	100%	100%	100%	100%
4.2.8 Percentage of network users who have completed annual security and privacy training	99%	99%	99%	99%

Outcome 4.3: An organizational infrastructure that efficiently and effectively responds to and anticipates both the routine and emergency business needs of the Commission.				
Annual Performance Goal: A fully operational Contingency Planning Program to ensure the CFTC is prepared for emergencies and is fully capable of recovery and reconstitution.				
Performance Measures	**FY 2008 Actual**	**FY 2009 Actual**	**FY 2010 Plan**	**FY 2011 Plan**
4.3.1 Number of hours required to deploy staff and begin mission essential functions at the Continuity Of Operations Plan site	24	12	12	12

Outcome 4.4: Financial resources are allocated, managed, and accounted for in accordance with the strategic priorities of the Commission.				
Annual Performance Goal: A clean audit opinion for CFTC.				
Performance Measures	**FY 2008 Actual**	**FY 2009 Actual**	**FY 2010 Plan**	**FY 2011 Plan**
4.4.1 Audit opinion of the Commission's annual financial statements as reported by the CFTC's external auditors	Unqualified	Unqualified	Unqualified	Unqualified
4.4.2 Number of material internal control weaknesses reported in the Performance & Accountability Report	0	0	0	0
4.4.3 Number of non-compliance disclosures in audit report	0	0	0	0

Outcome 4.5: The Commission's mission is fulfilled and goals are achieved through sound management and organizational excellence provided by executive leadership.				
Annual Performance Goal: Progress in achieving priorities for fiscal years 2007 through 2012 as established by the Strategic Plan.				
Performance Measures	**FY 2008 Actual**	**FY 2009 Actual**	**FY 2010 Plan**	**FY 2011 Plan**
4.5.1 Percentage of 18 Strategic Plan priorities that are on track to completion by FY 2012	100%	25%	50%	50%

Breakout of Goal Four Request by Program Activity

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Market Oversight	$0	0	$0	0	$0	0
Clearing & Intermediary Oversight	0	0	0	0	0	0
Chief Economist	0	0	0	0	0	0
Enforcement	0	0	0	0	0	0
Proceedings	0	0	0	0	0	0
General Counsel	0	0	0	0	0	0
International Affairs	0	0	0	0	0	0
Agency Direction	9,864	35	14,718	47	4,854	12
Administrative Mgmt. & Support	21,330	87	24,149	89	2,819	2
TOTAL	**$31,194**	**122**	**$38,867**	**136**	**$7,673**	**14**

Table 19: Breakout of Goal Four by Program Activity

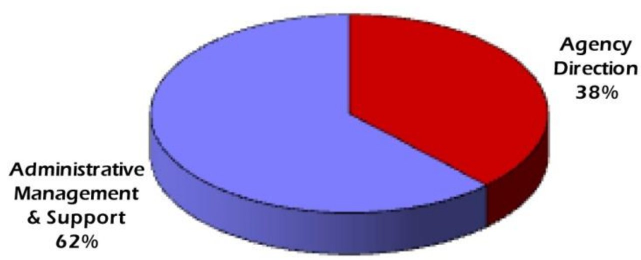


Figure 16: Breakout of Goal Four Request by Program Activity

Breakout of Goal Four Request by Outcome Objective

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
***GOAL FOUR:* To facilitate Commission performance through management excellence, efficient use of resources, and effective mission support.**						
Outcomes						
4.1 A productive, technically competent, competitively compensated, and diverse workforce that takes into account current and future technical and professional needs of the Commission.	$4,542	18	$5,063	18	$521	0
4.2 A modern and secure information system that reflects the strategic priorities of the Commission. [17]	7,052	28	7,862	28	810	0
4.3 An organizational infrastructure that efficiently and effectively responds to and anticipates both the routine and emergency business needs of the Commission.	4,289	17	4,782	17	493	0
4.4 Financial resources are allocated, managed, and accounted for in accordance with the strategic priorities of the Commission.	4,037	16	4,501	16	464	0
4.5 The Commission's mission is fulfilled and goals are achieved through sound management and organizational excellence provided by executive leadership.	11,274	43	16,659	57	5,385	14
Total Goal Four	**$31,194**	**122**	**$38,867**	**136**	**$7,673**	**14**

Table 20: Breakout of Goal Four by Outcome

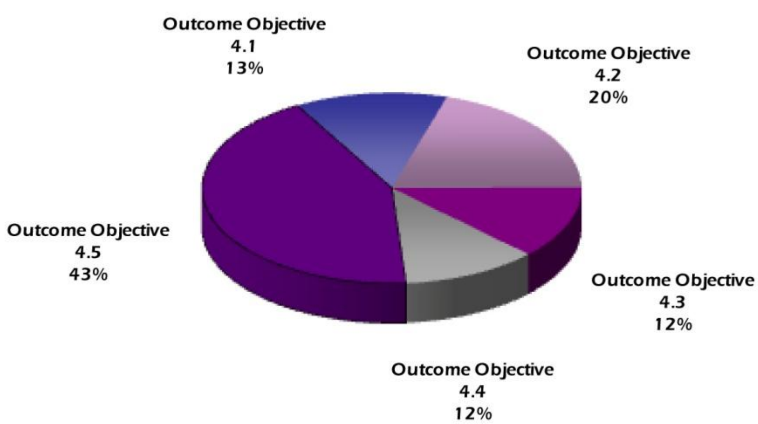


Figure 17: Breakout of Goal Four Request by Outcome Objective

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

Justification of the FY 2011 Budget & Performance Estimate

Breakout of $216.0 Million Budget Estimate by Program

	FY 2009 Actual		FY 2010		FY 2011 Current Services		FY 2011 Request	
	FTE	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE	$ (000)
Market Oversight	107	$30,823	139	$35,121	139	$40,258	168	$47,736
Clearing & Intermediary Oversight	77	$22,290	113	$29,105	113	$33,315	120	$34,474
Chief Economist	10	$2,927	13	$3,538	13	$4,034	17	$5,115
Enforcement	121	$36,168	161	$43,248	161	$49,357	200	$59,620
Proceedings	11	$3,220	10	$2,289	10	$2,644	11	$2,860
General Counsel	36	$10,539	47	$12,829	47	$14,624	47	$14,242
International Affairs	7	$2,049	9	$2,380	9	$2,878	10	$2,946
Agency Direction	32	$9,369	35	$9,255	35	$10,414	47	$13,846
Administrative. Management & Support	97	$28,398	123	$31,035	123	$35,557	125	$35,161
Total	498	$145,783	650	$168,800	650	$193,081	745	$216,000

Table 21: Budget Estimate by Program

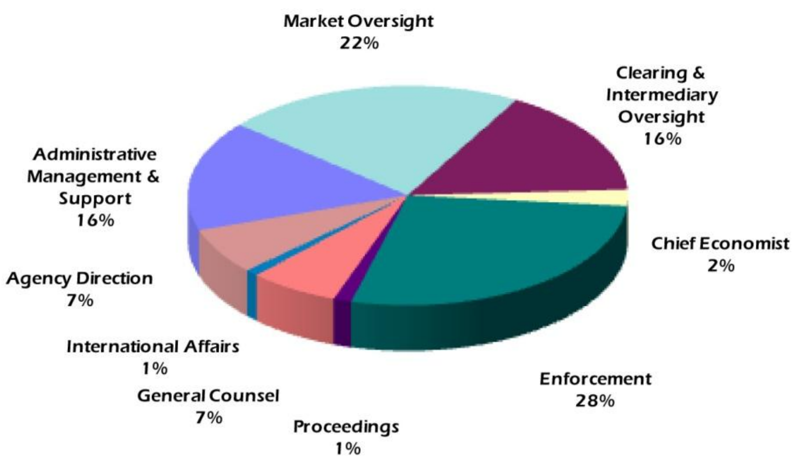


Figure 18: $216.0 Million Budget Estimate by Program

Breakout of $216.0 Million Budget Estimate by Object Class

		FY 2009 Actual ($000)	FY 2010 ($000)	FY 2011 President's Budget[18] ($000)
11.1-11.5	Personnel Compensation	$66,601	$92,438	$113,642
11.8	Special Pers. Serv. Payments	0	25	25
11.9	**Subtotal, Personnel Comp.**	**66,601**	**92,463**	**113,667**
12.1	Personnel Benefits: Civilian	17,093	24,625	30,563
13.0	Benefits for Former Personnel	9	9	52
21.0	Travel & Transportation of Persons	2,029	2,344	2,899
22.0	Transportation of Things	81	100	100
23.2	Rental Payments to Others	13,077	13,149	18,257
23.3	Comm., Utilities & Miscellaneous	3,676	4,103	3,768
24.0	Printing and Reproduction	340	464	457
25.0	Other Services[19]	23,153	26,892	36,702
26.0	Supplies and Materials	1,023	1,137	1,196
31.0	Equipment	12,916	3,131	6,584
32.0	Building/Fixed Equipment	5,785	383	1,755
42.0	Claims/Indemnities	0	0	0
99.0	**Subtotal, Direct Obligations**	**145,783**	**168,800**	**216,000**
99.0	Reimbursable	126	175	175
99.0	**Total Obligations**	**$145,909**	**$168,975**	**$216,175**

Table 22: Budget Estimate by Object Class

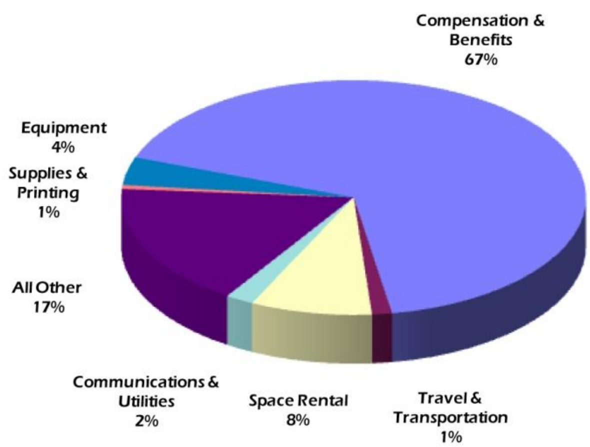


Figure 19: $216.0 Million Budget Estimate by Object Class

[18] Current Authorization.
[19] Includes costs for Enforcement investigations, information technology modernizations, operations & maintenance, and advisory & assistance services.

Crosswalk from FY 2010 to FY 2011

	FY 2010 Budget	FY 2011 Request	Change
Budget Authority ($000)	$168,800	$216,000	$47,200
Full-Time Equivalents (FTEs)	650	745	95

Explanation of Change	**FTEs**	**Dollars ($000)**
Current Services Increases: (Adjustments to FY 2010 Base)		
To provide for the following changes in personnel compensation:		
--Estimated July 2011 5.5% merit based pay adjustment		1,206
--Estimated July 2010 5.5% merit based pay adjustment (annualization of)		3,868
--To provide for increase in incentive awards		47
--To provide pay parity with FIRREA agencies in accordance with FSRIA 2002		
Compensation (Classification Review)		241
Benefits (Classification Review)		64
--To provide for increased costs of personnel benefits		1,654
To provide for the following changes in non-personnel costs:		17,198
--Travel/Transportation ($43)		
--Space Rental/Communications/Utilities ($4,771)		
--Supplies/Printing ($14)		
--All Services ($7,545)		
--Equipment ($3,453)		
--Building/Fixed Equipment ($1,372)		
Program Increase: (Adjustments to FY 2011 Current Services)		
--To provide for salaries and expenses for 95 additional FTEs	+95	21,172
--To provide for program increases		1, 750
Total Increases	**+95**	**$47,200**

Table 23: Crosswalk from FY 2010 to FY 2011

Market Oversight

Total Budget: $47,736,000 168 FTEs

Total Change: $12,615,000 29 FTEs

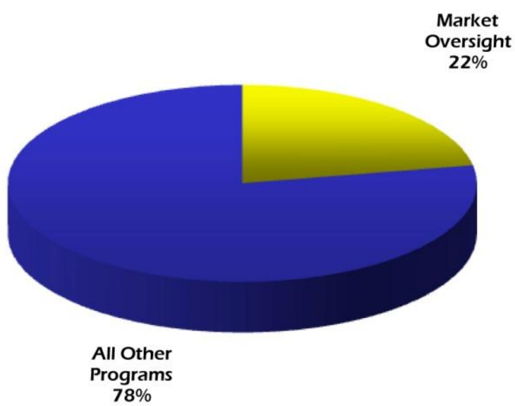


Figure 20: Market Oversight
Percentage of Total Budget Dollars

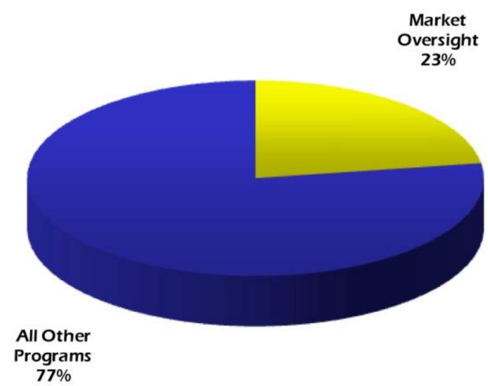


Figure 21: Market Oversight
Percentage of Total Budget FTEs

Justification of the FY 2011 President's Budget & Performance Plan

The primary responsibility of the Market Oversight program is to foster markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity. By detecting and protecting against price manipulation and abusive trading practices, this program assists the markets in performing the vital economic functions of price discovery and risk transfer (hedging). The Market Oversight program fulfills the Commission's surveillance and oversight responsibilities for these markets. The program also will conduct trade practice surveillance and reviews of exchange rule amendments and submissions. In addition, the program will develop, implement, and interpret regulations that protect customers, prevent trading abuses, and ensure the integrity of the futures markets. Of increasing importance is Market Oversight's effort to enhance market transparency by publication of a number of more meaningful market reports providing information on the types of trading and trading activity in the marketplace.

In FY 2011, the Market Oversight program requests 168 FTEs, an increase of 29 FTE over the FY 2010 level. The four major subprograms—Market Surveillance, Market and Product Review, Market Compliance and Office of Data Management —are requesting 59 FTEs, 29 FTEs, 50 FTEs and 30 FTEs, respectively.

Chief Counsel's Office. The Chief Counsel is responsible for the issuance of rules and regulations related to oversight of regulated futures markets; the issuance of interpretations, policy statements, and no-action letters in connection with issues related to markets; the review of division matters generally to ensure their consistency with the CEA and the Commission's regulations; and the review of matters originated by other divisions of the Commission to determine whether they implicate the division's interests in any manner. A key duty of Chief Counsel's Office is the design and implementation of a program to address the operations of foreign boards of trade (FBOTs) that permit their members or participants in the United States to directly access their electronic trading systems. The Chief Counsel's Office designs and implements procedures regarding the handling of initial and subsequent FBOT requests to permit direct access from the United States, including the form and extensive content of those requests sufficient to undertake a meaningful evaluation of the operations of the FBOT and its regulator. This area of responsibility requires the Chief Counsel to: 1) maintain a comprehensive knowledge of, and sensitivity to, the Commission's regulatory approach, policies, and current agenda regarding foreign regulatory authorities and foreign exchanges; 2) coordinate with other divisions and offices of the Commission in a comprehensive knowledge of the laws, regulations, and policies applicable to FBOTs; and 3) negotiate with FBOTs and foreign regulators, market authorities, and experts in the derivatives industry and academia.

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

The detection and prevention of price manipulation are the responsibility of economists who monitor all active futures and option contracts for potential problems. The staff requested for the Market Oversight program will work to detect and prevent threats of price manipulation and other market disruptions caused by abusive trading practices in listed futures and option contracts. They will investigate instances of possible manipulation, and analyze routine reports of large-trader activity. To maintain an effective Market Surveillance program, the Commission must expand its commitment to information technology resources. The innovation in and diversity of contracts listed for trading as well as the volume of contracts traded on a daily basis has increased enormously in recent years. Price linkages between contracts traded, in different venues, has increased the complexity of the surveillance mission to understand manipulative strategies that may occur across markets.

Without additional resources, new surveillance burdens will need to be allocated among existing staff, reducing the effectiveness and timeliness of their analyses and constraining the ability of staff to react to new potential sources of manipulation or disruptive behavior. Computerized trading has transformed futures trading from a floor-based marketplace into an electronic one; a trading environment with potentially greater price impacts and market developments that can only be analyzed with the aid of new technology resources. For example, the special call survey of swaps dealers and index traders required a significant commitment of staff resources. Routine surveillance of markets had to be temporarily reallocated to other staff in the surveillance program, reducing the amount of time focused on each surveilled market. Technology must be engaged to continue to fully process and analyze special call data to complement its surveillance mission.

Market and Product Review. The Market and Product Review subprogram oversees the regulatory and oversight activities of all DCMs to ensure customer protection and market integrity. In order to serve the vital price-discovery and hedging functions of futures and option markets, exchanges must provide consumers with safe marketplaces that have appropriate protections in place and provisions for ensuring the fairness of the market and the integrity of their contracts. To accomplish this, the subprogram evaluates all exchange applications for approval as a contract market or as a Derivatives Transaction Execution Facility (DTEF) to ensure that the exchange is in compliance with Designation Criteria and Core Principles and Commission regulations, and that the public is appropriately protected. The reviews, which are required by the CEA, ensure that exchanges provide for fair, equitable and secure markets and that have appropriate self regulatory programs in place to police their markets.

The foundation of the Market and Product Review program are the reviews carried out prior to, or shortly after, implementation of new rules, programs and products. The regulated exchanges file with the Commission a very large number of new contracts and rule amendments. Unfortunately, reviews of exchange rule and product submissions are taking longer to complete, and regularly new rules and rule changes are implemented and new products trade for some time before the staff is able to review and address any concerns that may exist. This increases the risk that problematic new product terms and conditions, inappropriate new incentive or market maker programs, new market trading methods, changes to disciplinary rules or governance, and other troublesome changes to contract terms may go undetected posing a risk to the general public resulting in possible undermining the price discovery process for industry participants.

The staff reviews new exchange rules and rule amendments for consistency with Core Principles and regulatory standards, thus maintaining fairness and integrity, protecting customers, and accommodating and fostering innovation and efficiency in self-regulation. The reviews consider complex new trading procedures and market structures that present novel issues and, in some cases, require amendments or interpretations by the Commission to facilitate implementation of the SRO's rule changes. Deficiencies in the new programs or changes to existing programs increase the likelihood of trading abuses, inconsistent market oversight, or implementation of market or governance changes that create conflicts of interest or raise other regulatory concerns. With additional resources, the subprogram would be able to provide more guidance to the exchanges, thus increasing the likelihood that when exchanges adopt new trading programs, incentive plans, governance models, etc., that such changes will be better designed to address and prevent regulatory concerns, thus enhancing the markets' integrity, fairness and security.

The Market and Product Review staff also review exempt commercial market and exempt board of trade filings to ensure compliance with the Act and the significant price discovery provisions adopted by the Farm Bill in 2008. The subprogram oversees an annual requirement to file a notice with the Commission regarding the markets' operating status under the exemption and whether any of the contracts listed on these markets serve a significant price discovery function. ECMs list a very large number of contracts in the energy area, many of which require extensive analysis by staff to ascertain whether they meet the requirements for SPDCs. Initially, there are as many as 50 contracts that potentially meet the SPDC criteria and ECMs continue to develop new products. Staff must evaluate all potential SPDCs to ascertain whether they meet the SPDC criteria; for those that do, staff must conduct surveillance of activity on those markets to protect the public interest, as directed by Congress in the Farm Bill, more staff are needed to implement the new provisions regarding ECMs that trade SPDCs, including ongoing reviews of the new market rules or amendments and annual evaluations to determine whether any of the markets serve a significant price discovery function. Any and all SPDCs must be subjected to an oversight regime comparable to that for designated contract market contracts.

Market Compliance. The Market Compliance subprogram oversees the regulatory and oversight activities of all designated contract markets to ensure customer protection and market integrity. The cornerstone of the Market Compliance program is the Rule Enforcement Review (RER) program that consists of examinations of DCM self-regulatory programs on an ongoing routine basis to assess their compliance with applicable core principles under the Act and Commission regulations. Different aspects of DCMs' compliance and surveillance programs are reviewed: audit trails, trade practice surveillance, disciplinary, and dispute resolution programs. Results are documented in comprehensive reports and if issues are identified, specific recommendations for improvement are made. Unfortunately, due to limited resources, RERs of a given exchange are periodic in nature rather than annual evaluations, which is necessary to ensure comprehensive oversight. As a result, the subprogram is planning to establish a program for annual review of exchange programs. The less frequent timing of these reviews dilutes their ability to promote and enhance effective self-regulation and ensure that exchanges rigorously enforce compliance with their rules. There is a risk that an ineffective DCM self-regulatory program may go undetected or a systemic risk may not be identified posing a risk to the general public. The SEC maintains an "inspection" program similar to the Commission's RER program. Under this program, the SEC reviews its major exchanges annually and its smaller exchanges very two to three years for compliance with various securities laws and regulations.

Limited resources have severely impacted Market Compliance's ability to conduct "horizontal RERs" across exchanges. The last horizontal RER completed by Market Compliance was in 1997. These reviews assess how several DCMs address a particular issue and allow staff to recommend "best practices" and make recommendations for all exchanges. The 1997 RER assessed broker association programs in place at numerous exchanges and made six recommendations applicable to all of the exchanges reviewed. Many significant changes in the futures industry over the past 10 years are well-suited to examination in the form of a horizontal RER yet they remained unexamined. Some that merit in-depth review across DCMs include how changing business structures have impacted self-regulation, comparison of compliance staff size for DCMs with similar trading volume, electronic trading audit trail reviews, and size and type of disciplinary sanctions across all DCMs for violations of a similar type.

Current Commission oversight of U.S. futures markets does not include an established program for conducting regular reviews of the automated systems and business continuity and disaster recovery (BC-DR) plans required by exchanges to maintain appropriate plans, oversight, and testing to ensure that their automated systems and related operations are secure and resilient, and have adequate functionality and capacity. In today's world, where electronic trading predominates, automated trading systems play a critical role in the financial markets. Sophisticated computer systems are also crucial to a DCM's ability to maintain a comprehensive audit trail, publish timely market data, conduct adequate market and trade practice surveillance, provide large trader reporting, and monitor and enforce compliance with exchange rules and Commission regulations.

The importance of regular Commission review of automated system resilience and BC-DR capability of DCMs was heightened significantly in the wake the September 11, 2001 terrorist attacks, the 2003 Northeast power blackout, and the cyber attacks on NYMEX from 2005-2007. The resilience of DCM's automated systems is vital to the continued operation of the U.S. financial sector in the event of a severe pandemic. Recent market events have only emphasized the interconnectedness of economies, markets, and market participants, and the serious economic consequences that can flow from the unavailability of organizations that play key roles in the financial system. Effective Commission oversight of DCM BC-DR programs and automated systems is thus essential to mitigation of systemic risk in the financial sector.

To enable the Commission to conduct regular reviews of the automated systems and BC-DR programs of major DCMs on an annual basis, and to conduct similar reviews of smaller DCMs on at least a triennial basis, the Commission must establish a dedicated Market Continuity Unit similar to the SEC's program. This unit, which would reside within Market Compliance, would require at least five to seven technical staff with certification and/or degrees in information technology and cyber security. One person with such technical qualifications has already been hired.

Other U.S. financial regulators, including the SEC and the Federal Reserve, maintain comprehensive programs for regular review of the automated systems and the BC-DR plans and resources of the exchanges that fall within their purview. For example, the SEC has a dedicated program with a technical staff of 15. SEC's staff receives training and software from the National Security Agency and has its own computer systems and network separate from the main SEC network. The SEC conducts annual reviews of the automated systems and BC-DR programs of its major (13) exchanges and clearing houses and conducts such reviews at smaller exchanges at least triennially.

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

The Market Compliance subprogram monitors trading activity on all DCMs in order to detect and prevent possible trading violations. This type of oversight is conducted through the use of automated surveillance and floor surveillance, to foster markets that are free of trading abuses. The identification of potential trading violations results in referrals to relevant DCMs and to the Commission's Division of Enforcement. In addition, the Market Compliance subprogram reviews and analyzes trading platforms, rule enforcement programs, and disciplinary procedures in connection with new DCM applications.

A key and under resourced function in Market Compliance is the conduct of investigations to detect possible trading abuses. This work protects market users and the integrity of the marketplace, but increasingly cannot be performed without a concerted focus on an investment in technology. Two years ago, staff began shifting resources away from the legacy system, EDBS, which relied heavily on manual analysis, to the development of an automated trade practice alert system, known as the Trade Surveillance System (TSS). TSS, when fully developed and implemented, will provide staff with automated alerts on possible trade practice abuses, exponentially improving their detection capabilities in the electronic trading environment. Trade violation detection software performs sophisticated pattern recognition and data mining to automate basic trade practice surveillance, and detect novel and complex abusive practices in today's high-speed, high-volume global trading environment. TSS will be used to monitor inter-market trading, a blind spot in surveillance which only the Commission can address, and side-by-side trading, e.g., simultaneous trading of a contract on a DCM's floor and the DCM's electronic trading platform.

Office of Data Management. Detecting and preventing price manipulation in the markets under its jurisdiction rests on the ability to efficiently and effectively capture data and ensure its quality, accessibility, and storage management. The staff currently processes data records from between 250-270 firms daily and collects approximately 110 million records every year through a business process that is not fully automated. The application of technology and business process reengineering are essential to ensuring the integrity of the data and its timely accessibility.

The data is used in reports that provide current market information on the size of futures and option positions held by large traders as well as other background information that is necessary to monitor the markets and to enforce Commission and exchange speculative limits. These data are also used to publish reports that improve market transparency. Several transparency initiatives, begun in FY 2009, need additional resources in order to improve upon the timeliness and frequency of the reports, as well as the efficiency of the data collection. Separately, staff has issued "special calls" to about 40 trading entities, including swap dealers, to supplement what we already know about their on-exchange trading and, more importantly, to obtain critical information about their OTC trading and their clients.

The effectiveness gained through automation will allow Commission staff to periodically conduct audits of the firms to assure that information is being properly and accurately submitted. Limited funding severely curtailed the number of audits conducted, potentially affecting the accuracy of data collected and the ability of surveillance analysts to properly oversee activity in the market. For example, if accounts are not aggregated properly, it is impossible to track speculative limit violations, which can be a risk to the market.

Consequence of Not Receiving Requested Level of Resources

The Commission anticipates that a large number of new, novel contracts, including contracts based on complex financial derivatives, broad-based debt indexes and SFPs based on debt instruments, will be listed for trading on futures exchanges. The number and diversity of agricultural and energy futures contracts is also expected to continue to grow, as exchanges develop new types of contracts to meet commercial needs, such as new exchange-traded contracts that replicate OTC products.

The current marketplace demands a sophisticated level of surveillance to adequately protect the public. The growth in the number and different types of facilities that trade a wide array of derivatives products, including futures on OTC instruments, contracts based on events or occurrences, and nontraditional contracts listed by ECMs, as well as, novel approaches to derivatives trading that must be overseen by experienced staff to monitor these products and examine the benefits and risks to the public arising from these developments. To adequately protect the public, effective surveillance and oversight of exchanges and product design requires adequate staff to monitor the increasing number of innovative and often complex futures and option contracts to detect or prevent potential problems, price manipulation, and other major market disruptions caused by abusive trading practices or contract design flaws and to deter and prevent price manipulation and investigate suspect activity.

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

Additional staff are critical to enable the Market Oversight program to focus on the complex issues and changing practices in the derivatives markets, especially in the energy and agricultural sectors. Without adequate staff and technology resources, the Market Oversight program cannot keep up with the growth in new types of exchanges, new trading execution methods in futures markets, and the initiation of trading in new, innovative complex products that require detailed analysis and raise substantive legal and policy questions. In addition resources are required to conduct necessary reviews to ensure that exchanges adequately address potential conflicts of interest between their self-regulatory functions and responsibilities and their commercial interests. Furthermore, changes to the CEA now require reviews of ECMs that list for trading any contracts which have been determined to perform a significant price discovery function. This requires extensive additional staff hours focused on markets previously only lightly reviewed. Without adequate resources, staff will not be able to complete reviews in a timely manner, allowing traders to continue to use these markets to carry out manipulations or abusive trading strategies in that regulatory oversight.

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

The efficacy of exchange self-regulatory programs is not being evaluated on a timely basis. The length of the time between reviews significantly grew over past several years. Staff must be able to ensure on an annual basis that exchanges are effectively fulfilling their self-regulatory responsibilities with respect to customer protection and market integrity and, if not, traders, affected industries and the general public may suffer direct economic harm from an increase in illegal trading activity. In addition, without sufficient resources to sufficiently advance the development of the TSS system staff will be constrained in its ability to conduct surveillance across multiple markets and exchanges to detect trading violations and potentially volatile activity. TSS also will provide staff with the necessary tools to recognize and monitor today's often-novel and complex trading practices and strategies. TSS development and implementation is expected to be an ongoing process and is part-and-parcel of the Commission's innovation to keep pace with rapid developments in today's high-volume global electronic trading environment.

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

Without adequate resources, staff may not be able to maintain its ability to process requests from foreign boards of trade to permit direct trading access to U.S. market users and ensure that the public is adequately protected. Delays would have a detrimental impact on the ability of U.S. market users to avail themselves of foreign liquidity pools and would generally impede the accelerating rate of globalization in the futures industry. Also, without adequate staff, the Market oversight Program cannot monitor activity on the foreign boards of trade granted direct access privileges to ensure that the conditions imposed by staff are met and that trading on these markets do not adversely affect trading on markets in the United States.

Without adequate resources, the Market Oversight program cannot monitor exempt markets and carry out the requirements of recently enacted legislation related to SPDCs on exempt markets. A shortfall of resources could significantly affect the public interest by undermining the intent of Congress to bring SPDCs under Commission oversight permitting such contracts to trade without effective surveillance and exchange oversight, thereby creating the potential for undetected market abuses and manipulation.

In addition, without adequate resources, staff cannot implement the various initiatives adopted by the Commission to improve transparency in the futures markets, especially the energy and agriculture markets. These initiatives focus on providing critical market information to traders and the public to address concerns about volatility and high prices. At very critical junctures of the streams of data processing, development, and maintenance of these current systems the staff has literally a person or two, who if unavailable for any reason, would delay those efforts. Additional hires are essential to remedy this situation.

Some of the transparency initiatives were the result of the staff's special call to swap dealers. Much of the data collected from that endeavor, however, is currently not processed for lack of resources. As a result, the Commission and the public do not benefit from what is otherwise the only resource for further insight into OTC derivatives markets. Without additional resources, the number of trading entities subject to the call is severely constrained. The call currently focuses on entities with "index investment" activity. Ideally, we need to expand the call to additional, major swap dealers who are not necessarily involved in index investment. In order to expand the list of recipients, we need additional resources to develop a list of targeted entities, prepare and issue the additional call letters, deal with follow-up discussion with the recipients to ensure proper interpretation and consistent results, process the incoming information, and then incorporate the new information into appropriate reports—for both internal use and potentially for public dissemination in aggregate form.

It is anticipated that some time in 2009, legislation will be adopted that will make fundamental changes to U.S. financial regulatory system, including new obligations with respect to the oversight of OTC derivatives markets. While the precise allocation of those new regulatory responsibilities is unclear, there is a very high probability that the CFTC will have some increased market monitoring responsibilities over markets that have heretofore never been subject to regulation. Without additional resources, CFTC staff may not be adequate to effectively carry out the duties that would likely be attendant to those new responsibilities, including regulation drafting, market surveillance, and evaluations of exchange compliance with regulatory requirements.

Table 24: Market Oversight Request by Subprogram

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Market Compliance	$10,871	43.00	$14,189	50.00	$3,318	7.00
Market & Product Review	6,618	26.00	8,261	29.00	1,643	3.00
Market Surveillance	11,839	47.00	16,763	59.00	4,924	12.00
Data Management	5,793	23.00	8,523	30.00	2,730	7.00
TOTAL	$35,121	139.00	$47,736	168.00	$12,615	29.00

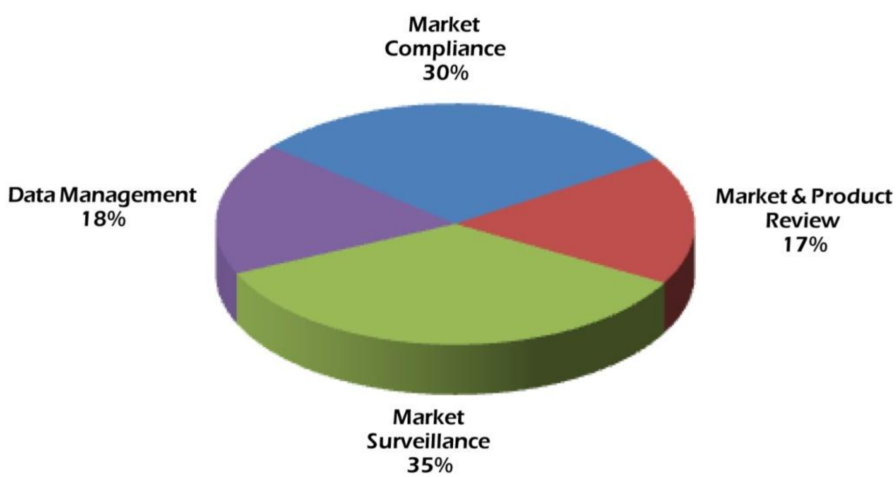


Figure 22: Market Oversight FY 2011 Budget by Subprogram

Table 25: Market Oversight Request by Goal

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL ONE: Protect the economic functions of the commodity futures and option markets.						
Outcomes						
1.1 Futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	$22,481	90.00	$30,479	109.00	$7,998	19.00
1.2 Markets that can be monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.	1,865	7.00	3,212	11.00	1,347	4.00
Subtotal Goal One	**$24,346**	**97.00**	**$33,691**	**120.00**	**$9,345**	**23.00**
GOAL TWO: Protect market users and the public.						
None						
GOAL THREE: Foster open, competitive, and financially sound markets.						
Outcomes						
3.2 Commodity futures and option markets are effectively self-regulated.	$7,681	30.00	$10,230	35.00	$2,549	5.00
3.3 Markets are free of trade practice abuses.	2,529	10.00	3,190	11.00	661	1.00
3.4 Regulatory environment responsive to evolving market conditions.	565	2.00	625	2.00	60	0.00
Subtotal Goal Three	**$10,775**	**42.00**	**$14,045**	**48.00**	**$3,270**	**6.00**
TOTAL	**$35,121**	**139.00**	**$47,736**	**168.00**	**$12,615**	**29.00**

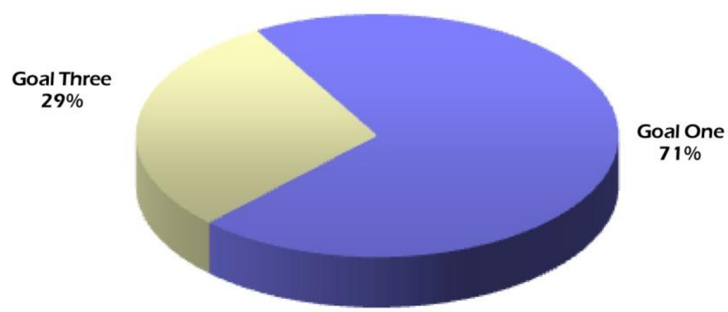


Figure 23: Market Oversight FY 2011 Budget by Goal

Clearing & Intermediary Oversight

Total Budget: $34,474,000 120 FTEs

Total Change: $ 5,369,000 7 FTEs

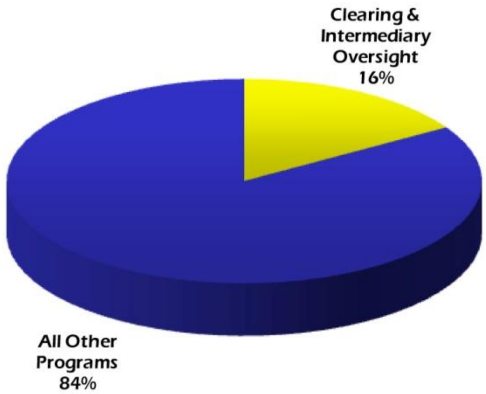


Figure 24: Clearing & Intermediary Oversight Percentage of Total Budget Dollars

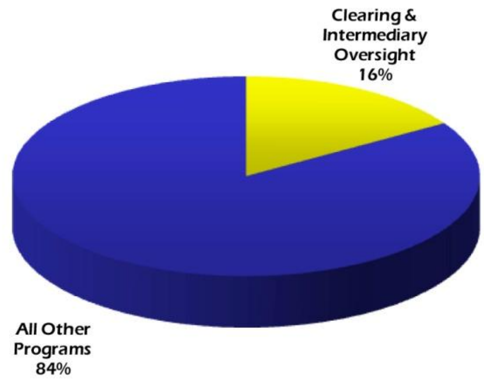


Figure 25: Clearing & Intermediary Oversight Percentage of Total Budget FTEs

Justification of the FY 2011 President's Budget & Performance Plan

In FY 2011, the Clearing and Intermediary Oversight (DCIO) program requests 120 FTEs, an increase of seven FTEs over the FY 2010 level. The three subprograms of Compliance and Registration, Clearing Policy and Risk Surveillance, and Audit and Financial Review, are requesting 16, 38, and 66 FTEs, respectively.

Compliance and Registration. The Compliance and Registration subprogram level of 16 FTEs represents one additional FTE for FY 2011. The FTE will be allocated to fill an attorney-advisor position needed to meet the Compliance and Registration's subprogram responsibilities.

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

Compliance and Registration staff attorneys are the primary point of contact for the public and industry with regard to the meaning, interpretation, and effect of many of the Commission's regulations. Consequently, the subprogram staff is responsible for handling numerous inquiries, ranging from daily calls and e-mail inquiries to formal requests for interpretation or no-action relief. The staff also is responsible for drafting and amending many of the rules involving the registration and regulation of intermediaries. In this regard, staff is currently engaged in drafting rules that will, for the first time, impose registration requirements and Commission oversight upon intermediaries engaged in the offer and sale of over-the-counter foreign currency contracts (forex) to retail customers. Given current trends, staff anticipate significantly more work in this area, including the drafting of final and follow up regulations and the provision of guidance to the public and industry regarding the effect of the rules.

Compliance and Registration staff have engaged in efforts to identify areas where CFTC and SEC regulations can be harmonized. There are significant differences between CFTC and SEC requirements concerning, for example, the registration and oversight of investment advisers and the recognition of foreign intermediaries.

The additional FTE requested would contribute in each of these areas. Finally, the Compliance and Registration subprogram request of additional staff does not take into consideration prospective responsibilities in its allocation of staff. In this regard, attorneys will be needed to implement legislative reforms currently being considered by Congress. These proposals will require Commission staff to prepare numerous rulemakings as more market participants are required to be registered.

Clearing Policy and Risk Surveillance. The Clearing Policy and Risk Surveillance subprogram level of 38 FTEs represents three additional FTEs for FY 2010. The three additional FTEs will be allocated to fill risk analyst positions.

The Clearing Policy and Risk Surveillance subprogram's primary objective is to ensure that DCOs and market intermediaries avoid creating systemic risk. The Clearing Policy and Risk Surveillance subprogram's major functional responsibilities in support of this objective are to: review DCO applications and rule submissions and make recommendations to the Commission; assess DCO compliance with the Act and Commission regulations, including core principles relating to financial resources, risk management, default procedures, customer funds protection, and automatic system safeguards; prepare proposed regulations, orders, guidelines, and other regulatory approaches on issues pertaining to DCOs; provide support to Commission staff in the review of DCM applications and rules submissions relating to clearing and customer funds protection; conduct risk assessment and financial surveillance through the use automated systems to gather and analyze financial information from clearing FCMs to ascertain, on a continuous basis, whether any such FCM shows a material financial weakness; provide advice and guidance regarding clearing to the Commission, other Commission staff, futures professionals, and general public; and review DCO and FCM requests for no-action, exemptive, or interpretive letters relating to the Act or Commission regulations.

The additional FTEs are needed to carry out Clearing Policy and Risk Surveillance subprogram responsibilities of an increasing workload, particularly those related to the expanded and enhanced financial and risk surveillance functions. Additional risk analysts will enhance the ability of the risk surveillance group to analyze proactively and more comprehensively the risk profiles of traders, intermediaries, and clearinghouses in the continually growing markets. The FTEs also will be used to staff additional periodic reviews of DCOs to evaluate their compliance will the Act and Commission regulations, including Core Principles governing financial resources, risk management, default procedures, protection of customer funds, and system safeguards.

Daily risk surveillance is a central element of the Clearing Policy and Risk Surveillance subprogram. Staff receives and reviews reports that detail positions in all futures markets. Staff calculates margin requirements, conducts stress tests and compares potential losses to available resources such as FCM capital and the DCO guarantee fund. Staff contacts DCOs, FCMs, and large market participants regularly, on a proactive basis, to discuss risk posed by large positions and the measures in place to mitigate those risks. Increasing the number of risk analysts will enable individual staff members to focus more on particular markets and market participants and conduct more frequent and more in-depth analyses. For example, there are two risk analysts assigned to the energy complex which has over 200 separate contracts. Additional staff resources would allow the energy complex to be divided among more analysts.

Staff conducts periodic reviews of DCOs to evaluate their compliance with the Act and Commission regulations, including core principles governing financial resources, risk management, default procedures, protection of customer funds, and system safeguards. Currently, the scope and frequency of these reviews are determined based on staff's assessment of risk. A formal review is not conducted of each DCO each year. The number of DCOs, the volume of positions cleared by DCOs, and the complexity of positions are all growing. Increasing the number of risk analysts will enable the program to conduct an on-site risk review of each DCO every year.

Clearing Policy and Risk Surveillance staff are currently engaged in efforts to identify areas where CFTC and SEC regulations can be harmonized. There are significant differences between CFTC and SEC requirements concerning, for example, clearing organization rule approvals and margining methodologies for exchange listed derivative products. Additional staff would be committed to working on the harmonization efforts.

Finally, the Clearing Policy and Risk Surveillance subprogram request of additional staff does not take into consideration prospective responsibilities into its allocation of staff discussed previously. In this regard, attorneys will be needed to implement legislative reforms currently being considered by Congress. These proposals will require that Commission staff prepare numerous rulemakings as more over-the-counter products are required to be cleared. Likewise, additional resources will be needed to process new applications to become a DCO, and to carry out ongoing oversight of DCOs and to carry out daily risk surveillance.

Audit and Financial Review. The Audit and Financial Review subprogram level of 66 FTEs represents three additional FTEs for FY 2011. The additional FTEs will provide the Audit and Financial Review subprogram with additional resources to better ensure the financial integrity of the futures markets and the protection of customer funds. One staff auditor will be allocated to each of the three regional offices.

The Audit and Financial Review subprogram is primarily responsible for ensuring that market intermediaries comply with applicable financial and customer protection requirements set forth in the Act and Commission regulation. The Audit and Financial Review subprogram addresses its responsibilities by conducting oversight of the financial surveillance programs of the SROs for compliance with the Act, Commission regulations, and interpretations. Such oversight includes reviews and assessments of the effectiveness of the programs adopted by the SROs (*i.e.*, the CME Group, Kansas City Board of Trade, Minneapolis Grain Exchange, and NFA) to examine their member FCMs' compliance with the Commission's minimum financial and related reporting requirements, customer funds protection requirements and sales practice requirements. The Audit and Financial Review subprogram also reviews and assesses the effectiveness of NFA's program for monitoring CPOs' and CTAs' compliance with relevant provisions of the Act and Commission regulations. The subprogram further assesses the effectiveness of NFA's execution of certain functions and responsibilities that the Commission has delegated to NFA to perform on behalf of the Commission, including the registration function and the review of CPO and CTA disclosure documents.

The Audit and Financial Review subprogram also performs routine, daily financial surveillance of FCMs. Audit and Financial Review subprogram staff reviews monthly financial statements submitted by FCMs to assess compliance with financial and customer funds protection requirements and to identify possible adverse financial trends. Audit and Financial Review subprogram staff also reviews and performs any necessary follow up on all regulatory notices filed by FCMs, SROs, and DCOs pursuant to Commission regulations (*e.g.*, FCMs that are under-capitalized, under-segregated, or have triggered early warning reporting requirements, etc.).

The Audit and Financial Review subprogram also conducts direct examinations of FCMs and CPOs. Such examinations may be conducted as an integral part of the oversight of the SROs' financial surveillance program, or they may be conducted on a "for cause" basis to assess whether the target of the examination is in compliance with the Act and Commission regulations. The Audit and Financial Review subprogram also may assist with financial reviews of DCOs and periodically provides assistance/expertise on Division of Enforcement investigations/cases. Furthermore, the Audit and Financial Review subprogram is responsible for responding to public inquiries regarding the application of the Commission's capital rules, financial reporting rules, segregation rules, and certain financial and reporting rules governing CPOs.

Direct examination of market intermediaries is a key component of the Audit and Financial Review subprogram. The expertise and proficiency obtained by audit staff during direct examinations are vital tools when assessing the effectiveness and thoroughness of an SRO's financial surveillance program. Direct examinations also provide independent verification of audit work completed by SROs' staffs. The expertise and proficiency obtain by audit staff during direct examinations also are critical in instances where immediate Commission action is necessary to assess the compliance of a FCM or CPO with the Commission's financial requirements in order to protect customers and ensure orderly markets.

The additional FTEs will provide added resources to the Audit and Financial Review subprogram, which will enhance the subprogram's efforts to conduct frequent and comprehensive assessments of the effectiveness of the SROs' financial surveillance programs. Historically, SRO oversight reviews have not been conducted pursuant to established schedules, or on a routine basis. Recently, the Audit and Financial Review subprogram has conducted an average of approximately two major SRO reviews each fiscal year. These reviews required significant staff resources (*i.e.*, approximately 11,000 staff hours per year). The addition of three audit staff members will provide the Audit and Financial Review subprogram with added resources to conduct ongoing comprehensive assessments of the two major SROs (*i.e.*, CME Group and NFA currently have DSRO responsibility for the overwhelming majority of FCMs) on a routine basis (*i.e.*, yearly), and the remaining SROs on a more limited basis, while allowing Audit and Financial Review staff to continue to conduct its regulatory responsibilities detailed above at current levels.

Finally, the Audit and Financial Review subprogram request of additional staff does not take into consideration prospective responsibilities into its allocation of staff discussed previously. In this regard, attorneys will be needed to implement legislative reforms currently being considered by Congress. These proposals will require that Commission staff prepare numerous rulemakings as more over-the-counter products are required to be cleared and more market participants are required to be registered. Likewise, additional resources will be needed to directly examine more market intermediaries and to prepared minimum regulatory capital requirements for new categories of registrants.

Consequences of Not Receiving Requested Level of Resources

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

Without the requested resources, the DCIO program will not meet its established and evolving responsibilities. The increased level of resources requested is necessary for the DCIO program to meet the responsibilities assigned to it by Congress through the CFMA and further changes to the CEA resulting from the CRA, and to help keep pace with the rapid growth in futures and option trading volume and the profound changes resulting from global competition, innovations in derivative contracts, innovations in clearing practices, new clearing organizations, advances in technology, and new market practices. The increasing volume of retail, non-intermediated, off-exchange trading in contracts based on forex has brought increased attention to this area. Additional resources will be needed as a result of reauthorization legislation that expands the Commission's regulatory authority and jurisdiction over off-exchange retail foreign currency transactions. Specifically, DCIO will need additional resources to implement the Commission's forex regulations, including developing oversight measures that will assure the effective monitoring of forex activity and the safeguarding of retail customers' funds. Similarly, DCIO expects to devote significant resources to respond to futures industry and public inquiries regarding the effect of these regulations. Moreover, DCIO expects that efforts to harmonize CFTC and SEC regulations will require increased staff levels. Without additional resources, Clearing and Intermediary Oversight program will be severely hampered in its ability to implement expanded Congressional mandates in a timely fashion. Finally, various pending legislative proposals would bring numerous products and market participants within Commission jurisdiction and could impose significant new responsibilities on DCIO. Given the uncertain nature of the final legislation, DCIO has not factored prospective responsibilities into the allocation of staff discussed above. Nevertheless, it is likely that in order to effectuate the provisions of any legislation that does pass, DCIO staff will be required to engage in extensive rule writing, further stretching the Division's resources.

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

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

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

Table 26: Clearing & Intermediary Oversight Request by Subprogram

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Clearing Policy & Review	$9,130	35.00	$11,047	38.00	$1,917	3.00
Compliance & Registration	4,119	15.00	4,881	16.00	762	1.00
Audit & Financial Review	15,856	63.00	18,546	66.00	2,690	3.00
TOTAL	**$29,105**	**113.00**	**$34,474**	**120.00**	**$5,369**	**7.00**

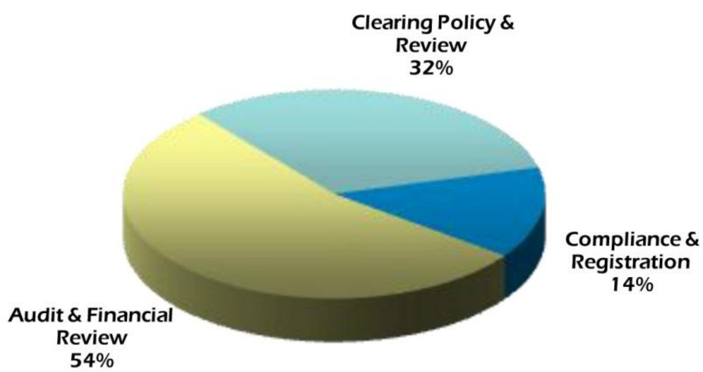


Figure 26: Clearing & Intermediary Oversight FY 2011 Budget by Subprogram

Table 27: Clearing & Intermediary Oversight Request by Goal

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL ONE: Protect the economic functions of the commodity futures and option markets.						
Outcomes						
1.1 Futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	$773	3.00	$1,007	3.50	$234	0.50
1.2 Markets that can be monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.	774	3.00	1,008	3.50	234	0.50
Subtotal Goal One	**$1,547**	**6.00**	**$2,015**	**7.00**	**$468**	**1.00**
GOALTWO: Protect market users and the public.						
Outcomes						
2.1 Violations of Federal commodities laws are detected and prevented.	$1,908	7.50	$2,410	8.50	$502	1.00
2.2 Commodities professionals meet high standards.	6,673	25.50	7,877	27.00	1,204	1.50
2.3 Customer complaints against persons or firms falling within the jurisdiction of the Commodity Exchange Act are handled effectively.	252	1.00	281	1.00	29	0.00
Subtotal Goal Two	**$8,833**	**34.00**	**$10,568**	**36.50**	**$1,735**	**2.50**
GOAL THREE: Foster open, competitive, and financially sound markets.						
Outcomes						
3.1 Clearing organizations and firms holding customer funds have sound financial practices.	$7,356	28.50	$8,493	29.50	$1,137	1.00
3.2 Commodity futures and option markets are effectively self-regulated.	8,072	32.00	9,293	33.00	1,221	1.00
3.4 Regulatory environment responsive to evolving market conditions.	3,297	12.50	4,105	14.00	808	1.50
Subtotal Goal Three	**$18,725**	**73.00**	**$21,891**	**76.50**	**$3,166**	**3.50**
TOTAL	**$29,105**	**113.00**	**$34,474**	**120.00**	**$5,369**	**7.00**

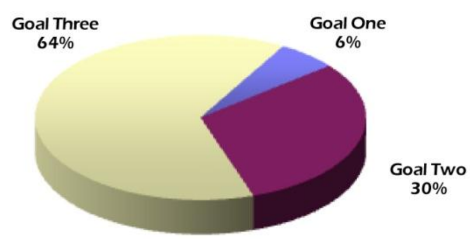


Figure 27: Clearing & Intermediary Oversight FY 2011 Budget by Goal

Enforcement

Total Budget:	$59,620,000	200 FTEs
Total Change:	$16,372,000	39 FTEs

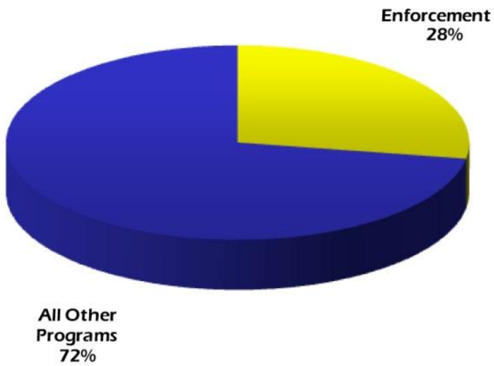


Figure 28: Enforcement Percentage of Total Budget Dollars

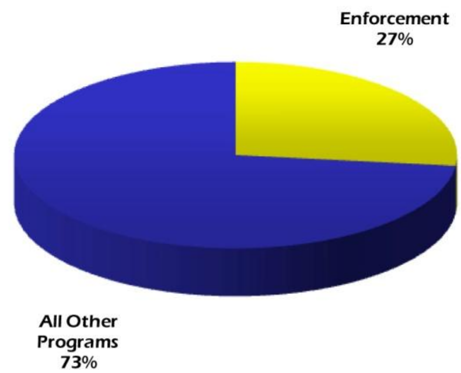


Figure 29: Enforcement Percentage of Total Budget FTEs

Justification of the FY 2011 President's Budget & Performance Plan

The primary responsibility of the Enforcement program is to deter and prevent price manipulation or any other disruptions to market integrity and to protect all market participants from fraudulent or other abusive sales practices and misuses of customer assets. Such conduct undermines the integrity and functioning of the market as well as the confidence of market participants. In the enforcement role, each year the Commission performs investigations and conducts litigations for non-compliance with the laws and regulations under the jurisdiction of the CEA.

In FY 2011, the Enforcement program's FTE allocation level is 200, an increase of 39 FTEs over the FY 2010 appropriation level. In FY 2009, despite operating significantly below its FTE allocation level of 160 for the entire year, the Enforcement program brought 25 percent more actions to protect customers and market participants than it had in FY 2007 and 2008. Many of these were quick-strike actions to freeze customer funds, resulting from tips regarding Ponzi-type and other fraudulent schemes. For example, in FY 2009, the Enforcement program filed over 24 of these Ponzi-type fraud cases, which represented a 100 percent increase in comparison to FY 2008 filings of this nature. In FY 2009, the Enforcement program also brought a large-scale case involving manipulative activity in milk futures.

The Ponzi-type fraud cases primarily arose from the unprecedented financial crisis which caused these schemes to collapse. Additionally, the use of increased authority provided by the Congress involving retail foreign currency fraud contributed to the increase in these cases. The Enforcement program was forced to shift significant resources from larger-scale market manipulation cases – primarily involving crude oil and other energy markets– to prosecute the Ponzi-type fraud cases, thus delaying the conclusion of these larger manipulation investigations. For example, in FY 2009, the Enforcement program anticipated using only five FTE's to investigate and ultimately prosecute all retail foreign currency fraud leads, which is just a small subset of the Ponzi-type frauds handled by the Enforcement program. Within a month of the financial crisis, the Enforcement program devoted more than double the number of FTE's anticipated to investigate and ultimately prosecute retail foreign currency fraud.

The additional 39 FTE's requested in the FY 2011 budget are vital for the Enforcement program to continue to prosecute large-scale manipulations and other market abuses. The types of investigations being handled by the Enforcement program have become increasingly more complex. For instance, in the last decade, trading volume has increased almost six-fold and the amount of customer funds held at futures commission merchants has more than quadrupled alone. Also, the amount of information that the Enforcement program must analyze in its investigations is staggering. For instance, in the ongoing National Crude Oil Investigation commenced in May of 2008, the Enforcement program is reviewing millions of emails, instant messages, and other documents and analyzing incredibly complex trading strategies. As part of that investigation alone, the Enforcement program is reviewing over 8,000 hours of audio recordings. To handle the vast amount of information that must be analyzed, the Commission has made significant technology investments in its e-law program which has enabled the Enforcement program to keep up, in part, with the demands and complexities of manipulation investigations.

The additional FTEs requested for FY 2011 are vitally needed by the Enforcement program to address the following:

- Trading strategies have become more complex, crossing product lines and markets, which has required the Enforcement program to expand the scope of its investigations concerning fraud, market manipulation, and other abusive trading practices. One example is the program's intensive investigations and litigations involving manipulation, including energy-related market abuses. Due to their complexity, the Enforcement program must devote significantly more resources to these investigations in order to analyze voluminous trading data, hire experts, and examine the activities of multiple markets and market participants.

- The Enforcement program anticipates that it will be required to engage in a number of large, complex investigations and trials during FY 2010 and FY 2011. Market-based conduct investigations tend to be more involved and expensive relative to other types of investigations. Beyond the Commission's resources, they frequently involve the need to retain special outside expertise for these cases. To adequately address these complex matters will require the Enforcement program to commit expenditures, especially with respect to information processing and experts that exceed its historical usage. The Commission anticipates that it will need to spend twice the amount that was spent in FY 2009 for consultant and expert fees.

- Matters involving fraud by registered and unregistered pool operators and trading advisors typically require immediate action using the Enforcement program's "quick strike" capability to freeze assets belonging to customers and preserve books and records.[20] The Enforcement program anticipates that it will need to devote additional resources to investigate CPO and CTA activity, including potential "Ponzi" schemes.

- The dramatic increase in electronic trading poses additional challenges to the Enforcement program in terms of potential novel violations (or adaptations of traditional trade practice violations) and potential audit trail gaps. The recent legislation reauthorizing the Commission, the CRA, also expanded the Commission's oversight of electronic trading facilities. These challenges and developments will require additional resources not only for investigation and prosecution, but also for Enforcement staff training.

- The Enforcement program continues to battle pervasive fraud involving retail forex futures, forex options, and/or off-exchange retail forex transactions. The CRA bolstered the Enforcement Program's efforts in this area by clarifying the Commission's forex jurisdiction. The Enforcement program anticipates that it will need to devote at least an additional four FTE resources to combating retail forex fraud.

- The Enforcement program also expends resources against other types of off-exchange fraud. The Enforcement program anticipates additional activity in this program area, in part, due to the fact that the CRA clarifies the Commission's anti-fraud jurisdiction with respect to certain principal-to-principal transactions.

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

- In FY 2009, the Commission entered into an MOU with the Financial Crimes Enforcement Network (FinCEN) at the U.S. Treasury, which increases information sharing between CFTC and FinCEN and, in the context of investigations of suspected violations of the CEA and/or Commission Regulations, gives the Enforcement program access to suspicious activity reports and other financial information. The Enforcement program will dedicate a minimum of two FTE's with respect to activities related to this FinCEN MOU.
- The Enforcement Program will utilize additional FTE's to enhance its cooperative enforcement program in three vital aspects. First, the Enforcement program will establish a Customer Outreach and Protection initiative to educate consumers about the warning signs of commodity fraud. Second, the Enforcement program will utilize additional FTE's to enhance our cooperative efforts with the FERC, Federal Trade Commission (FTC), and SEC. Notably, in FY 2009, the number of cooperative enforcement filings with criminal authorities has increased by 15 percent and with the SEC by over 500 percent. Third, the Enforcement program will use 5-10 FTE's to establish a staff detail program, lending the futures market expertise of CFTC staff to the Department of Justice, SEC, FERC, and other agencies. With regard to the Department of Justice, the staff details will provide training, expertise, and advice to help further criminal prosecutions of violations of the CEA. As to the other agencies, the staff details will provide training and expertise to ensure that detection and prosecution of manipulations and abuses involving areas of overlapping jurisdiction are fully coordinated.

Responsibilities of the Division of Enforcement

Responding to Violative Conduct. When an enforcement investigation indicates that violative conduct may have occurred, the Commission files either an administrative or civil injunctive enforcement action against the alleged wrongdoers. In administrative actions, wrongdoers found to have violated the CEA or Commission regulations or orders can be prohibited from trading and, if registered, have their registrations suspended or revoked. Violators also can be ordered to: cease and desist from further violations; pay civil monetary penalties of up to $1 million per manipulation violation or $140,000 per other violation, or triple their monetary gain, and pay restitution to those persons harmed by the misconduct. In civil injunctive actions, defendants can be enjoined from further violations, their assets can be frozen, and their books and records can be impounded. Defendants also can be ordered to disgorge all illegally obtained funds, make restitution to customers, and pay civil penalties. In FY 2009, the Commission's efforts have thus far resulted in the award of approximately $147 million in restitution and disgorgement and $77 million in civil monetary penalties.

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

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

The Commission also pursues actions involving false or misleading advertising. Over the past several years, there has been substantial false and deceptive advertising of commodity-related investment products, often by unregistered persons and entities through various forms of mass media, such as cable television, radio, and the Internet. The Enforcement program has worked aggressively to detect and stop such advertising by filing enforcement actions. Similarly, the Enforcement program pursues cases charging misconduct involving off-exchange retail forex transactions and charging illegal futures and options, often in precious metals. Such cases typically involve unregistered "boiler rooms" selling illegal futures contracts and options to the general public. Again, the most likely victims are individual retail investors.

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

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

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

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

Consequences of Not Receiving Requested Level of Resources

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

The Enforcement program will utilize the FTEs allocated for FY 2011 in targeting certain program areas, for example: 1) allegations of manipulation, attempted manipulation, trade practice violations, and false reporting; 2) misconduct by commodity pools, hedge funds, CPOs, and CTAs; and 3) financial, supervision, recordkeeping and other violations committed by registered entities. Also, in response to recent legislation reauthorizing the CFTC which provided the agency with clarified authority with respect to off-exchange retail foreign currency fraud and trading on ECMs, the Enforcement program will target off-exchange fraud involving illegal futures and options contracts, including those involving foreign currency; and trade practice violations. The allocated FTEs also will enable the Enforcement program to continue its commitment to cooperative enforcement activities.

Without these FTE resources, the Enforcement program will not meet established responsibilities. Without adequate staffing, the Enforcement program must be more selective in the matters it investigates, potentially leaving serious wrongdoing unaddressed. Furthermore, investigations will take longer to complete, particularly when increasing complex litigation draws resources away from investigations, resulting in less efficient and potentially less successful actions. Likewise, domestic and international cooperative enforcement activities will be undermined, adversely affecting not only the mission of the Commission, but also that of its domestic and international counterparts.

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

Table 28: Enforcement Request

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Enforcement	$43,248	161.00	$59,620	200.00	$16,372	39.00
TOTAL	**$43,248**	**161.00**	**$59,620**	**200.00**	**$16,372**	**39.00**

Table 29: Enforcement Request by Goal

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL ONE: Protect the economic functions of the commodity futures and option markets.						
Outcomes						
1.1 Futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	$18,097	67.38	$25,006	83.88	$6,909	16.50
1.2 Markets are effectively and efficiently monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.	620	2.31	864	2.90	244	0.59
Subtotal Goal One	**$18,717**	**69.69**	**$25,870**	**86.78**	**$7,153**	**17.09**
GOAL TWO: Protect market users and the public.						
Outcomes						
2.1 Violations of Federal commodities laws are detected and prevented.	$19,238	71.61	$26,372	88.47	7,134	16.86
2.2 Commodities professionals meet high standards.	207	0.77	289	0.97	82	0.20
Subtotal Goal Two	**$19,445**	**72.38**	**$26,661**	**89.44**	**$7,216**	**17.06**
GOAL THREE: Foster open, competitive, and financially sound markets.						
Outcomes						
3.1 Clearing organizations and firms holding customer funds have sound financial practices.	$3,726	13.87	$5,178	17.37	$1,452	3.50
3.3 Markets are free of trade practice abuses.	554	2.06	718	2.41	164	0.35
3.4 Regulatory environment responsive to evolving market conditions.	806	3.00	1,193	4.00	387	1.00
Subtotal Goal Three	**$5,086**	**18.93**	**$7,089**	**23.78**	**$2,003**	**4.85**
TOTAL	**$43,248**	**161.00**	**$59,620**	**200.00**	**$16,372**	**39.00**

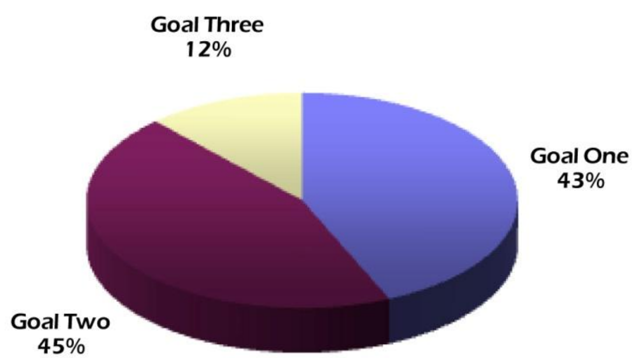


Figure 30: Enforcement FY 2011 Budget by Goal

Office of the Chief Economist

Total Budget:	$ 5,115,000	17 FTEs
Total Change:	$ 1,577,000	4 FTE

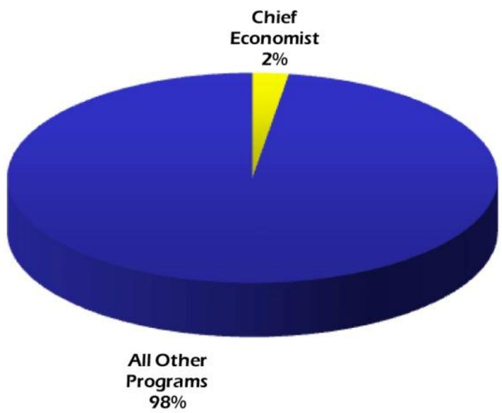


Figure 31: Chief Economist
Percentage of Total Budget Dollars

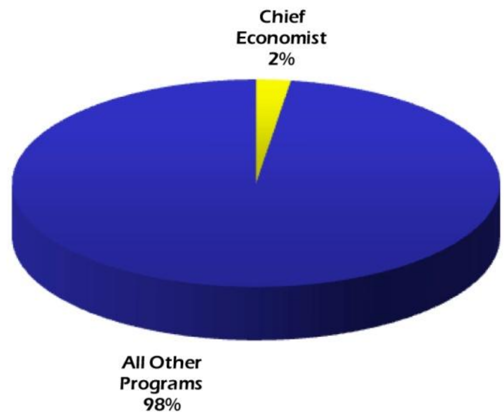


Figure 32: Chief Economist
Percentage of Total Budget FTEs

Justification of the FY 2011 President's Budget & Performance Plan

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

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

In FY 2011, the Office of the Chief Economist (OCE) program requests 17 FTEs; this is four additional FTE over the 13 FTE in the FY 2010 base.

The growth in the number of markets that trade and clear a widening array of complex derivative products requires analysis and research to determine the appropriate regulatory approach to these markets and products. In FY 2010, staff of the OCE will be required to monitor an ever widening and more diverse array of markets, including new energy products, new types of "event-related" markets, such as corporate actions, derivatives on economic statistics, derivatives on credit events, derivatives on weather, environmental contracts and derivatives on exchange-traded commodity funds. The Commission anticipates that a large number of these contracts will be listed for trading, both on futures and securities exchanges. In addition, management and parsing of the huge amounts of trading data, both transaction data and order book data, as a result of the continued expansion of electronic trading and the noted increase in products traded requires involvement of OCE staff as principal users of such data.

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

Consequence of Not Receiving Requested Level of Resources

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

Such research is integral to OCE's ability to provide timely and effective support to the Chairman's office in its response to information and analysis requests from the Congress and from other regulatory organizations. Stresses brought on both by difficulties in the financial markets as well as questions raised by innovative institutional arrangements continue. Very significant questions are being raised with regard to the appropriate levels for speculative activity as well as the institutional arrangements through which speculative activities are channeled.

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

Without the requested level of resources OCE will be unable to provide effective economic and statistical analysis to the enforcement and surveillance programs, and review the financial safeguard system. This may result in substantial time delays in critical market research, which may adversely affect the economic function of the markets and may lead to systemic risk across the broader financial market system.

Table 30: Office of the Chief Economist Request

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Chief Economist	$3,528	13.00	$5,115	17.00	$1,577	4.00
TOTAL	**$3,538**	**13.00**	**$5,115**	**17.00**	**$1,577**	**4.00**

Table 31: Office of the Chief Economist Request by Goal

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL ONE: Protect the economic functions of the commodity futures and option markets.						
Outcomes						
1.1 Futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	$3,538	13.00	$5,115	17.00	$1,577	4.00
1.2 Markets that can be monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.	0	0	0	0	0	0
Subtotal Goal One	**$3,538**	**13.00**	**$5,115**	**17.00**	**$1,577**	**4.00**
GOAL TWO: Protect market users and the public.						
None.						
GOAL THREE: Foster open, competitive, and financially sound markets.						
None						
TOTAL	**$3,538**	**13.00**	**$5,115**	**17.00**	**$1,577**	**4.00**

Office of Proceedings

Total Budget:	$ 2,860,000	11 FTEs
Total Change:	$ 571,000	1 FTE

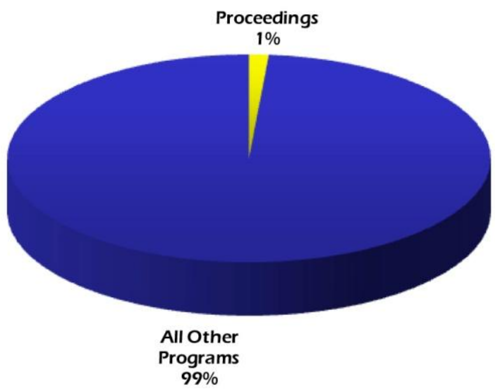


Figure 33: Proceedings Percentage of Total Budget Dollars

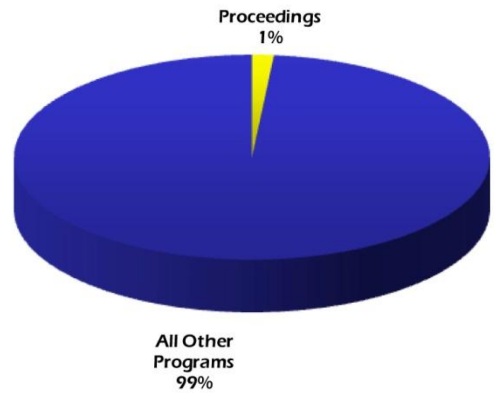


Figure 34: Proceedings Percentage of Total Budget FTEs

Justification of the FY 2011 President's Budget & Performance Plan

The Office of Proceedings is responsible for providing an inexpensive, impartial, and expeditious forum for handling customer complaints against persons or firms registered under the CEA. In FY 2011, the Office of Proceedings requests 11 FTEs, which is an increase of one FTE over FY 2010.

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

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

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

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

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

Consequence of Not Receiving Requested Level of Resources

The Office of Proceedings requests an increase of one FTE over the FY 2010 level. If the requested level of eleven FTEs is not approved, the Office of Proceedings will be unable to move forward in effectively supporting the Commission's customer protection program. In particular, the Office will not be able to effectively coordinate with the other customer protection programs of the Commission and NFA, or to represent the Commission in working on customer protection issues with external groups, including other Federal financial regulators and organizations such as AARP. In addition, the Office will not be able to address serious paper record-keeping issues or plan for and implement electronic filing and record-keeping. The Office will also have difficulty in the transition to eLaw, the electronic litigation support package that currently supports the Division of Enforcement. This will, in turn, minimize the long-range ability of the program to effectively serve the Commission and the public. Finally, if the requested level of 11 FTEs is not approved, the ability of the Office to provide more and better information to the public through the agency's Web site and through other public information forums could be impacted.

Table 32: Proceedings Request by Subprogram

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Enforcement	$687	3.00	$1,040	4.00	$353	1.00
Reparations	1,602	7.00	1,820	7.00	218	0.00
TOTAL	**$2,289**	**10.00**	**$2,860**	**11.00**	**$571**	**1.00**

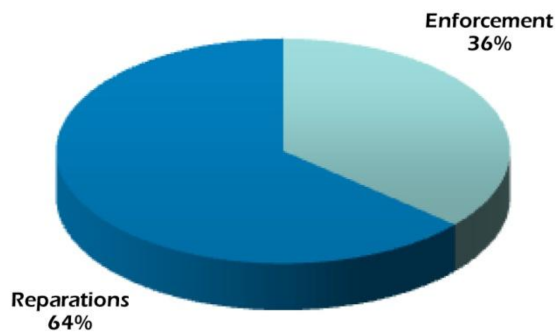


Figure 35: Proceedings FY 2011 Budget by Subprogram

Table 33: Proceedings Request by Goal

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL ONE: Protect the economic functions of the commodity futures and option markets.						
None						
GOAL TWO: Protect market users and the public.						
Outcomes						
2.1 Violations of Federal commodities laws are detected and prevented.	$687	3.00	$1,040	4.00	$353	1.00
2.2 Require commodities professionals to meet high standards.	0	0.00	0	0.00	0	0.00
2.3 Customer complaints against persons or firms falling within the jurisdiction of the Commodity Exchange Act are handled effectively and expeditiously.	1,602	7.00	1,820	7.00	218	0.00
Subtotal Goal Two	**$2,289**	**10.00**	**$2,860**	**11.00**	**$571**	**1.00**
GOAL THREE: Foster open, competitive, and financially sound markets.						
None						
TOTAL	**$2,289**	**10.00**	**$2,860**	**11.00**	**$571**	**1.00**

Office of the General Counsel

Total Budget:	$14,242,000	47 FTEs
Total Change:	$ 1,413,000	0 FTE

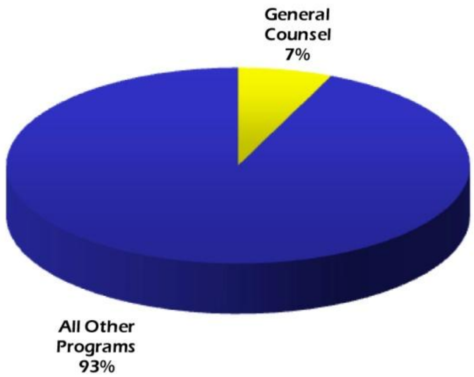


Figure 36: Percentage of Total Budget Dollars

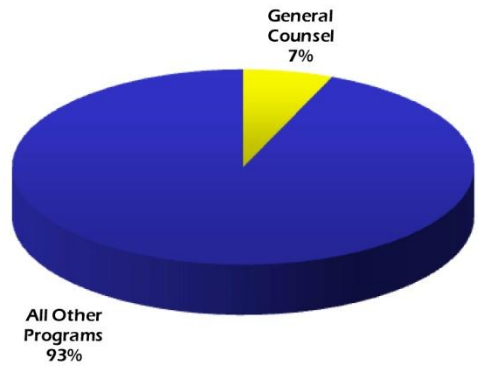


Figure 37: Percentage of Total Budget FTEs

Justification of the FY 2011 President's Budget & Performance Plan

The Office of General Counsel (OGC) provides legal services and support to the Commission and all of its programs. These services include: 1) engaging in defensive, appellate, and amicus curiae litigation; 2) assisting the Commission in the performance of its adjudicatory functions; 3) providing legal advice and support for Commission programs; 4) drafting and assisting other program areas in preparing Commission regulations; 5) interpreting the CEA; and 6) providing advice on legislative and regulatory issues. In FY 2011, OGC requests 47 FTEs, which is a continuation of its current staffing at the FY 2010 level.

As Legal Advisor to the Commission, OGC:

- Reviews for legal sufficiency all substantive regulatory, enforcement, legislative, and administrative matters presented to the Commission;
- Advises the Commission on the application and interpretation of the CEA, all other statutes to which the Commission is subject or that have relevance to the Commission's regulatory mission, and other pertinent administrative and legislative issues;
- Assists the Commission in performing its adjudicatory functions through its Opinions and Review Program;
- Represents the Commission in appellate litigation, including participation as *amicus curiae*; certain trial-level cases, including bankruptcy cases involving futures industry professionals; and certain kinds of administrative litigation;
- Provides legal support to the Commission to assure compliance with laws of government-wide applicability such as the Privacy, Government in the Sunshine, Regulatory Flexibility, Paperwork Reduction, and Federal Advisory Committee Acts;
- Advises the Commission with respect to all matters related to the Freedom of Information Act, and responds to requests for non-public Commission records, as well as handling appeals from initial determinations regarding requests for records;

- Advises the Commission and its staff with respect to all matters related to the Commission's ethics standards and compliance with its Code of Conduct, as well as with government-wide ethics regulations promulgated by the Office of Government Ethics;
- Advises the Commission on personnel, labor, contract, and employment law matters, including cases arising under Title VII of the Civil Rights Act of 1964 and other antidiscrimination statutes, and Merit Systems Protection Board cases arising under the Civil Service Reform Act of 1978;
- Monitors, reviews, and comments on proposed legislation affecting the Commission or the futures industry, prepares technical assistance regarding draft legislation as requested by members of Congress or their staff, and provides liaison with other Federal regulators as necessary on specific legislative projects;
- Provides staff support to the PWG on Financial Markets;
- Provides written interpretations of Commission statutory and regulatory authority and, where appropriate, provides exemptive, interpretive, and no-action letters to regulatees and potential regulatees of the Commission; and
- Counsels other Commission staff on legal aspects of various issues arising during the course of Commission business.

OGC's activities, programs, and support contribute to all of the outcomes and functions of the Commission and have a direct and significant impact on the ability of the Commission to perform its mission.

The demand for OGC's services and expertise on the legislative front is expected to remain high through the upcoming year as Congress focuses its attention on issues arising out of the recent financial crisis, including proposals to regulate the vast over-the-counter derivatives markets. In addition to advising and assisting the Commission on these matters, OGC expects to continue to be called upon to provide technical assistance to members of Congress and their staff, as well as the U.S. Treasury, on numerous pending pieces of legislation affecting futures and derivatives markets. Other issues relevant to the Commission on which Congress is expected to focus its attention include a proposed carbon cap-and-trade regime, speculative trading in energy and agricultural futures markets, hedge fund registration and the supervision of systemically important entities including clearinghouses. The call for OGC resources in this area is expected to remain at a high level as this legislative activity generates frequent requests for testimony by Commission representatives, a myriad of statutory proposals to address these issues, and a multitude of Congressional requests for information to the Commission.

In addition, OGC is heavily involved in advising the Commission on ensuring the fair and orderly trading of futures contracts. In particular, OGC is assisting the Commission regarding the implementation of its new authority, granted as part of the CRA in 2008, to set position limits for SPDC contracts traded on ECMs. Other complex matters before OGC include legal counsel regarding efforts to harmonize the CFTC's and SEC's respective regulatory structures. Further, increasing innovation in the futures and capital markets in recent years has yielded a growing number of novel derivative products that contain elements of both futures contracts and securities. Pursuant to the MOU between the CFTC and SEC, the agencies cooperate to improve efficiency in the approval and regulation of such novel derivative products in order to speed their access to the marketplace. The continuing development of these hybrid instruments creates increased need for legal analysis of products, statutory jurisdiction, and judicial precedents by OGC attorneys. Finally, ongoing initiatives by the U.S. Treasury's FinCEN, coupled with the MOU that the CFTC has entered into with FinCEN, are expected to increase the need for OGC resources addressing anti-money laundering and counter-terrorism financing issues.

Further, OGC's responsibility to review for legal sufficiency all substantive regulatory, legislative, enforcement and administrative matters presented to the Commission has increased as a consequence of heightened activity by other Divisions within the Commission. The Commission continues to vigorously prosecute manipulative and fraudulent activities in, among other areas, energy commodities and collective investment vehicles (such as commodity pools and hedge funds, including unregistered pool operators perpetrating Ponzi schemes) that now play an expanding role in nearly every market that impacts the Commission's mission. Moreover, exchange-traded contracts and other newer derivatives platforms continue to experience explosive growth and, as a consequence of the increased activity in these markets, the Commission's surveillance and enforcement resources are increasingly stressed. This heightened deployment of Commission resources, in turn, spurs demand for readily available legal services from experienced legal talent in OGC. The recently-enacted CRA clarification of the Commission's enforcement authority (and expansion of rulemaking authority) over off-exchange retail foreign currency trading is one of the most visible instances in this regard.

Consequence of Not Receiving Requested Level of Resources

The CEA provides that the Commission "shall have a General Counsel [who] shall report directly to the Commission and serve as its legal advisor." In order to continue to effectively and efficiently perform that statutory role, OGC must maintain its current staffing level in FY 2011. As described above, the volume and complexity of OGC's workload has grown exponentially, while OGC has only recently recovered from a dramatic depletion of staff. A combination of staff attrition through retirements and resignations, and the lingering effects of prior hiring freezes, left OGC with only 18 staff attorneys in early 2008. The easing of restrictions on hiring, plus new positions previously authorized, have enabled OGC to rebuild its ranks since that low. Given the substantial regulatory activity underway by the Commission, and the stakes that attach to OGC's analysis of such initiatives, maintenance of the current staffing level for OGC's legal program is an imperative.

All proposed new rules and rule amendments, enforcement actions, exchange and clearinghouse application approvals, and international undertakings, among other initiatives, that are recommended to the Commission are reviewed by OGC both to ensure their legal sufficiency and to make certain that the Commission is appropriately apprised of all facts and potential risks relevant to its decision whether to approve the recommended action. Failure in this regard could expose the Commission to a finding of having acted in an arbitrary and capricious manner in violation of the Administrative Procedure Act in the regulatory context, and to liability for a litigation opponent's attorney fees pursuant to the Equal Access to Justice Act in the enforcement context.

The consequences of not maintaining OGC's current staffing level with properly equipped persons will leave OGC unable to fulfill its statutory role effectively and may result in the Commission's receiving and acting on legal advice that is either not timely or that lacks the requisite depth and rigor. Absent sufficient OGC staff to fulfill its advise-and-review function, OGC may be unable to provide the Commission with timely legal advice on pending matters. Separately, in addition to serving the Commission, OGC must respond to outside "stakeholders" whose requirements are not within the Commission's control, such as Congress and the courts. An understaffed Office of General Counsel risks leaving the Commission's legal interests in these critical forums less than fully protected.

Table 34: General Counsel Request

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
General Counsel	$12,829	47.00	$14,242	47.00	$1,413	0.00
TOTAL	**$12,829**	**47.00**	**$14,242**	**47.00**	**$1,413**	**0.00**

Table 35: General Counsel Request by Goal

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL ONE: Protect the economic functions of the commodity futures and option markets.						
Outcomes						
1.1 Futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	$2,454	8.99	$2,724	8.99	$270	0.00
1.2 Markets that can be monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.	172	0.63	191	0.63	19	0.00
Subtotal Goal One	**$2,626**	**9.62**	**$2,915**	**9.62**	**$289**	**0.00**
GOAL TWO: Protect market users and the public.						
Outcomes						
2.1 Violations of Federal commodities laws are detected and prevented.	$3,865	14.16	$4,291	14.16	$426	0.00
2.2 Commodities professionals meet high standards.	753	2.76	836	2.76	83	0.00
2.3 Customer complaints against persons or firms falling within the jurisdiction of the Commodity Exchange Act are handled effectively and expeditiously.	1,891	6.93	2,100	6.93	209	0.00
Subtotal Goal Two	**$6,509**	**23.85**	**$7,227**	**23.85**	**$718**	**0.00**
GOAL THREE: Foster open, competitive, and financially sound markets.						
Outcomes						
3.1 Clearing organizations and firms holding customer funds have sound financial practices.	$771	2.82	$855	2.82	$84	0.00
3.2 Commodity futures and option markets are effectively self-regulated.	344	1.26	382	1.26	38	0.00
3.3 Markets are free of trade practice abuses.	742	2.72	824	2.72	82	0.00
3.4 Regulatory environment responsive to evolving market conditions.	1,837	6.73	2,039	6.73	202	0.00
Subtotal Goal Three	**$3,694**	**13.53**	**$4,100**	**13.53**	**406**	**0.00**
TOTAL	**$12,829**	**47.00**	**$14,242**	**47.00**	**$1,413**	**0.00**

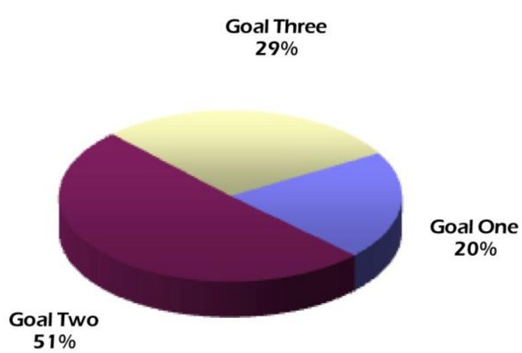


Figure 38: General Counsel FY 2011 Budget by Goal

Office of the International Affairs

Total Budget:	$ 2,946,000	10 FTEs
Total Change:	$ 566,000	1 FTE

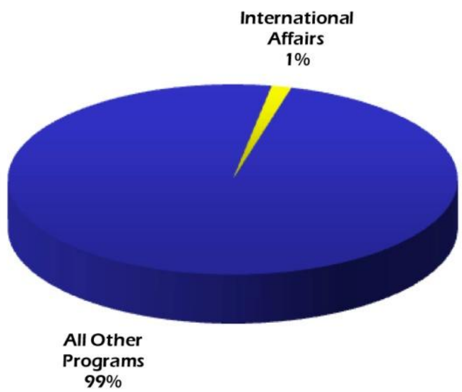


Figure 39: Percentage of
Total Budget Dollars

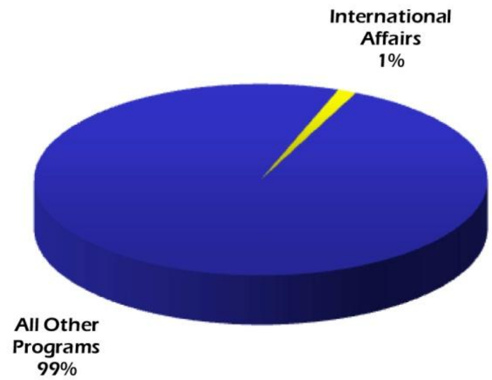


Figure 40: Percentage of
Total Budget FTEs

Justification of the FY 2011 President's Budget & Performance Plan

The Office of International Affairs (OIA) coordinates the Commission's non-enforcement related international activities, represents the Commission in international organizations, such as IOSCO, coordinates Commission policy as it relates to U.S. Treasury global initiatives and provides technical assistance to foreign market authorities. These activities have as a common goal the promotion of internationally accepted standards of best practice, the development of supervisory cooperation arrangements in order to strengthen customer and market protections and the improvement of the quality and timeliness of international information sharing.

OIA's work increasingly has focused on international initiatives that respond to the financial crisis and to volatility in energy and agricultural commodity markets. OIA represents the Commission in its capacity as co-chair of IOSCO's Task Force on Commodity Futures Markets, which recently has been re-tasked by IOSCO to carry work forward on promoting practical ways to enhance the transparency of futures, cash and OTC physical commodity markets in energy and agricultural markets. Achieving greater transparency across all commodity markets will provide regulators with the data needed to understand better the composition and pricing mechanisms in these strategically important markets. OIA also has focused on strengthening the Commission's ability to detect abusive trading practices, such as working closely with the U.K. regulatory authorities to enhance their supervision of linked oil contracts.

In FY 2011, the Office of International Affairs requests a total of 10 FTEs, an increase of one FTE over FY 2010.

Consequence of Not Receiving Requested Level of Resources

The financial crisis and volatility in global energy and agricultural commodity markets make clear that no one regulator alone can address successfully the impact of global activities on its national markets. As a result, the Commission must continue to participate fully in a variety of international forums to seek cooperative and coordinated solutions to these global market concerns.

For example, cooperative discussions with the U.K's Financial Services Authority resulted in an agreement on steps to strengthen cross border supervision of energy markets. However, implementation of this agreement will require ongoing involvement by staff. The Commission intends to continue to work for greater commodity market transparency and global cooperation in surveillance and enforcement by co-chairing the IOSCO Task Force on Commodity Futures Markets, participating in a newly created IOSCO Task Force on Surveillance and in four IOSCO Technical Committee working groups that develop international standards of best practice.

Similarly, resources are needed to allow the Commission to participate in a broad range of regulatory development activities within IOSCO and the G20 structure that respond to issues revealed by the financial crisis, such as: cooperation and coordination in the areas of OTC regulation, central counterparty clearing standards, the monitoring and control of systemic risk, the protection of customer funds, and mechanisms to share systemically important information internationally. It is critical for the Commission to participate in this work, which effectively is creating international standards of best practice.

The Commission's international agenda also includes responding to requests by the U.S. Treasury to participate in international dialogues (*e.g.,* U.S.— China dialogue), providing technical assistance to developing market jurisdictions, and engaging in bilateral negotiations with foreign regulators to resolve cross-border issues. The need to participate in U.S. Treasury initiatives, many of which address critical issues addressing the financial crisis, has resulted in additional staffing needs. We expect these demands to increase. Finally, the Commission also is focusing on strengthening its supervision of registered entities such as clearing organizations and markets that are registered by both the Commission and a foreign regulator, and on ensuring that the recipients of regulatory exemptions remain in compliance with applicable requirements. Achieving this goal of greater due diligence and ongoing compliance monitoring will require the Commission to coordinate closely with foreign regulators.

Any diminution in resources would require the Commission to reduce its international program, thereby making it less able to advocate for international regulatory policies that help to ensure that commodity markets remain free from fraud, manipulation and other market abuses and reduce the possibility for regulatory arbitrage among jurisdictions. Cutbacks in resources would also greatly inhibit the Commission's ability to address the need for enhanced supervision of cross-border activities.

Table 36: International Affairs Request by Subprogram

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
International Affairs	$2,380	9.00	$2,946	10.00	$566	1.00
TOTAL	**$2,380**	**9.00**	**$2,946**	**10.00**	**$566**	**1.00**

Table 37: International Affairs Request by Goal

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL ONE: Protect the economic functions of the commodity futures and option markets.						
None						
GOAL TWO: Protect market users and the public.						
Outcomes						
None						
GOAL THREE: Foster open, competitive, and financially sound markets.						
Outcomes						
3.1 Clearing organizations and firms holding customer funds have sound financial practices.	$0	0	$0	0	$0	0.00
3.2 Commodity futures and option markets are effectively self-regulated.	0	0	0	0	0	0.00
3.3 Markets are free of trade practice abuses.	0	0	0	0	0	0.00
3.4 Regulatory environment responsive to evolving market conditions.	2,380	9.00	2,946	10.00	566	1.00
Subtotal Goal Three	**$2,380**	**9.00**	**$2,946**	**10.00**	**$566**	**1.00**
TOTAL	**$2,380**	**9.00**	**$2,946**	**10.00**	**$566**	**1.00**

Agency Direction

Total Budget: $13,846,000 47 FTEs

Total Change: $ 4,591,000 12 FTEs

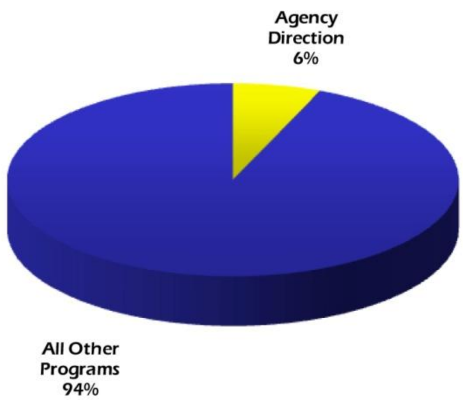


Figure 41: Percentage of Total Budget Dollars

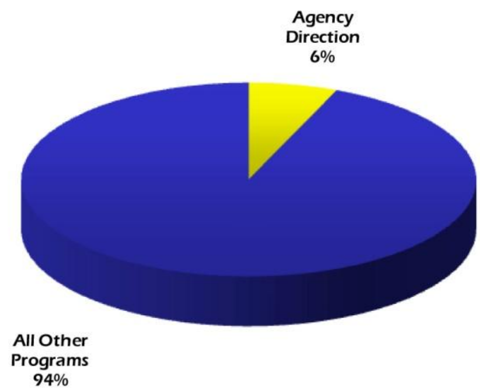


Figure 42: Percentage of Total Budget FTEs

Justification of the FY 2011 President's Budget & Performance Plan

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

The Commission continues to implement the CRA, (part of the 2008 Farm Bill), making critical improvements to the CEA and the Commission's authority. Specifically, the new legislation reauthorized the Commission through FY 2013, provided enhanced Commission oversight of ECMs that trade contracts performing a significant price discovery function, increased CFTC penalty authority for manipulation, clarified CFTC anti-fraud authority for off-exchange principal-to-principal energy trades, and clarified CFTC off-exchange retail foreign currency fraud authority.

The Commission has undertaken a number of high priority programmatic initiative beginning in FY 2009 with resource implications for FY 2010 and FY 2011, these include: 1) reviewing regulation of derivatives markets and recommending changes to protect the U.S. public from systemic financial risks and improve regulatory coordination with other agencies such as the SEC and FERC; 2) increasing market transparency through initiatives such as, enhancing the Commitment of Traders (COT) Reporting; publishing quarterly and eventually monthly reports on commodity index trading; rapid expansion of mission critical information systems that can integrate large trader data with intraday trades and account ownership data to improve CFTC oversight of trading and better deter fraud and manipulation, and; implementing improvements to the Commission's Web site— CFTC.gov; 3) improving regulation of energy markets – especially with regard to position limits and SPDCs 4) increasing the frequency of reviews and audits of Commission registrants, and; 5) improving resource utilization through technology modernization, improved resource justification and improve program performance.

In FY 2010, the Agency Direction program requests a total of 47 FTEs, an increase of 12 over the estimated FY 2010 usage. Three additional staff are allocated to the Immediate Office of the Chairman: two senior counselors and one administrative assistant to assist the Chairman in implementing the financial regulatory reform (including regulation of the derivatives markets and SEC harmonization); improving market transparency (enhanced reporting on market data; integration of large trader data with intraday trades and account ownership; enhanced access to information through an improved CFTC Web site); and better use of current regulatory and statutory authorities (particularly with regard to energy markets and registrant oversight); and, better use of human and technological resources (with focus of technology modernizations, better resource justification and improve program performance and outcomes).

One additional information technologist (Web site content manager) is required to ensure the Commission has a robust Web site that is useful to market participants, the industry we regulate, and the public. Five additional staff-years are requested to provide each of the four Commissioners with a staff of three (professional and administrative) to assist in the adequate review and analysis of the increasing number of complex issues presented to the Commission for review and action. .

Three new risk management analysts are requested to establish a new enterprise risk management staff. The risk management staff will focus on developing and employing methods and processes to manage risks related to the achievement the Commission goals. Specifically, identifying particular events or circumstances they may affect the integrity of Nation's futures markets, and assessing them in terms of likelihood and magnitude of impact, determining a response strategy, and monitoring progress. In short, the object is to proactively address risks and opportunities and thereby protect the integrity of the futures markets, market participants, consumers, the public, and the Nations' financial stability.

Consequence of Not Receiving Requested Level of Resources

Without the requested level of resources, the Offices of the Chairman and the Commissioners will not be adequately staffed to respond appropriately and timely to the many new expectations, requirements, requests, and new responsibilities thrust upon the agency in the wake of the financial crisis of 2008. For example, public outreach, and responsiveness to Congress and other government agencies, the futures industry, and public inquiries would be unacceptably slowed. Likewise, the administrative and technical review of Administration proposals, proposed legislation from Congress, Commission memoranda, correspondence from stakeholders, or official actions may take longer. These delays will certainly impede the Commission goals of ensuring the economic vitality of the markets, ensuring that market users and public are protected, and fostering open, competitive and financial sound markets. Specially, the additional resources requested are critical to ensuring there are no avoidable delays in advancing Administrative and Congressional initiatives aimed at restoring the economy and ensuring a sustained recovery of the Nation's economy.

Table 38: Agency Direction Request by Subprogram

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Agency Direction[13]	$9,255	35.00	$13,846	47.00	$4,591	12.00
TOTAL	**$9,255**	**35.00**	**$13,846**	**47.00**	**$4,591**	**12.00**

13) Agency Direction includes the Office of the Inspector General. See Appendix 5 for more detail.

FY 2010		FY 2011		Change	
$000	FTE	$000	FTE	$000	FTE
$1,095	4.00	$1,215	4.00	$120	0.00

Table 39: Agency Direction Request by Goal

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL ONE: Protect the economic functions of the commodity futures and option markets.						
None						
GOAL TWO: Protect market users and the public.						
Outcomes						
None						
GOAL THREE: Foster open, competitive, and financially sound markets.						
Outcomes						
None						
GOAL FOUR: Organizational and Management Excellence.						
Outcomes						
4.1 A productive, technically competent, competitively compensated, and diverse workforce that takes into account current and future technical and professional needs of the Commission.	$0	0.00	$0	0.00	$0	0.00
4.2 A modern and secure information system that reflect the strategic priorities of the Commission.	0	0.00	0	0.00	0	0.00
4.3 An organizational infrastructure that efficiently and effectively responds to and anticipates both the routine and emergency business needs of the Commission.	0	0.00	0	0.00	0	0.00
4.4 Financial resources are allocated, managed and accounted for in accordance with the strategic priorities of the Commission.	0	0.00	0	0.00	0	0.00
4.5 The Commission's mission is fulfilled and goals are achieved through sound management and organizational excellence provided by executive leadership.	9,255	35.00	13,846	47.00	4,591	12.00
Subtotal Goal Four	**9,255**	**35.00**	**13,846**	**47.00**	**4,591**	**12.00**
TOTAL	**$9,255**	**35.00**	**$13,846**	**47.00**	**$4,591**	**12.00**

Administrative Management & Support

Total Budget: $35,161,000 125 FTEs

Total Change: $4,126,000 2 FTEs

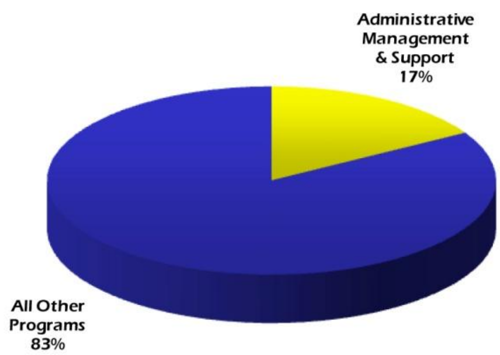


Figure 43: Percentage of Total Budget Dollars

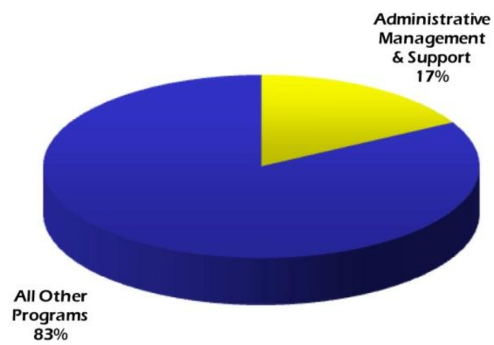


Figure 44: Percentage of Total Budget FTEs

Justification of the FY 2011 President's Budget & Performance Plan

The fulfillment of the Commission's mission and the achievement of its goals depend on a foundation of sound management and organizational excellence. This foundation is essential to support the work of the Commission in the Washington D.C. headquarters and three regional offices in New York, Chicago, and Kansas City. The Commission is committed to maintaining a well-qualified, skilled and diverse workforce supported by a modern infrastructure and support services that enable staff to achieve programmatic goals. Building and sustaining this foundation requires continuous review and investment in people, technology, management initiatives and facilities.

The Office of Executive Director (OED) staff ensures Commission compliance with Federal laws, regulations and requirements enacted by Congress and imposed by the Office of Management and Budget (OMB), the U.S. Treasury, the Government Accountability Office (GAO), and the Office of Personnel Management. The Executive Director serves as the Chief Operating Officer (COO) responsible for the effective and efficient allocation and use of resources. The COO also develops and implements management and administrative policy and programs, functions and services of the Commission. The program's broad ranging mandate is centrally managed and administered through the offices of the Executive Director: Human Resources (OHR); Financial Management (OFM); Information and Technology Services (OITS); Management Operations; and the Library.

OED staff:

- Formulate budget and resource authorization strategies;
- Deliver best practices in human capital resource strategies and management;
- Supervise the allocation and utilization of agency resources;
- Promote and foster best business practices for resource utilization;
- Develop and implement annual resource management plans;
- Promote management controls and financial integrity;
- Manage space leases and Commission assets;

- Manage the Commission's technical and information infrastructure;
- Develop and implement the Commission's automated information systems;
- Ensure the acquisition, quality, accessibility, storage and retention of mission critical trading data;
- Manage security, continuity and emergency preparedness programs;
- Deliver administrative support services;
- Ensure development of agency records management and retention program; and
- Deliver the library services of the Commission.

In FY 2011, the Administrative Management and Support subprogram requests a total of 125 FTEs, an increase of two FTE over the FY 2010 level. The two FTE, together with a current staff of one professional focused on strategic and operational planning, will establish a planning and evaluation function. This new team represents the first permanent resources fully dedicated to establishing, executing and monitoring strategic and annual operating plans. With the significant increase in funding and resources, it is imperative that the Commission develop program measurement and evaluation methodologies. These FTE will assist the Commission's programs in establishing metrics to track, monitor and evaluate program results, outcomes, and goal achievement to ensure the effective and efficient allocation and application of resources.

Office of Financial Management. The Commission's focus on financial integrity and its expectation of financial accountability are key cornerstones in the Commission's ability to achieve unqualified audit opinions and comply with Federal financial laws and regulations. Effective financial management systems and services facilitate Commission executives in successfully monitoring and achieving program performance. The Office of Financial Management staff interfaces with the Department of Transportation systems and services to ensure that the financial resources entrusted to the Commission are well managed and judiciously deployed. Effective stewardship over agency resources enhances program management and mission performance. The Budget and the Performance and Accountability Report permit the public to see how well programs perform, and the cost incurred to achieve that performance. In 2008, the Commission was recognized by the Association of Government Accountants for the fourth consecutive year for excellence in financial reporting. The one FTE requested will provide direct support to the CFO in bringing consistency to managing the three separate organizational units of OFM and to providing the opportunity to integrate program functions for efficiency and effectiveness. This position will work closely with the newly established planning and evaluation team to fully integrate performance budgeting and evaluation into the Commission financial management program.

Office of Information and Technology Services. The Commission's ability to fulfill its mission continues to depend heavily on the collection, storage, accessibility and analysis of voluminous amounts of data from futures market participants. The continuing increase in the volume and complexity of the data collected requires continuing investments in and sustained support of IT systems and resources to enable staff to fully monitor the markets, promote greater market transparency and efficiency, and support market integrity. Resources allocated to the Office of Information and Technology Services will ensure the agency continues to have the competencies and skill sets needed to sustain technology that is as modern and dynamic as the technology-driven markets the CFTC is charged with overseeing. The Commission must continue to leverage highly competent skilled IT resources to employ 21st century technology in protecting the American people.

Expecting continued growth of trade and order volumes, and more complex and time sensitive information analysis efforts, the Commission will sustain and continue to invest in critical programs that are aligned with the agency mission:

- Market Surveillance. The Integrated Surveillance System (ISS) is the Commission's market surveillance system under which clearing members of exchanges, Futures Commission Merchants (FCMs), and foreign brokers (collectively called "reporting firms") electronically file daily end-of-day position reports with the Commission. These reports show all trader positions at or above specific reporting levels set by CFTC regulations. Because a trader may carry futures positions through more than one FCM, and due to the possibility that a customer may control more than one account, the Commission routinely collects information that enables surveillance staff to aggregate information across FCMs for related accounts. ISS allows CFTC economists, investigators, and attorneys to analyze positions across FCMs and exchanges. Using ISS reports, the Commission's surveillance staff closely monitor the futures and option market activity of all traders to determine potential impact on the orderly operation of a market. For contracts that may be settled through physical delivery—such as contracts in the energy complex—staff carefully analyze the adequacy of potential deliverable supply. In addition, surveillance staff monitor futures and cash markets for unusual movements in price relationships, such as cash/futures basis relationships and inter-temporal futures spread relationships, which often provide early indications of a potential problem. Using ISS data, Commissioners and senior staff are kept apprised of market events and potential problems. Recent investments in ISS enhancements for automated alerting, case management, and workflow have enabled staff to be automatically notified of market events requiring further analysis. Automated surveillance is essential to fulfilling our mission responsibilities given the continuing growth in market volume and complexity. Tracking will be sustained and supplemented to meet new requirements surfaced by evolving markets.

- Trade Practice Surveillance. As part of the Commission's overall mission to ensure market integrity and customer protection, the Trade Surveillance System (TSS) collects futures and options trade register data from U.S. futures exchanges in order to detect possible trading abuses. TSS uses state-of-the-art commercially available software (Actimize™) to enhance CFTC's trade surveillance of ever-evolving and innovative electronic trading. Automated trade violation detection software provides staff with greater efficiency and flexibility by performing sophisticated pattern recognition and data mining, helping detect novel and complex abusive practices. TSS development and implementation is expected to be ongoing to help the Commission keep pace with the rapid developments in today's high-speed, high-volume global electronic trading environment. On a nightly basis, the Commission receives trade registers from US futures exchanges. Once the data is loaded, automated processes generate alerts that list potential trade violations and include a range of key data points needed to determine if the potential violations warrant action by the Commission. TSS users run ad hoc queries using the Detection and Research Tool (DART) in order to investigate violation alerts, research ongoing legal cases, and perform general market oversight and analysis. DART helps staff create complex queries without the need for programming skills. Trade practice violations pattern detection and inter-exchange pattern detection models will be sustained and refined and new models will be implemented as needed to keep pace with evolving markets.
- Information Management - Internet, Intranet, Data Standardization, and Document Management. The Commission will build on recently-implemented usability and transparency improvements to the public facing Web site, www.CFTC.gov, based on the President's initiative for "Transparency and Open Government," and visitor feedback. The Commission will complete an overhaul of its intranet in order to enhance communication and improve staff productivity through more efficient access to information resources, tools, and content. The Commission will also continue working with industry on data standardization to improve the data quality and consistency of regular data submissions. The CFTC will continue the implementation of the Commodity Data Warehouse (CDW), which provides a single source for CFTC enterprise business data used by applications to conduct analysis. A Records and Document Management system will also be deployed to enable staff to effectively find and use information in Commission documents and comply with Federal and CFTC records management and information security policies.

  The Commission will also sustain and supplement recent investments in eLaw and forensic technologies, futures commission merchants reporting and analysis systems, general IT infrastructure, and information security controls as needed to meet Commission requirements and adapt to emerging security threats.

These initiatives are the top information technology priorities of the Commission and are critical mission support activities essential to market surveillance, financial risk management, economic analysis, data transparency, and regulatory enforcement. These initiatives will be sustained, improved, and enhanced as driven by evolving market conditions.

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

The Commission continually refines and enhances its strategic human resource initiatives. A governance committee of senior managers draws on frequent employee input to develop programs that will support long-term mission goals of knowledgeable, diverse and productive human capital. The goal is a workforce that reacts and adapts quickly in terms of size, skills and composition to meet changes in the industry, technology and/or statutory or regulatory developments. The governance process has contributed to annual successes in the development and implementation of a comprehensive pay and benefits program mandated by Section 10702 of Public Law 107-171, the FSRIA of 2002. The Commission is in its second full year of measuring performance under a merit pay system to foster a performance culture. The Commission system for classifying its mission-critical positions is under review by the governance committee. Next steps include consideration of differentiating compensation for supervisory responsibilities and a review of the executive management classification system.

This ongoing strategic management of human capital initiatives commits the agency to improving its ability to: 1) plan for anticipated change in workforce composition; 2) target and recruit employees to fill critical skill deficiencies; 3) support employee development; 4) identify and justify staff resources needed to perform statutory mandates; and 5) implement the Title V-exempt CT pay plan envisioned by FISRA. No additional positions are requested for this program.

Office of Management Operations. The Office of Management Operations (OMO) provides support to Commission by ensuring the leasing, operation and maintenance of appropriate office facilities in Washington, DC and three regional locations. OMO is accountable for the timely delivery of quality products and services to provide staff with the tools needed to accomplish their work. The Commission's physical assets are managed, secured and accounted for by the OMO staff. Current program priorities are around the acquisition, build out and occupation of additional office space in the Washington, DC headquarters and the Chicago regional office. The ongoing project to complete a cyclical update and standardization of furniture assets continues as funding is available. No additional positions are requested for this program.

Consequence of Not Receiving Requested Level of Resources

Administrative Management and Support. Without the two FTE requested to establish a planning and evaluation function, the Commission will continue to have insufficient resources devoted to planning and program performance. With growing FTE and financial resources and an increasingly complex mission, the Commission must ensure sound stewardship over the taxpayers' investment in its mission. Effective program and resources stewardship can only be achieved through establishing and sustaining best business practices. Such practices include planning, strategically and operationally, and measuring program achievements and outcomes. Effective program evaluation and measurement must build off of appropriate metrics and well planned outcomes. Without a planning and evaluation team, accurately assessing and reporting on the effect of the increased investment in the Commission's program will be challenging. Equally challenging will be sustaining compliance with the Government Performance and Results Act and other regulatory and legislative mandates around effective program governance.

Office of Information and Technology Services. The consequence for the Office of Information and Technology Services not receiving requested resources will be a curtailment of the Commission's ability to keep pace with the industry data growth and the need for more effective and complex information analysis. The Commission will not be able to sustain and continue improvements supporting trade practice surveillance, trader account identification, large trader reporting, economic analysis, and litigation support. Without the ability to leverage these resources, the Commission will not be able to continue current levels of surveillance and analysis, resulting in less transparent futures markets and a greater risk of market fraud, manipulation and excessive speculation.

Table 40: Administrative Management & Support Request by Subprogram

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Admin. Mgmt. & Supp.	$31,035	123.00	$35,161	125.00	$4,126	2.00
TOTAL	**$31,035**	**123.00**	**$35,161**	**125.00**	**$4,126**	**2.00**

Table 41: Administrative Management & Support Request by Goal

	FY 2010		FY 2011		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL ONE: Protect the economic functions of the commodity futures and option markets.						
Outcomes						
1.1 Futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	$959	3.80	$1,069	3.80	$110	0.00
1.2 Oversee markets which can be used effectively by producers, processors, financial institutions, and other firms for the purposes of price discovery and risk shifting.	3,230	12.8	3,600	12.8	370	0.00
Subtotal Goal One	**$4,189**	**16.60**	**$4,669**	**16.60**	**$480**	**0.00**
GOALTWO: Protect market users and the public.						
Outcomes						
2.1 Violations of Federal commodities laws are detected and prevented.	$1,842	7.30	$2,053	7.30	$211	0.00
2.3 Customer complaints against persons or firms falling within the jurisdiction of the Commodity Exchange Act are handled effectively and expeditiously.	757	3.00	844	3.00	87	0.00
Subtotal Goal Two	**$2,599**	**10.30**	**$2,897**	**10.30**	**$298**	**0.00**
GOAL THREE: Foster open, competitive, and financially sound markets.						
Outcomes						
3.1 Clearing organizations and firms holding customer funds have sound financial practices.	$971	3.85	$1,083	3.85	$112	0.00
3.3 Markets are free of trade practice abuses.	1,337	5.30	1,491	5.30	154	0.00
Subtotal Goal Three	**$2,308**	**9.15**	**$2,574**	**9.15**	**$266**	**0.00**
GOAL FOUR: Organizational and Management Excellence.						
Outcomes						
4.1 A productive, technically competent, competitively compensated, and diverse workforce that takes into account current and future technical and professional needs of the Commission.	$4,542	18.00	$5,063	18.00	$521	0.00
4.2 A modern and secure information system that reflect the strategic priorities of the Commission. [21]	7,052	27.95	7,862	27.95	810	0.00
4.3 An organizational infrastructure that efficiently and effectively responds to and anticipates both the routine and emergency business needs of the Commission.	4,289	17.00	4,782	17.00	493	0.00
4.4 Financial resources are allocated, managed and accounted for in accordance with the strategic priorities of the Commission.	4,037	16.00	4,501	16.00	464	0.00
4.5 The Commission's mission is fulfilled and goals are achieved through sound management and organizational excellence provided by executive leadership.	2,019	8.00	2,813	10.00	794	2.00
Subtotal Goal Four	**21,939**	**86.95**	**25,021**	**88.95**	**3,082**	**2.00**
TOTAL	**$31,035**	**123.00**	**$35,161**	**125.00**	**$4,126**	**2.00**

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

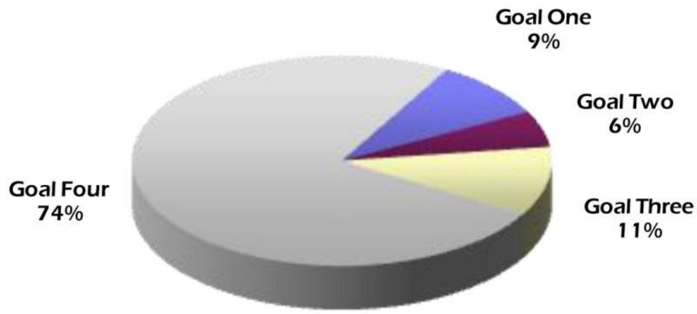


Figure 45: Administrative Management & Support FY 2011 Budget by Goal

APPENDIX 1

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 (FCS). Prior to this position, Mr. Dunn served briefly as a member of the FCA Board.

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

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

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

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 (EEMAC). 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.

Scott O'Malia, Commissioner

Scott O'Malia was confirmed by the U.S. Senate on October 8, 2009 as Commissioner of the Commodity Futures Trading Commission. He was sworn in on October 16, 2009 to complete a vacant term, which expires April 2010, and received a full five-year term that expires April 2015.

Commissioner O'Malia previously served as the Staff Director to the Senate Subcommittee on Energy and Water Development, Committee on Appropriations, where he focused on expanding U.S. investment in clean energy technologies, including access to low cost financing and driving technical innovation into the domestic energy sector.

From 2003 to 2004, Commissioner O'Malia served on the Senate Energy and National Resources Committee under Chairman Pete Domenici (R.-NM) as senior policy advisor on oil, coal, and gas issues. From 1992 to 2001, the Commissioner served as senior legislative assistant to Senator Mitch McConnell (R.-KY), now the Senate Minority Leader.

During his career, O'Malia also established the Washington office of Mirant Corporation, where he worked on rules and standards for corporate risk management and energy trading among wholesale power producers.

Commissioner O'Malia has a Bachelor's Degree from the University of Michigan.

APPENDIX 2

Summary of Goals, Outcomes, and Business Processes

Goal One: *Ensure the economic vitality of the commodity futures and option markets.*	
Outcome	**Business Process**
1.1 Markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	1. Conduct financial surveillance 2. Conduct market surveillance 3. Conduct trade practice surveillance 4. Conduct economic research 5. Review trading facility filings and clearing organization contracts and rules 6. Conduct cooperative enforcement 7. Investigate violations 8. File and prosecute cases 9. Take appropriate remedial or punitive action
1.2 Markets are effectively and efficiently monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.	1. Conduct financial surveillance 2. Conduct market surveillance 3. Conduct trade practice surveillance 4. Conduct economic research 5. Review trading facility filings and clearing organization contracts, and rules 6. Investigate violations 7. File and prosecute cases 8. Share information externally 9. Coordinate with domestic regulators
Goal Two: *Protect market users and the public*.	
Outcome	**Business Process**
2.1 Violations of Federal commodities laws are detected and prevented.	1. Conduct financial surveillance 2. Conduct cooperative enforcement 3. Investigate violations 4. File and prosecute cases 5. Resolve administrative enforcement cases 6. Resolve appeals 7. Share information externally 8. Take appropriate remedial or punitive action 9. Represent Commission in litigation or other disputes 10. Collect monetary penalties from violators.
2.2 Commodity professionals meet high standards.	1. Provide guidance, advice, and regulate business, financial, and sales practices 2. Review self-regulatory organizations and clearing organizations 3. Investigate, file, and prosecute cases
2.3 Customer complaints against persons or firms registered under the Act are handled effectively and expeditiously.	1. Manage reparations program 2. Resolve appeals 3. Represent Commission in litigation or other disputes

Goal Three: *Ensure market integrity in order to foster open, competitive, and financial sound markets.*	
3.1 Clearing organizations and firms holding customer funds have sound financial practices.	1. Conduct financial surveillance 2. Provide guidance, advice, and regulate business, financial, and sales practices 3. Review self-regulatory organization enforcement 4. Investigate violations 5. File and prosecute cases 6. Take appropriate remedial or punitive action
3.2 Commodity futures and option markets are effectively self-regulated.	1. Conduct financial surveillance 2. Provide guidance, advice, and regulate business, financial, and sales practices 3. Review exchange applications, contracts, and rules 4. Review self-regulatory organization enforcement
3.3 Markets are free of trade practice abuses.	1. Investigate violations 2. File and prosecute cases
3.4 Regulatory environment is flexible and responsive to evolving market conditions.	1. Coordinate with domestic regulators 2. Coordinate with foreign and international regulators 3. Draft, review, and comment on legislation 4. Provide guidance, advice, and regulate business, financial, and sales practices
Goal Four: *Facilitate Commission performance through organizational and management excellence, efficient use of resources, and effective mission support.*	
4.1 Productive, technically competent, competitively compensated, and diverse workforce that takes into account current and future technical and professional needs of the Commission.	1. Plan for and manage the human needs and resources of the Commission
4.2 Modern and secure information system that reflect the strategic priorities of the Commission.	1. Plan for and manage the information and technological needs and resource of the Commission
4.3 Organizational infrastructure that efficiently and effectively responds to and anticipates both the routine and emergency business needs of the Commission.	1. Plan for and manage the security and infrastructure needs and resources of the Commission

4.4 Financial resources are allocated, managed, and accounted for in accordance with the strategic priorities of the Commission.	1. Plan for and manage the financial needs and resources of the Commission
4.5 Commission's mission is fulfilled and goals are achieved through sound management and organizational excellence provided by executive leadership.	1. Provide executive leadership

APPENDIX 3

Federal Financial Regulatory Reform

Summary of Resources Requested

Funds: $45,000,000:

$21,800,000 119 FTEs

$5,200,000 Operating Expenses
- Office Space,
- Equipment,
- Communications
- Travel

$18,000,000 Information Technology

- Systems Development and Analysis
- Technology Mission Support
- Capital Equipment

FTE: 119 (238 annualized in FY 2012)
Program allocation and justification summarized below:

Market Oversight: 41 FTE

The Administration's legislative proposal:

- Establishes significant new requirements on market participants and significant new authorities that the Commission would be responsible for administering. A substantial number of these requirements and authorities fall within the primary responsibility of the Market Oversight program.

- Requires the Commission to publicly report aggregated swap position data (without disclosing the positions of individual market participants) that it derives from transaction data provided by (i) clearing organizations, (ii) swaps repositories and (iii) parties otherwise required to report directly to the Commission; this data must be collected, assembled, analyzed and reported. The volume of transaction data is expected exponentially to exceed the current volume of data the Commission collects, assembles, analyzes and reports.

- Requires the Commission oversight of an entirely new category of regulatee – Swap Repositories. Swap Repositories would responsible for (i) collecting data as to all executed swaps, (ii) make that data available to the Commission, and (iii) publish the data in some aggregated form to the general public, without revealing the positions of any particular market participant. Market and Product Review subprogram (with consultation with the Surveillance subprogram), will have substantial responsibility for formulating the rules applicable to, and the regulatory framework within which Swap Repositories will be required to operate. Once the rules and regulatory framework are established, the Market and Product Review subprogram will have responsibility for the oversight activities, along with the Compliance subprogram that will initiate RERs to evaluate ongoing compliance.

- Establishes a "mandatory" trading requirement for standardized swaps either on a Designated Contract Market (DCM) or an Alternative Swap Execution Facility (ASEF) – another entirely new category of regulatee. The Market and Product Review subprogram (with consultation with the Surveillance program) will have substantial responsibility for formulating the rules applicable to, and the regulatory framework within which ASEFs will be required to operate. Once the rules and regulatory framework are established, the Market and Product Review subprogram will have responsibility for the oversight activities, along with the Compliance subprogram that will initiate RERs to evaluate ongoing compliance with extensive self-regulatory obligations.

- Expands significantly the self-regulatory obligations of DCMs with three new or significantly modified Core Principles in the areas of competitive trading, exchange finances, and operational security. The Compliance subprogram will have substantial responsibility to initiate RERs to evaluate ongoing compliance with the new Core Principles.

- Expands the Commission's position limit-setting authority beyond DCMs, to reach ASEFs that list contracts that perform a significant price discovery function. In addition, the proposal directs the Commission to, for the first time, establish cross-exchange aggregate position limits. The Surveillance subprogram would have substantial responsibility for establishing the regulatory frame work for expanded position limits on DCMs, for position limits on ASEFs, and for aggregating those position limits across markets.

- Alters significantly the Commission's contract and rule review process for exchanges and clearing organizations alike by establishing a ten-day review process (rather than the immediate effectiveness feature of the current rule submission process) and would give the Commission discretion to stay the effectiveness of contracts and rules that raise novel or complex issues or that are inadequately explained. The Market and Product Review subprogram would have substantial authority to administer this new contract and rule review process, which would require immediate attention to all submission to evaluate the product and rule submissions within 10 days.

- Establishes a new registration category for foreign boards of trade and sets forth various substantive requirements to be imposed on such entities when they choose to list contracts that link to contracts listed on designated contract markets. The Chief Counsel's Office would have primary responsibility for administering this registration category.

Clearing and Intermediary Oversight: 30 FTE

The Administration's legislative proposal:

- Requires, for the first time Commission regulation of the OTC derivative markets. Generally, the legislation requires the clearing of many OTC swaps, the registration of clearing entities and participants engaged in transacting over-the-counter swaps, and the imposition of various prudential and conduct standards upon these entities. Additionally, to the extent swaps would not be cleared, the legislative proposal would require that information regarding the transactions be reported to repositories that would be Commission registrants subject to Commission oversight.

- Requires the Commission to undertake extensive rulemaking (and/or joint rulemaking with SEC and others) in the following areas:

    - Definitions of relevant terms, including "swaps," "standardized," "swap dealer," and "major swap participant";
    - Rules governing persons to be registered as DCOs for swaps;
    - Rules governing persons that are to be registered as swap repositories;

- Rules providing for the registration of swap dealers and major swap participants;
- Rules imposing capital and margin requirements on swap dealers and major swap participants;
- Rules governing reporting and recordkeeping for swap dealers and major swap participants;
- Rules governing daily trading records for swap dealers and major swap participants;
- Rules governing business conduct standards for swap dealers and major swap participants (i.e., fraud, supervision, position limits, etc.);
- Rules governing back office standards for swap dealers and major swap participants; and
- Rules requiring that futures commission merchants and introducing brokers implement conflict-of-interest systems and procedures

- Establishes multiple new on-going responsibilities following the drafting, publication, and finalizing of rules:

  - For example, the imposition of financial requirements would require the development and implementation of a routine financial surveillance function, which would include the periodic audit of swap dealers and major swap participants, and the review of interim and annual financial reports submitted by swap dealers and swap participants.
  - The registration of new DCOs engaged in the clearing of swaps would require the examination of new entrants for compliance with core principles as well as the routine auditing of such DCOs once registered. DCIO staff will need to review a wide range of OTC swaps and other derivatives instruments to determine their suitability for clearing.

Enforcement: 18 FTE

The Administration's legislative proposal:

- Establishes Commission fraud and manipulation authority over OTC trading More specifically, the proposed legislation amends several provisions of the Commodity Exchange Act (CEA) to include 'swaps' where the CFTC has enforcement authority under the CEA and further amends the CEA to grant the CFTC exclusive authority to enforce the provisions of title I of the OTCDMA against any person.

- Addresses, directly, "Retail Commodity Transactions" and supports the extension of the forex fraud authority, which was granted under the Farm Bill, to all other commodities.

Office of General Counsel: 8 FTE

The Administration's legislative proposal, in effect:

- Requires OGC to perform new and substantial services on behalf of the Commission and to provide legal counsel and support to all other programs within the Commission as they address novel and complex legal issues arising in the implementation of this broad statutory scheme. (The legislation would establish a comprehensive regulatory regime for virtually all over-the-counter swaps – reducing systemic risk in the financial system by bringing most swaps into centralized clearing, enhancing transparency by bringing most swaps onto trading venues, and assuring accountability by establishing a new registration program for swap dealers and major swap participants. Although some swaps are voluntarily cleared under existing law, the Administration's proposed legislation would require a substantial expansion of the Commission's regulatory program for derivatives clearing organizations since all standardized swaps would have to be centrally cleared. Legal services required of OGC would grow markedly, both in terms of assuring the legal sufficiency of both new regulatory actions proposed to carry out the clearing mandate of the legislation, as well as financial integrity and rule enforcement reviews on an ongoing basis to evaluate the stability of the clearing system.)

- Includes provisions for new categories of registered entities and market participants that do not exist under current law. These include alternative swap execution facilities, swap repositories, swap dealers, and major swap participants – all of which would be registered and supervised by the Commission. Legal services will be required of OGC in developing new regulatory programs to govern these new categories of registrants, and addressing novel legal issues that inevitably would arise as the Commission applies these programs on a going forward basis. While there are some parallels under the existing regulatory structures for exempt commercial markets and market intermediaries trading futures and commodity options, legal support from OGC would be necessary to evaluate compliance with the intent of Congress as to the extent to which current models are to be carried over to swaps regulation, and how best to adapt those models to inherent differences in the nature of these instruments and the platforms and traders that trade them.

- Clarifies the Commission's ability to adopt rules in administering the Core Principles applicable to contract markets and clearinghouses, and also would provide for advance Commission review of new and amended rules and products proposed by these entities that does not occur under existing law. Legal support is critical to the successful exercise of both of these authorities.

- Requires the Commission to set aggregate position limits covering contracts traded on designated contract markets, foreign boards of trade, and new trading platforms for swaps where there is a significant price discovery function. The imposition of these intricate position limits will require extensive legal review to assess compliance with congressional intent.

- Requires extending the current Commitments of Traders reporting to include public reporting of swap data will require additional legal services to assure compliance with CEA provisions mandating confidentiality of certain trade information.

- Expanding substantially the Commission's enforcement authority—both with respect to manipulation and fraud involving swaps, and also pursuant to a provision that would extend the fraud enforcement authority that Congress granted to the Commission in 2008 for retail foreign currency transactions to all other retail commodity contracts as well. OGC reviews all enforcement recommendations concerning filing and settling charges for legal sufficiency and consistency with the CEA and Commission rules, policies, and precedents. It also handles appeals of enforcement cases to the U.S. Courts of Appeals. Expanded enforcement authority would yield increased numbers of case filings, settlements, and appeals, all requiring additional legal resources in OGC to fully protect the Commission's interests.

Office of Chief Economist 1 FTE

The Administration's legislative proposal, in effect:

- Requires Office of the Chief Economist to provide assistance to the Commission staff responsible for developing regulations mandated by legislation. These regulations will entail development of new measures for activity and positions as well as integration of these measures into current measurement scales. In addition, the proposed regulation alters incentives which, in turn, necessitate analyses to obtain expectations for the effects stemming from various regulatory alternatives.

- Conduct analyses of the impact stemming from new regulation to ensure that legislative goals are being met.

Office of International Affairs 1 FTE

The Administration's legislative proposal, in effect:

- Creates a greater demand to communicate with major jurisdictions such as the European Union, Canada and Japan to explain the details of that legislation and to provide assistance to other jurisdictions interested in developing their own OTC policies. In order to avoid gaps in OTC regulation and "regulatory arbitrage" additional international engagement will be needed in order to coordinate policies and rule development with those of major jurisdictions such as the European Union.

- Creates additional demands for cross-border coordination to result from any new legislation granting the Commission authority over over-the-counter (OTC) derivatives. For example, the registration and regulation of major swap dealers and major swap participants will involve entities and persons who are globally active. It is likely that dealers required to register with the Commission will be required to register in other jurisdictions that are contemplating similar enhanced OTC regulation, such as the European Union and Japan. We anticipate the need to develop cooperative arrangements to share relevant regulatory information not only with regard to the safety and soundness of dealers but also with regard to the fitness and financial exposures of large internationally active clients.

- Contemplates the development of trade repositories which will require close coordination with foreign regulators, particularly with those in the European Union, to ensure a consistent approach that minimizes duplicative efforts, ensures a comparable level of regulation and, most importantly, the sharing of information needed for market and financial integrity purposes.

- Favors an increase in the standardization, electronic facility/exchange trading and clearing of OTC contracts. Given the cross-border nature of OTC trading, each of those three objectives will require the CFTC to coordinate the development of global policies to avoid gaps and to coordinate the development of effective cooperative arrangements to ensure access to information, access to relevant regulated entities and on-going general cooperation. Many of these objectives have begun to be addressed within the international community, such as IOSCO, G20 initiatives, the European Commission and, bilaterally, with the UK FSA, which necessitates increased staff representation.

- Establishes enhanced requirements that will apply to position limits on U.S. exchanges and will also extend to foreign boards of trade that trade contracts that are linked to U.S. futures contracts. These new requirements will likely necessitate the development of enhanced information sharing and cooperative surveillance arrangements with relevant foreign boards of trade.

- Will attract the attention of international regulators, some of whom have already indicated that they would appreciate technical assistance in developing OTC policies. Providing such assistance is appropriate as it promotes a harmonized, high level of regulation.

Office of the Executive Director: 5 FTE

The Administration's legislative proposal, in effect:

- Requires an appropriate level of overhead support to manage a substantially enlarged workforce. For example, the Office of Human Resources and the offices of Management Operations will be directly affected by the substantial growth in staff required to carry—out resulting for the new regulatory authorities. OHR is providing services at a ratio of about one HR Specialist to every 60 employees. While this ratio might improve slightly - through, economies of scale, and /or better use of automation – the more desirable ratio would not be less than 1 to 100. Therefore, for the projected additional employees would require an additional two Human Resources Specialists. Likewise, the Office of Management Operations will require three additional support staff to meet the space management, asset management, security and physical infrastructure needs of the Commission. This need will become more critical as the Commission expands the size of the already underserved regional offices in Chicago, Kansas City and New York City.

Office of the Information Technology Services: 15 FTE

The Administration's legislative proposal, in effect:

- Requires collaborating with program staff in developing robust mission-oriented systems for the new regulatory framework. IT support will be mandatory for implementing the automated surveillance and comprehensive analysis solutions that are essential to meet the transparency objectives of the new authorities.

- Partnering with program staff as they draft and implement rules, researching and assessing industry data and systems. With a focus on efficient deployment of IT systems to support rule adoption and implementation, IT staff will analyze evolving business requirements, plan integration with and expansion of existing systems, and develop new systems.

- Assisting program staff in the identification and adoption of industry data standards to increase the reliability, accuracy, and transparency of collected information. The CFTC anticipates major systems development to address voluminous transaction processing, data storage, and data analysis requirements. New IT systems development projects will be managed effectively and will require extensive business and industry analysis. The complexity, diversity, and volume of instruments to be newly regulated will also demand extensive data analysis. Newly developed systems will be more complex than current systems and will require thorough integration with current systems, leading to an increase in solutions development not only for new systems but also for existing systems.

- Responding to the substantial staff increase by providing additional personal computers and communications devices as well as increases in supporting infrastructure like secure mobile storage devices, software licenses, and service usage fees. The CFTC also anticipates a substantial increase in teleconferencing and webcasting to support the collaboration required to implement the new authorities.

- Assessing and possibly acquiring new sources of commercially-developed information as part of the strategy to support CFTC resources in rule adoption and implementation. Additional IT resources will be required to support an increase in desktop and mobile computing equipment, communication capacity and bandwidth increases, data storage, server computing capacity, and staff to support additional general IT services. Estimates for increases in data to be submitted to the CFTC range as high as forty times over current levels. This will require substantial increases in all facets of CFTC infrastructure, including communications circuits, circuit capacity, cabling and connection, switches, routers, the server processer farm, and data storage and backup. Given the increased volume and frequency of data submitted, CFTC may have to supplement current data storage area network (SAN) infrastructure with large scale data warehousing and analytical appliances.

APPENDIX 4

Investment in Technology (for Current Statutory Authorities)

The Commission plans an investment of approximately $34 million FY 2011. Broadly summarized, an investment in Information Technology at the CFTC is an investment in:

- Operations and Maintenance of mission supporting systems:
  - Integrated Surveillance System (ISS)
  - Trade Surveillance System (TSS)
  - eLaw
  - CFTC.gov
  - Open Interest
  - RSR, SPARK, FILAC, and others

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

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

- New Technology Initiatives:
  - Improved Market Data Transparency
  - TSS and ISS Modernization
  - Trade Pattern Modeling/Detection Support for TSS
  - CFTC.gov Enhancements
  - Open Interest Reengineering
  - ISS to TSS Integration
  - New Data Analysis Software
  - Data Standardization for Trade Data Submission
  - Account Ownership and Control Analysis
  - Improved Document Management and Records Management Program
  - Improved Communications with SharePoint Services
  - Expanded Network Administration for a Growing Commission Workforce
  - Collocation Services

More specifically this investment is:

- $5.8 million to provide for Capital Equipment and Software Purchases;
- $3.5 million to provide for Telecommunication Services;
- $22.8 million to provide for support services such as financial and legal information services, operations and maintenance, systems analysis for ISS, TSS, and eLaw as well as other smaller mission supporting systems; and
- $1.9 million to provide for IT supplies, operations, and maintenance including intra-governmental payments or cross-services agreements with other government

agencies for Internet access and Web site maintenance, personnel payroll system, GSA telephone services, and COOP facilities.

APPENDIX 5

Inspector General

In accordance with the Inspector General Act, as amended:

The following amounts were included in the FY 2011 OMB Budget Estimate:

FY 2010	Total Budget[22]	Training Budget Estimate	FTE
	$1,098,000	$4,900	4

FY 2011	Total Budget	Training Budget Estimate	FTE
	$1,205,000	$5,000	4

The following amounts are included in the FY 2011 President's Budget

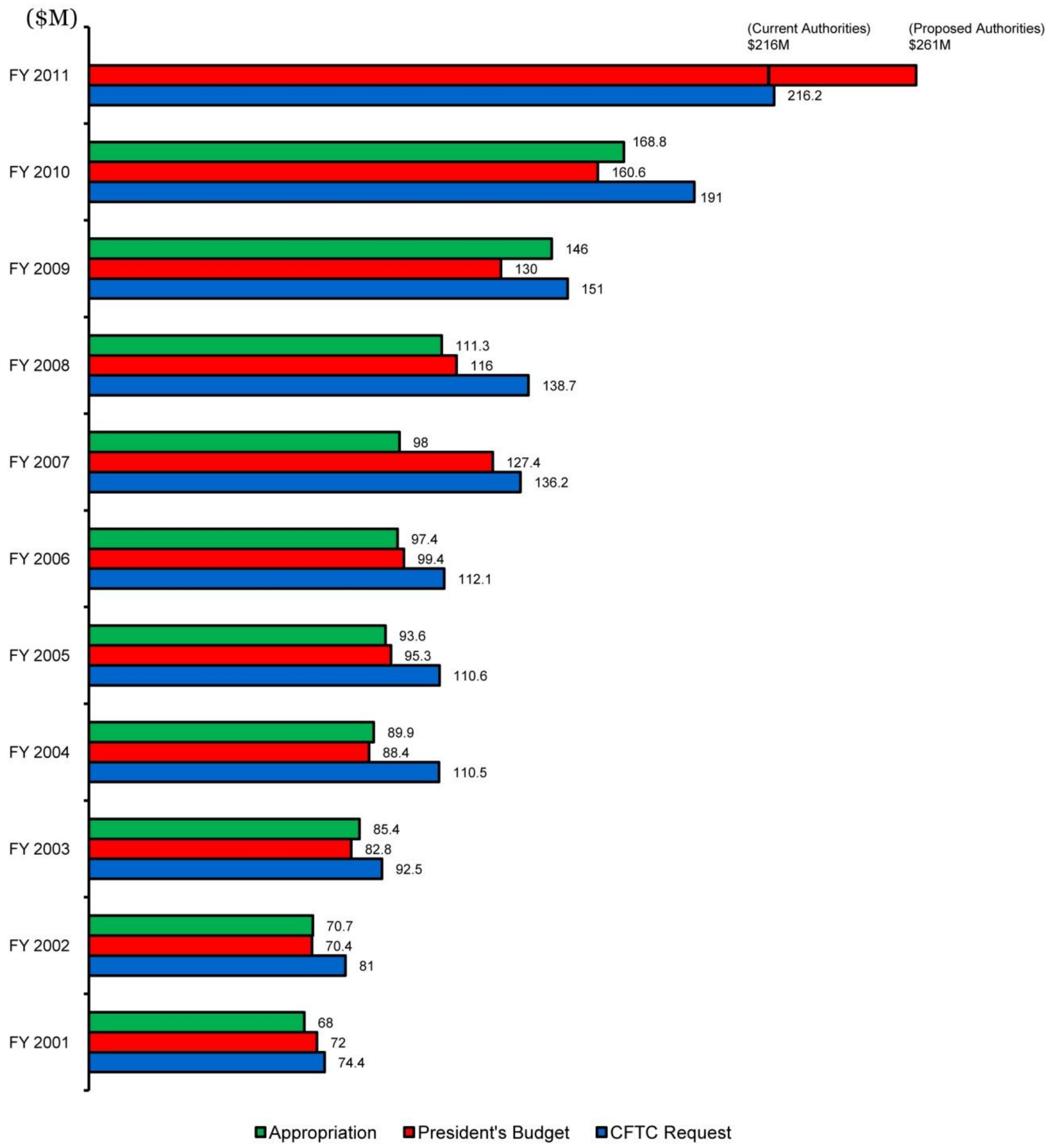
FY 2010	Total Budget	Training Budget Estimate	FTE
	$1,095,000	$4,900	4

FY 2011	Total Budget	Training Budget Estimate	FTE
	$1,215,000	$5,000	4

[22] Total Budget includes estimated direct salary and benefit costs of four (4) FTE and a proportional share of all estimated indirect costs, such as, travel, training, lease of space, utilities, communications, printing, supplies, equipment and all other services; including an estimated contribution of $2,628 and $2,916 in FY 2010 and FY 2011 respectively to support the Council of the Inspectors General on Integrity and Efficiency.

APPENDIX 6

Summary of OMB and Congressional Action on Appropriations FY 2001 – FY 2011



APPENDIX 7

Privacy Policy for the CFTC Web Site

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

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

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

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

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

If you complete a form, send a comment, or email the CFTC, you may be choosing to send us information which personally identifies you. In general, such information is used to respond to your request; it may have other uses that are identified on each form. For example, if you send us a comment letter on a proposed rule, that letter becomes part of the CFTC's comment file and is available to the public. The comments help the CFTC and other members of the public evaluate proposed Commission actions.

You may submit other forms to us, such as Freedom of Information Act requests or requests for correction of information. Such forms may contain information that CFTC staff uses to track and respond to your request. Information you provide to the CFTC Division of Enforcement on our Report Suspicious Activities or Information form may be shared with other law enforcement agencies when appropriate.

If you have questions about CFTC's privacy policy and information practices, you can email us at questions@cftc.gov.

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

APPENDIX 8

Table of Acronyms

AE Clearinghouse	The Actuarials Exchange, LLC
Agora-X	Agora-X, LLC
ALJ	Administrative Law Judge
AP	Associated Persons
BC-DR	Business Continuity and Disaster Recovery
CBOT	Chicago Board of Trade
CCORP	The Clearing Corporation
CCFE	Chicago Climate Futures Exchange, LLC
CCX	Chicago Climate Exchange, Inc.
CDXchange	Commodities Derivative Exchange, Inc.
CEA	Commodity Exchange Act
CFE	CBOE Futures Exchange
CFTC	Commodity Futures Trading Commission
CFMA	Commodity Futures Modernization Act of 2000
ChemConnect	ChemConnect, Inc.
CME	Chicago Mercantile Exchange
CME AM	CME Alternative Marketplace, Inc.
COMEX	Commodity Exchange Division
COOP	Continuity of Operations Plan
CPO	Commodity Pool Operator
CRA	CFTC Reauthorization Act of 2008
CSCE	Coffee, Sugar, and Cocoa Exchange
CTA	Commodity Trading Advisor
DCIO	Division of Clearing and Intermediary Oversight (CFTC)
DCM	Designated Contract Market
DCO	Derivatives Clearing Organization
DFOX	DFOX
Derivatives Bridge	Derivatives Bridge, LLC
DSRO	Designated Self-Regulatory Organization
DOJ	Department of Justice
DTEF	Derivatives Transaction Execution Facility
EBOT	Exempt Boards of Trade
ECM	Exempt Commercial Markets
EDBS	Exchange Database System
ELX	ELX Futures, L.P.
EnergyCross.com	EnergyCross.com
EOXLIVE	Energy Options Exchange, LLC
EPFE	Exchange Place Futures Exchange, LLC
FB	Floor Broker
FBI	Federal Bureau of Investigation
FBIIC	Financial and Banking Information Infrastructure Committee
FBOT	Foreign Boards of Trade
FCA	Farm Credit Administration
FCM	Futures Commission Merchant
FCRM	FCRM Electronics Markets, LLC
FERC	Federal Energy Regulatory Commission
FTC	Federal Trade Commission
FinCEN	Financial Crimes Enforcement Network

FIRREA	Financial Institutions Reform, Recovery, and Enforcement Act
Flett	Flett Exchange
FSRIA	Farm Security and Rural Investment Act
FMHA	Farmers Home Administration
FOCUS	Financial and Operational Combined Uniform Single
FOREX	Foreign Currency
FT	Floor Trader
FTE	Full-time Equivalent
FY	Fiscal Year
GAO	Government Accountability Office
GFI	GFI Group Inc., Energy Match
GFI ForexMatch	GFI Group Inc., ForexMatch
GSA	General Services Administration
HEDGESTREET	HedgeStreet, Inc.
HSE	HoustonStreet Exchange, Inc.
IB	Introducing Broker
ICAP	ICAP Commodity and Commodity Derivatives Trading System
ICAP Shipping	ICAP Shipping Trading System
ICAPture	ICAP Electronic Trading Community
ICE	IntercontinentalExchange, Inc.
ICE Clear US	ICE Clear US
ICE US	ICE Futures U.S., Inc.
IDC	International Derivatives Clearinghouse, LLC
IMAREX	International Maritime Exchange
Intrade	Intrade Board of Trade
IOSCO	International Organization of Securities Commissions
IRESE	IRESE, Inc.
ISS	Integrated Surviellance System
IT	Information Technology
JO	Judgment Officer
KCBT	Kansas City Board of Trade Clearing Corporation
LCH	London Clearing House Clearnet Ltd
LiquidityPort	LiquidityPort, LLC
Longitude	Longitude, LLC
MATCHBOXX ATS	MATCHBOXX ATS
ME	Merchants Exchange
MGE	Minneapolis Grain Exchange Clearing House
MOU	Memorandum of Understanding
Nadex	North American Derivatives Exchange, Inc.
NFA	National Futures Association
NFX	NASDAQ OMX Futures Exchange, Inc.
NGX	Natural Gas Exchange, Inc.
Nodal	Nodal Exchange, LLC
NQLX	NQLX LLC Futures Exchange
NTP	NetThruPut
NYCE	New York Cotton Exchange
NYFE	New York Futures Exchange
NYMEX	New York Mercantile Exchange Clearing House
NYSE LIFFE	NYSE Liffe Futures Exchange, LLC
OCC	The Options Clearing Corporation
OCE	Office of Chief Economist (OCE)
OCX	OneChicago LLC Futures Exchange

OED	Office of the Executive Director (CFTC)
OFM	Office of Financial Management (CFTC)
OGC	Office of the General Counsel (CFTC)
OHR	Office of Human Resources (CFTC)
OIA	Office of International Affairs (CFTC)
OILX	OILX
OITS	Office of Information and Technology Services (CFTC)
OMB	Office of Management and Budget
OMO	Office of Management Operations (CFTC)
OPEX	Optionable, Inc.
OTC	Other-the-Counter
Parity	Parity Energy Inc.
PBOT	Philadelphia Board of Trade
PMA	President's Management Agenda
PWG	President's Working Group
REPCASE	Reparations Case Tracking System
RER	Rule Enforcement Review
RWG	Registration Working Group
SEC	Securities and Exchange Commission
SES	Senior Executive Service
SFP	Security Futures Products
SL	Spectron Live.com Limited
SPDC	Significant Price Discovery Contract
SRO	Self-Regulatory Organization
Storm	Storm Exchange, Inc.
Swapstream	Swapstream Operating Services, Ltd.
TACE	The American Civics Exchange
TCX	TradeCapture Exchange
TFSWeather	TFSWeather.com
tpENERGYTRADE	tpENERGYTRADE
TraditionalCoal.Com	TraditionalCoal.com
Trading Optx	Trading OptX, LLC
TS	TradeSpark, LP
TSS	Trade Surveillance System
US	United States
USDA	United States Department of Agriculture
USFE	US Futures Exchange
UK	United Kingdom
WBOT	Weather Board of Trade
WORLDPULP	WorldPulp.com
WXL	WeatherXchange Limited
Yellow Jacket	Yellow Jacket Software, Inc.