Commodity Futures Trading Commission

PRESIDENT'S BUDGET AND PERFORMANCE PLAN

Fiscal Year 2012

Prepared for the Committee on Appropriations

February 2011

U.S. Commodity Futures Trading Commission
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Chairman's Transmittal Letter

February 14, 2011

The Honorable Daniel K. Inouye
Chairman
Committee on Appropriations
U.S. Senate
Washington, D. C. 20510

The Honorable Thad Cochran
Vice Chairman
Committee on Appropriations
U.S. Senate
Washington, D. C. 20510

The Honorable Harold Rogers
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D. C. 20515

The Honorable Norm Dicks
Ranking Member
Committee on Appropriations
U.S. House of Representatives
Washington, D. C. 20515

Dear Senators Inouye and Cochran and Representatives Rogers and Dicks:

Two years ago, the financial system and the financial regulatory system failed. Last summer, the Administration and the Congress responded by enacting the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The Dodd-Frank Act will ─ for the first time ─ bring comprehensive regulation to the swaps marketplace. Derivatives dealers will be subject to robust oversight. Standardized derivatives will be required to trade on open platforms and be submitted for clearing to central counterparties, all of which will be subject to Federal regulation and supervision. The Commodity Futures Trading Commission (CFTC) looks forward to implementing the Dodd-Frank Act to help lower risk, promote transparency and protect the American public. To implement these reforms, the Commission will require increased funding.

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

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

The CFTC is now tasked with bringing its regulatory expertise to the swaps marketplace. Though the Commission has much experience regulating the on-exchange derivatives marketplace ─ having done so for more than 70 years ─ the Dodd-Frank Act presents new responsibilities and authorities. The futures marketplace that the CFTC currently oversees is a $40 trillion industry in notional amount. The swaps market that the Dodd-Frank Act tasks the CFTC with regulating has a notional amount roughly seven times the size of that of the futures market and is significantly more complex. Based upon figures compiled by the Office of the Comptroller of the Currency as of the 3rd quarter of 2010, the largest 25 bank holding companies currently have $277 trillion notional amount of swaps. Others estimate that the market could be as big as $300 trillion in the United States alone.

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

In addition to bringing regulation to the swaps market, the Dodd-Frank Act provides the Commission with specific authorities to address areas of need under its traditional mission in the regulation of futures markets. Included is specific direction with regard to the regulation of both on-exchange and off-exchange derivatives markets for agricultural and energy commodities.

The challenge before the agency is significant, but manageable, provided we are sufficiently resourced.

At the start of Fiscal Year (FY) 2011, the Commission had on-board a staff of 680. Given the new responsibilities for the CFTC to regulate the swaps market, this is far less than what is required to properly fulfill our significantly expanded role.

Therefore, I am pleased to transmit to you the CFTC's Budget and Performance Estimate for FY 2012. This budget builds off the FY 2011 Continuing Resolution (CR) appropriation expiring March 4, 2011.

- This budget requests an appropriation of $308,000,000 and 983 staff-years. This is a $139,200,000 increase over the FY 2011 CR Appropriation of $168,800,000 and 667 full-time equivalents (FTE). The FY 2011 CR appropriation includes no funds for Dodd-Frank authorities.
- Our FY 2012 Budget thus includes necessary funding to bring on board 78 FTE needed to implement pre-Dodd-Frank authorities, and 238 FTE needed to implement the Dodd-Frank Act and to ensure that the nation's futures and swaps markets operate without disruption.

The talented and dedicated staff of the CFTC is moving forward with the rules required by the Dodd-Frank Act and fully implementing both long-standing and new statutory authorities with respect to its pre-existing mission. To continue to effectively carry out that mission and its new responsibilities, the Commission requires augmented staffing levels and technology resources.

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

Sincerely yours,

Gary Gensler
Chairman

cc:

The Honorable Debbie Stabenow
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The Honorable Pat Roberts
Ranking Member
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The Honorable Frank D. Lucas
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The Honorable Jerry Moran
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Executive Summary

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

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

The CFTC is actively writing rules to implement the Dodd-Frank Act. The statutory deadline for completion of our rules is generally within 360 days of the bill's enactment, or July 15, 2011. In FY 2012, the CFTC will require resources to execute these new rules.

Staff will be required to oversee swap dealers, the clearing of swaps and the trading of swaps on exchanges or SEFs. These new responsibilities are in addition to the agency's existing mission of policing the futures marketplace. 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.

THE FY 2011 BUDGET BASE AND THE CONTINUING RESOLUTION

The President requested $261 million for the CFTC for FY 2011 in order for it to meet both pre-Dodd Frank and Dodd Frank mission and obligations. Of the $261 million $216 million was requested to cover pre-Dodd-Frank authorities. However, Congress has currently continued funding the CFTC at its FY 2010 level of $168.8 million through a Continuing Resolution that will expire on March 4, 2011. The Commission continues to support the President's FY 2011 request for the agency, as it provided an important step towards ensuring that the CFTC had the staff and resources it needs to fully execute its responsibilities.

However, for the purposes of the FY 2012 budget submission, the Office of Management and Budget (OMB) has directed Federal agencies to include the Continuing Resolution funding level as the FY 2011 base for budget formulation given the uncertainty over what Congress will finally provide in appropriations. Consistent with this direction, the CFTC is using the $168.8 million FY 2010 funding level as the base for the FY 2011 budget.

For context on the impact of these numbers on the CFTC's budget, it is important to recognize that the Commission reached low point in staffing for the CFTC in FY 2007. The agency had shrunk from a staffing level of 567 FTE in 1999 to 437 FTE in FY 2007—a 23 percent decline in staff while during the same period the futures and options markets increased five-fold. With support from the President and Congress beginning in 2008, the agency was able to begin rebuild its staff, reaching an authorized level of 650 FTE in FY 2010. That 650 FTE level gave the agency a staff that was modestly larger than it had in 1992 when it had the agency had a 592 FTE level and a high of 634 on board, and the markets were a fraction of what they are today.

Under the President's FY 2011 budget request, growth for the agency was projected to continue up to a level of 864 FTE, the Continuing Resolution will leave the agency near the 650 FTE level.

The Commission has realigned it FY 2011 Budget to conform to the limitations of the FY 2011 Continuing Resolution. All hiring has been restricted. The CFTC hired only two employees since the end of FY 2010 and student employees working part-time were terminated at the end of the 1st quarter of FY 2011. All programs are managing their pre-Dodd-Frank and Dodd Frank responsibilities with current staff which is well below what is required to manage even pre-Dodd-Frank activities.

The CFTC is of course complying with the government-wide freeze in cost-of-living-adjustment and some employee benefits programs have been substantially reduced or eliminated outright where legally permitted. The same is true for some advisory and assistance services related to human resources, and operations and logistics, and economic analysis and research. Program travel has been reduced approximately 50 percent. Even though technology is critical the CFTC's efforts to oversee derivative markets, the Office of Information Technology Service's (IT) budget has been reduced 36 percent in order to preserve existing staffing levels. The capital non-IT equipment budget and fixed equipment/construction budget has been zeroed out

THE FY 2012 BUDGET REQUEST

This budget requests an appropriation of $308,000,000 and 983 staff-years. The FY 2012 budget request builds on the FY 2011 Continuing Resolution appropriation of $168,800,000 and 667 FTE for pre–Dodd-Frank authorities. No funds are included in the FY 2011 Continuing Resolution budget to implement the Dodd-Frank authorities. The following tables provide a summary of staff required to carry out pre-Dodd Frank authorities and provides the incremental staff estimates required to implement Dodd-Frank.

Pre–Dodd Frank Staff Requirements

Division /Office	End of FY 10 On-board Count	Estimated End of FY 11 FTE Usage (Under a FY 11 CR Budget)	Total Increase Required for Pre-Dodd Frank	FY 12 President's Budget for Pre-Dodd-Frank Authorities
Market Oversight	143	139	29	**168**
Enforcement	170	167	33	**200**
Clearing and Intermediary Oversight	122	122	0	**122**
Proceedings	11	10	0	**10**
General Counsel	52	50	0	**50**
Chief Economist	18	14	3	**17**
International Affairs	9	9	1	**10**
Agency Direction	32	31	7	**38**
Administrative Management and Support	62	64	4	**68**
Information Technology	61	61	1	**62**
CFTC Total	**680**	**667**	**78**	**745**

The Commission ended FY 2010 with 680 staff on-board and estimates that under a year-long Continuing Resolution in FY 2011 the Commission will use 667 FTE in FY 2011. The CFTC also estimates that a level of 745 FTE are required into FY 2012 for pre-Dodd-Frank authorities. This includes the on-going comprehensive oversight of futures commission merchants (FCMs), futures exchanges, futures clearinghouses and other registrants.

Incremental Dodd–Frank Staff Requirements

Division /Office	FY 11 Continuing Resolution Budget	FY 12 President's Budget for Dodd-Frank Authorities	**FY 12 Total FTE for Previous and New Dodd-Frank Authorities (745+238)**	*FY 13 OMB Estimated of Additional Staff Requirements (Approved but Deferred to FY 2013)*	***FY 13 Total FTE for Previous and New Dodd-Frank Authorities (983+160)***
Market Oversight	0	82	250	*27*	***277***
Enforcement	0	35	235	*31*	***266***
Clearing and Intermediary Oversight	0	60	182	*70*	***252***
Proceedings	0	0	10	*0*	***10***
General Counsel	0	20	70	*0*	***70***
Chief Economist	0	3	20	*1*	***21***
International Affairs	0	3	13	*2*	***15***
Agency Direction	0	0	38	*1*	***39***
Administrative Management and Support	0	5	73	*22*	***95***
Information Technology	0	30	92	*6*	***98***
CFTC Total	0	238	983	*160*	***1143***

The President's FY 2011 Continuing Resolution Budget provided no additional positions for Dodd-Frank. The FY 2012 President's Budget provides funding for an additional 238 staff to implement Dodd-Frank. The Commission estimates and OMB concurs that approximately 398 additional staff are required to implement Dodd-Frank authorities. OMB has provided for 238 of these positions in the FY 2012 President's Budget and acknowledged the need for another 160 FTE in FY 2013. OMB allocated the total increase estimated over two fiscal years in recognition of the challenge of on-boarding more than 400 employees in a 12 month period.

The supporting justification in the Executive Summary addresses the total staff requirement of 476 FTE — 316 in FY 2012 (78 for pre-Dodd Frank and 238 for Dodd-Frank) and 160 in FY 2013. The detailed budget justification tables, beginning on page 25, and following the Executive Summary reference the net increase of 78 FTE for pre-Dodd Frank and 238 FTE for Dodd-Frank to conform to OMB guidance requiring the FY 2012 President's Budget request to be displayed as an increment over the FY 2011 appropriation.

PROGRAM SUMMARY

The Commission's new responsibilities under Dodd-Frank significantly increase its workload. By the end of Fiscal Year 2011, if under a year-long Continuing Resolution, the Commission will use approximately 667 FTEs, which is 78 below the 745 FTE required to carry out our pre-Dodd-Frank authorities. To fully implement the Dodd-Frank reforms, the Commission will require an additional 238 FTE in FY 2012 and 160 FTE in FY 2013.

The 398 FTE will permit the Commission to implement reforms that, among other changes, require: 1) swap dealers and major swap participants to register and come under comprehensive regulation — including capital and margin requirements, business conduct standards and record-keeping 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 swaps markets.

<u>Establishing and Staffing a New Swap Dealer and Intermediary Oversight Program.</u> The Dodd-Frank Act creates two new categories of registrants: "swap dealer" and "major swap participant." Staff will be needed to register these entities as well as regulate them for capital and margin requirements, robust business conduct standards and record-keeping and reporting requirements. To effectively

oversee swap dealers and major swap participants, the CFTC will create a new oversight program for these registrants and all other intermediaries that are currently required to be registered with the CFTC. These include FCMs, introducing brokers (IBs), retail foreign exchange dealers (RFEDs), commodity pool operators (CPOs), commodity trading advisors (CTAs) and their associated persons (APs).

Initial estimates are that there could be approximately 300 entities – compared to 127 FCMs that are currently registered with the Commission (though other intermediaries are registered with the Commission, such as CTAs and CPOs, the Commission only reviews FCMs due to resource constraints) – that will seek to register as swap dealers, FCMs or RFEDs. This includes:

- Approximately 80 global and regional banks currently known to offer swaps in the United States. Of the International Swaps and Derivatives Association's 830 members, 209 are "Primary Members." Though many of the dealers in emerging markets may not seek to register in the United States, it is likely that most, if not all, of the global and international members would along with many of their existing swap dealing affiliates;
- Approximately 60 affiliates of existing swap dealers based upon the Dodd-Frank Act's Section 716 requirement that banks push out much of their commodity, equity and credit default swaps desks to affiliates;
- Approximately 40 non-bank swap dealers currently offering commodity and other swaps;
- Approximately 20 potential new market makers that wish to become swap dealers;
- Approximately 75 entities that will register as FCMs; and
- Approximately 25 entities that will register as RFEDs.

A total increase of 60 FTE is requested for the new Swap Dealer and Intermediary Oversight Program, consisting of increases of 30 FTE in FY 2012 and 30 FTE in FY 2013. When fully staffed in FY 2013, the Commission will have 142 FTE allocated for this oversight program. The requested FTE resources will be essential to fulfill significant responsibilities related to registrants.

- As of September 30, 2010, the Commission has 77 FTE allocated to overseeing 127 FCMs, or one FTE per 1.6 FCMs.
- As a result of the provisions of the Dodd-Frank Act, it is estimated that some 300 entities will be registered with the Commission.
- Using our current ratio of one (1) FTE per 1.6 registrants, the CFTC would require 182.3 FTE.
- The FY 2013 budget request combined with the FY 2012 request includes an increase of 60 FTE to oversee 300 new registrants. That is a ratio of one (1) FTE per five (5) new registrants. With a planned 142 total FTE overseeing 427 registrants, the overall ratio would be one (1) FTE per three (3) registrants. This is growing from the current 1.6 registrants per FTE as:
    - It is not anticipated that all new registrants will register immediately after we stand up the dealer oversight program. Instead, a phased approach is anticipated.
    - Not all new registrants will be of the same size or complexity.

<u>Clearing of Standardized Swaps through CFTC registered Derivatives Clearing Organizations.</u> The Dodd-Frank Act requires that standardized swaps be cleared through CFTC registered DCOs. Clearing has lowered risk in the futures marketplace since the 1890s. A total increase of 70 FTE is requested for clearing oversight and risk surveillance, consisting of increases of 30 FTE in FY 2012 and 40 FTE in FY 2013. When fully staffed in FY 2013, the Commission will have 110 FTE allocated to the Clearing Policy and Risk Surveillance subprogram, including overseeing the clearing of standardized swaps through registered DCOs. As of September 30, 2010, the Commission has 48 FTE allocated to clearing oversight and the risk surveillance. The requested FTE resources will be essential to fulfill responsibilities related to clearing.

- All DCOs that clear swaps must submit the contracts to the CFTC, who must then make a decision as to whether the swaps are subject to the Dodd-Frank Act's clearing requirement. The CFTC has 90 days after the submission, including a 30-day comment period, to make such determinations. Though we do not yet know the total number of contracts that will be submitted for clearing, and the Commission may be able to group many by class, the largest swaps clearinghouse currently clears nearly one million unique contracts. There currently is no requirement for the CFTC to make similar determinations in the futures market.

- The Dodd-Frank Act creates a new category of systemically important DCOs. These entities will have to comply with heightened risk management and other prudential standards. The Commission will be required to examine systemically important DCOs at least yearly. We also have to ensure that all DCOs comply and bring their rules up to the new Dodd-Frank Act Core Principles. The Commission likely will see an increase in the number of DCOs seeking registration, including entities that are located outside the United States, from 14 to at least 20.
- The additional clearinghouses that will register as DCOs likely will clear many more products that will require analysis. Further, the risk profile of these cleared products will be more complex than traditional futures and options on futures. As such, the clearing oversight program's risk surveillance function will have to grow so that the CFTC can continue to effectively discharge its statutory duty to reduce systemic risk.

<u>Oversight of Swap Execution Facilities and Swaps Trading on Designated Contract Markets.</u> The Commission will need additional staff to implement many new provisions related to the oversight of swaps trading activity. These include procedures for the review and oversight of an entirely new regulated market category, SEFs. Staff in the Market and Product Review and Market Compliance units must establish and implement procedures for the review of new SEF applications and for the annual examination of the operations of SEFs. The Commission is requesting a total of 62 FTE to fulfill its pre- Dodd-Frank responsibilities. A total of 56 FTE are requested to implement new Dodd-Frank Authorities. This includes an additional 38 FTE for FY 2012 and an additional 18 FTE for FY 2013.

- The Commission currently oversees 16 DCMs. Based on industry comments, there could be at least 30-40 entities will apply to become SEFs. This estimate is based on the number of exempt commercial markets (ECMs), exempt boards of trade (EBOTs), interdealer brokers, information service providers and swap dealers who have formally or informally expressed an interest in registering as SEFs. Furthermore, some DCMs that in the past only listed futures will start listing swaps.
- Each SEF must be thoroughly evaluated by staff before making determinations whether they should be approved. Those that are approved also must be regularly examined for ongoing compliance.
- The Commission currently dedicates on average approximately 4.7 FTE from the Market and Product Review and Market Compliance Units to each DCM. By comparison, the Commission total requested 56 FTE increase for Dodd-Frank implementation would represent approximately 1.6 FTE per SEF.

<u>Market Surveillance, Position Limits and Swap Data Repositories.</u> The Dodd-Frank Act substantially expanded the responsibilities of the CFTC's Market Surveillance Unit in a number of critical ways. The Commission requests a total increase of 49 FTE to implement these new authorities. This includes an increase of 42 FTE in FY 2012 and seven (7) FTE in FY 2013. The Commission is also requesting 105 FTE to carry out its pre- Dodd-Frank authorities in the areas of market surveillance, trade practice surveillance, and data management and analysis responsibilities.

- The Market Surveillance Unit currently administers a Commission-set position limit regime for a total of nine (9) DCM-listed agricultural futures contracts. Under the Dodd-Frank Act, resources must be dedicated to implementing and enforcing new aggregate position limits that are expected to be adopted that for the first time, will cover not only the futures market, but also some portion of the swaps market. These limits would apply to more than 30 agricultural and exempt commodities.
- The Commission must establish and implement new procedures and monitoring mechanisms to ensure that swaps data is appropriately reported to SDRs. Such data must be properly monitored, maintained and made available to the Commission and other regulators. Initial estimates are that the Commission will receive at least five (5) SDR applications upon the general effective date of the Dodd-Frank Act – one for each major asset class of swaps– and maybe as many as 10, if some international SDRs seek to register as well. That number could

grow significantly to the extent that any DCMs, SEFs or DCOs seek to establish in-house SDRs to facilitate their swap business.

Regulating Foreign Boards of Trade. Currently, the Chief Counsel's Office in the Commission's Division of Market Oversight has a single FTE dedicated to the processing of no-action requests from foreign boards of trade (FBOTs) seeking to permit direct access to their trading platforms by members based in the United States. The Dodd-Frank Act's establishment of the new category of registered FBOTs requires an increase of four (4) FTE dedicated to FBOT matters to raise the total FTE to five (5) FTE. This includes an increase of two (2) FTE in FY 2012 and two (2) FTE in FY 2013. The Dodd-Frank Act's creation of a new registered FBOT category will obviate the need for the current FBOT no-action letter program, but the substantive requirements that will be imposed on Registered FBOTs will likely be more robust than the requirements imposed under the no-action regime. Currently, 20 FBOTs operate in the United States based upon no-action letters dating back to 1999. The Commission expects at least that number of FBOTs will apply to register upon the implementation of the Registered FBOT regulations, plus an additional six (6) to 10 FBOTs who have recently expressed an interest in becoming registered.

Enhanced Enforcement Authority. The Commission's Enforcement program is operating with a projected FTE count of 167 for the fiscal year ending September 30, 2011. This is 99 FTE less than the 266 positions required to fully and effectively implement the Commission's Dodd-Frank enforcement authorities and 33 fewer than needed to optimally execute mission-critical, pre-Dodd Frank enforcement activities. As indicated earlier in this summary, the reforms of the Dodd-Frank Act significantly enhance and expand the Commission's powers and responsibility to police the markets for fraud, manipulation and other abuses, and will result in a substantial increase in the Commission's workload. Of the 99 additional FTE required by the Enforcement program in order to meet pre-Dodd Frank performance goals as well as implement the new authorities of the Dodd-Frank Act, the Commission is requesting 68 FTE in FY 2012, and will defer its request for the 31 FTE balance until FY 2013.

- The Commission estimates that approximately 85 FTE are required in FY 2012 for pre-Dodd-Frank authorities to investigate and prosecute violations of the CEA involving fraud. An additional 29 FTE will be required by the Dodd-Frank Act including 14 FTE for FY 2012 and an additional 15 FTE for FY 2013. This requested increase is based on the following factors:
  - The Dodd-Frank Act provides the Commission with clarified jurisdiction with respect to certain retail, off-exchange transactions, including transactions in precious metals.
  - The Dodd-Frank Act establishes the Commission's anti-fraud jurisdiction with respect to the swaps market, including prohibiting entering into a swap with knowledge that the swap will be used by the counterparty in furtherance of a fraudulent scheme.
  - The Dodd-Frank Act creates a new whistleblower protection program for whistleblowers who provide original information leading to a successful enforcement action.
- The Commission estimates that approximately 83 FTE are required in FY 2012 for pre-Dodd Frank authorities to investigate and prosecute manipulation, attempted manipulation and false reporting violations. An additional 25 FTE will be required to implement the Dodd-Frank Act, which creates new prohibitions against reporting false information to the marketplace and supplements the Commission's existing "price-based" anti-manipulation authority by adding a "fraud-based" manipulation provision. The total increase of 25 FTE includes 13 additional FTE for FY 2012 and 12 additional FTE for FY 2013.
- The Commission estimates that approximately 25 FTE are required in FY 2012 to carry out our pre-Dodd-Frank Authorities to investigate and prosecute financial, record-keeping, reporting and trade practice violations. An additional seven (7) FTE will be required by the Dodd-Frank Act including three (3) FTE in FY 2012 and four (4) FTE increase in FY 2013 based on the following factors:
  - The Enforcement Program polices 127 FCMs currently registered with the Commission. The Commission estimates that under the Dodd-Frank Act, approximately 300 new entities will register. While the number of registrants is expected to increase approximately two-fold, the Commission has only requested a 14 percent increase for FY 2013 for this program goal.

  - The Dodd-Frank Act also prohibits insider trading in futures, options or swaps by Federal employees with access to non-public information and establishes new prohibitions on disruptive trading practices to ensure that regulated markets are fair and orderly.

- The Commission will establish and operate an Enforcement Program Intelligence Unit consisting of 12 FTE in FY 2012. The Unit will consist of seven (7) positions reallocated from our pre-Dodd-Frank base of 200 and an additional five (5) FTE to implement the Dodd-Frank Act. No increase is requested for FY 2013. The new Intelligence Unit will fulfill the following functions:
  - The Commission receives thousands of tips, complaints and referrals from many sources including the public, regulated entities, state and federal agencies, and self-regulatory organizations (SROs). The Intelligence Unit will analyze tips, complaints and referrals to proactively identify market practices and activities that pose risks to investors and assess how to best address those practices and activities.
  - Under Section 748 of the Dodd-Frank, the Commission will be required to establish and staff a Whistleblower Office. The Whistleblower Office will have responsibility for: handling tips from whistleblowers; managing the award process, including making award determinations.

<u>Modernization of Information Technology.</u> The Commission's $66 million budget request allocates $25 million for Dodd-Frank implementation. This request builds upon the FY 2011 appropriation of $20 million for information technology; no funds were provided for Dodd-Frank implementation in the FY 2011 Continuing Resolution appropriation. For pre-Dodd-Frank information technology requirements, the Commission's FY 2012 information technology budget request includes a $21 million increase, from $20 million in FY 2011 to $41 million in FY 2012. This increase allows the Commission to continue its focus on enhancing the Commission's technology to keep pace with the futures marketplace by implementing:

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

The Dodd-Frank Act for the first time sets up a new registration category for SDRs. The bill requires registrants— including swap dealers, major swap participants, SEF and DCMs— to have robust record-keeping and reporting, including an audit trail, for swaps. The CFTC anticipates rules in this area to require SDRs to perform their core function of collecting and maintaining swaps data and making it directly and electronically available to regulators. The resources requested will ensure that the Commission is able to integrate its systems with swap repositories that are being established in the United States and internationally. The Commission's capacity to study and respond to ordinary trading practices or technological trading innovations will be greatly enhanced. Specific technological objectives include:

- Adapting existing automated surveillance and comprehensive analysis solutions to maximize the utility of the data residing in swap repositories;
- Establishing a robust technology infrastructure for systems that provide reliable intelligence about our markets and that assist the Commission in monitoring voluminous transaction processing;
- Standardizing the collection of order data for disruptive trade practice analysis;
- Advancing computing platforms for high-frequency and algorithmic trading surveillance and enforcement;

- Expanding data transparency through enhancements to the CFTC.gov Web site; and Implementing enhanced market and risk surveillance technology to oversee positions across swaps, options and futures markets.

To meet these needs, the agency is requesting an increase of 37 information technology FTE, which is an increase of 31 FTE in FY 2012 and six (6) FTE in FY 2013.

The CFTC, for the first time in its history, will need the technological capability to aggregate position and trading data across swaps and futures markets. The Commission also will need to be able to aggregate the position, trading, and other information stored in SDRs as there may be more than one SDR per asset class. The Dodd-Frank Act does not mandate any registered repository or data warehouse for such data aggregation purposes. However, the CFTC and other regulators will need a comprehensive view of the entire derivatives market, including combined futures and swaps data, to execute their mission. These aggregate capabilities include the ability to collect, store, readily access and analyze data for market surveillance, risk surveillance, enforcement, and position limit purposes.

Administrative Management and Support. The Commission is acting to enhance and restructure its management, planning and operational support to effectively service a substantially larger workforce with a broader mission. The CFTC is dedicated to improving Commission management through process standardization and optimization, which is currently underway throughout the agency. To meet these needs, the agency is requesting an increase of 31 non-technology administrative and support staff, an increase of nine (9) FTE in FY 2012 and 22 FTE in FY 2013. Although this is an increase, it represents a shrinking percentage of the agency total workforce. In FY 2010, non-IT administrative support represented 10.6 percent of FTE. The 73 administrative staff members requested for FY 2012 represents only 7.4 percent of the total workforce. The administrative support resources request responds to several needs:

- Agency staff will grow substantially with the FY 2012 and FY 2013 budget requests. A number of services, such as compensation, space management and hiring must expand to keep up with that growth.
- The Dodd-Frank Act places a number of new requirements on the agency. Additional FTE are needed to ensure that the agency can meet those requirements, for example, by training staff in new areas.
- Some areas of administration and management support have been either not staffed or understaffed in previous years as the agency chose to apply its limited resources to program rather than administrative functions. With the expected growth of the agency, a number of those areas, such as planning and business management, must now catch up.
- The lower ratio of administration and management support to total FTE will be pursued through efficiencies derived from standardization and business process improvements.

Enhancing Legal Analysis. As novel and complex legal and economic issues arise in the development and application of rules to implement the Dodd-Frank Act, the Office of General Counsel will need 20 additional FTE for legal expertise in FY 2012 to support all of its programs. No increase is requested for FY 2013 over an FY 2012 level of 70.

- The Commission will require legal staff to support the review of registration applications submitted by swap dealers, major swap participants, SEFs, DCOs and SDRs.
- The Commission will require legal support for all its new responsibilities under the Dodd-Frank Act, including the review of swaps to determine whether they should be subject to mandatory clearing, determinations of which swaps perform a significant price discovery function for purposes of aggregate position limits, legal sufficiency review of proceedings filed pursuant to the Commission's new and expanded enforcement authorities, publication of data consistent with confidentiality protections in the CEA, and evaluation of new categories of registrants for compliance with rules and core principles.

Ensuring U.S. Interests in the Global Marketplace. The Office of International Affairs needs six (6) additional professional staff to address the increasing global reach of the futures and swaps markets. The Dodd-Frank Act specifically mandates that the Commission consult and coordinate with foreign regulatory authorities on the establishment of consistent international standards with respect to the regulation of swaps and futures. Of the six (6) positions four (4) positions are requested for FY 2012 and two (2) for FY 2013.

Broadening Economic Analyses. Swaps vary substantially in terms of economic structure and will require expanded economic analyses. Commission staff will be challenged to meet those demands while continuing to maintain current oversight responsibilities. The Office of the Chief Economist requires seven (7) additional staff to expand the use of econometric and analytic techniques to the swaps marketplace to gauge the effects of market activities and the regulation of those activities. Of the seven (7) positions, six (6) are requested for FY 2012 and one (1) for FY 2013.

Inspector General. The Office of the Inspector General will require one (1) additional investigatory FTE in FY 2013 as a result of the increase in jurisdiction and staffing resulting from the enactment the Dodd-Frank Act. No increase is requested for FY 2012.

Continuing Current Service Level. The CFTC requires additional resources to provide a continuation of the FY 2011 service levels into FY 2012 for pre-Dodd-Frank authorities, which include:

- Overseeing trade execution facilities, performing market surveillance, market compliance, and market and product review functions;
- Overseeing the compliance activities of DCOs, intermediaries, and the futures industry SROs, which include the U.S. commodity exchanges and National Futures Association (NFA);
- Investigating and prosecuting alleged violations of the CEA and Commission regulations which may involve commodity futures or option trading on U.S. futures exchanges, or the improper marketing and sales of commodity futures products to the general public;
- Ensuring that U.S. interests are served abroad by representing the Commission at the International Organization of Securities Commissions (IOSCO); coordinating Commission policy as it relates to Treasury global initiatives; and providing technical assistance to foreign market authorities;
- Conducting economic research on policy issues facing the agency and providing education and training for Commission staff;
- Representing the Commission in appellate litigation and certain trial-level cases, including bankruptcy proceeding involving futures industry professionals, and advising the Commission on the application and interpretation of the CEA and other administrative functions;
- Handling customer complaints and resolving disputes between futures customers and commodity futures trading professionals;
- Ensuring effective and efficient management of human capital, technology and financial resources and facilities management; and
- Providing for the annual merit based compensation adjustments for staff, lease of office space, utilities and communications, printing, supplies, services, capital equipment and fixed equipment.

SUMMARY

This budget requests an appropriation of $308,000,000 and 983 staff-years. This is a $139,200,000 increase over the FY 2011 Continuing Resolution appropriation of $168,800,000 and 667 FTE.

Financial markets are complex, global and interconnected. The Commission needs new resources to ensure the integrity of the U.S. futures and option markets. The agency needs to grow — by the end of FY 2013 — to a staffing level 1,143 to perform its mission and to fulfill its regulatory responsibilities.

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.

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;
- 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 registered with the CFTC;
- Exempt commercial markets; and
- Exempt boards of trade.

Growth in Volume of Futures & Option Contracts Traded & FTE, 2000 – 2010

Trading volume has increased over five-fold in the last decade. There is growth in the staffing level for the Commission in FY 2010, but over a ten year period the increase in staff has not kept up with the increase in volume of contracts traded.[1]

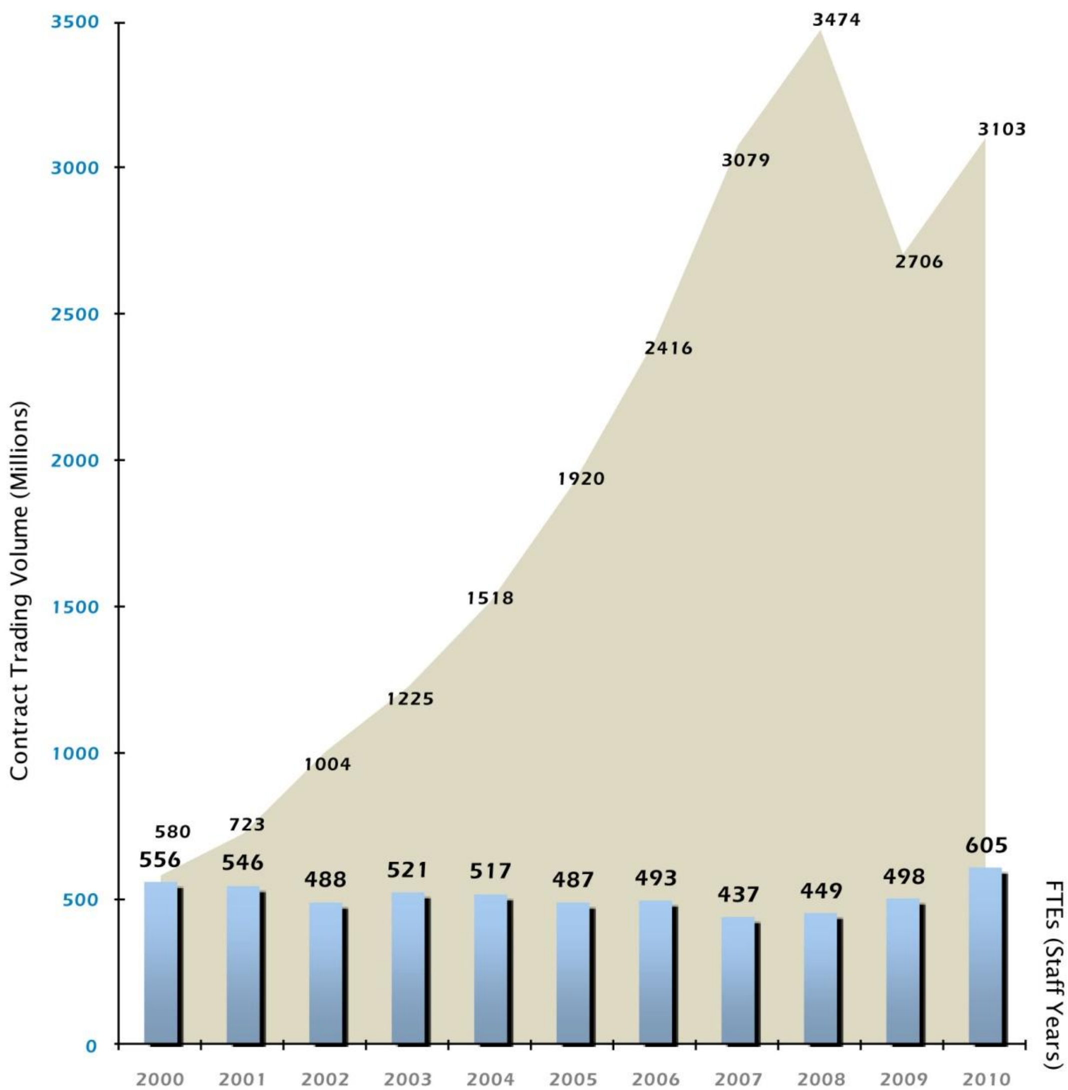


Figure 1: Growth of Volume of Contracts Traded and FTE

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

Actively Traded Futures & Option Contracts, 2000 – 2010

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

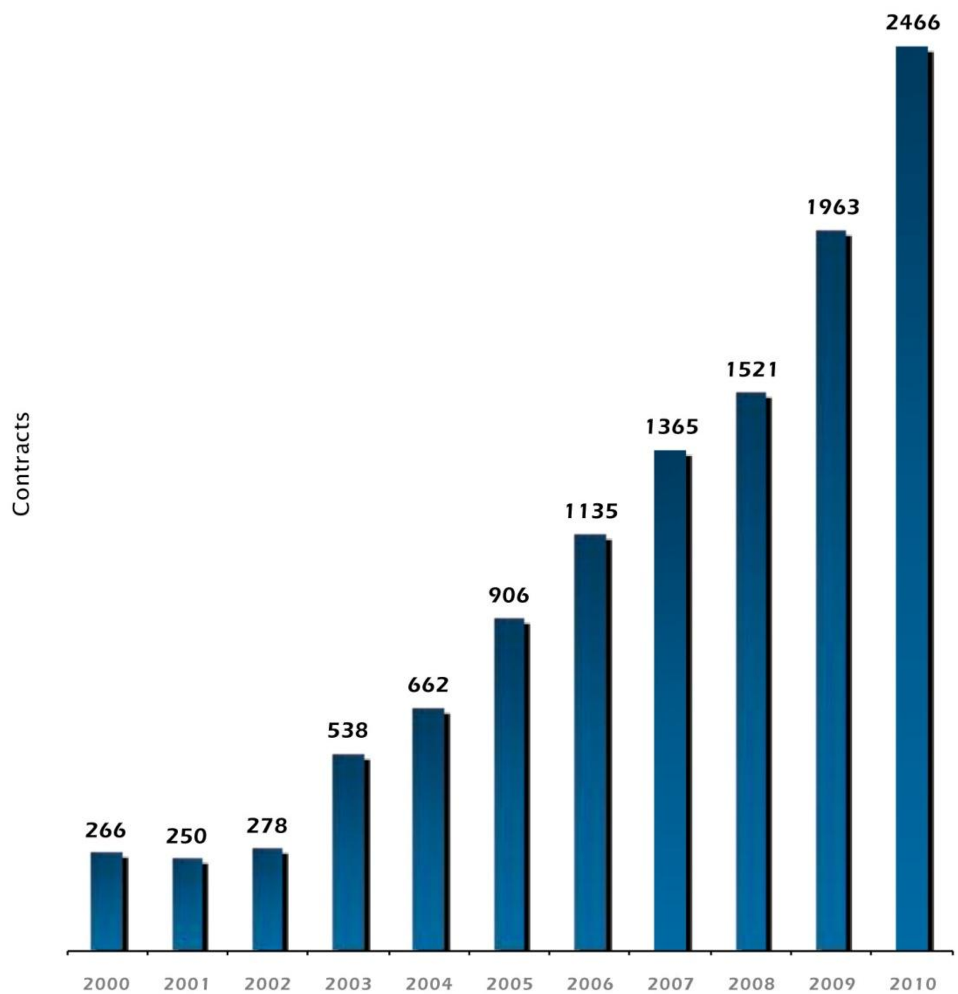


Figure 2: CFTC Actively Traded Contracts

Customer Funds in Futures Commission Merchants Accounts, 2000 – 2010

The amount of customer funds held at FCMs nearly quadrupled from FY 2000 to FY 2008, declined in FY 2009, and increased modestly in FY 2010.

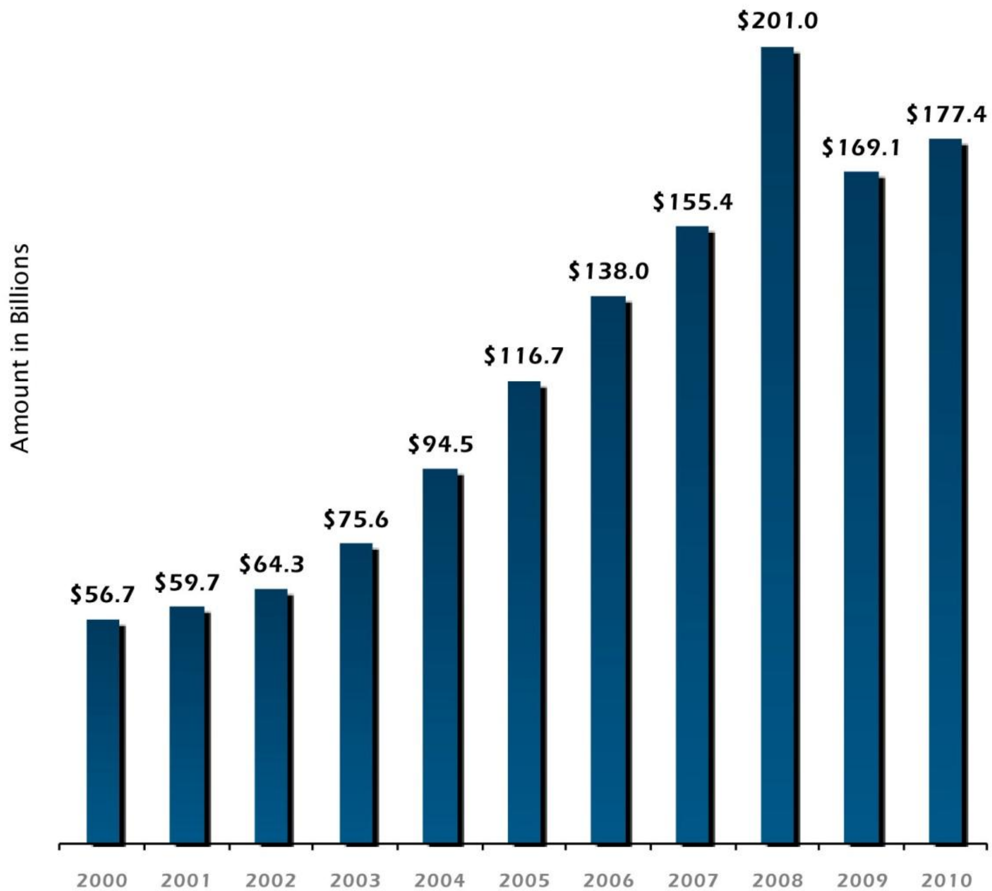


Figure 3: Customer Funds in FCM Accounts

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 NFA, a registered futures association and self-regulatory organization with delegated oversight authority from the Commission.

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

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

Table 1: Number of Registrants

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

Preservation of Market Integrity and Protection of Market Users

Manipulation, Attempted Manipulation, and False Reporting

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

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

Table 2: Manipulation, Attempted Manipulation, and False Reporting

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, including CPOs and CTAs operating hedge funds. The majority of the Commission's pool/hedge fund fraud cases are brought against unregistered CPOs and/or CTAs. These cases tend to involve Ponzi schemes or outright misappropriation, rather than legitimate hedge fund operations.

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

Table 3: Pool/Hedge Funds

Forex Fraud

The Commission vigorously uses its enforcement authority to combat foreign currency (forex) fraud.

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

Table 4: Foreign Currency Markets

Contract Markets Designated by the CFTC, 2005 – 2010

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

DCMs [3]	2005	2006	2007	2008	2009	2010
CANTOR						✓
CBOT	✓	✓	✓	✓	✓	✓
CCFE	✓	✓	✓	✓	✓	✓
CFE	✓	✓	✓	✓	✓	✓
CME	✓	✓	✓	✓	✓	✓
CX						✓
ELX					✓	✓
GREENEX						✓
ICE US (NYBOT)	✓	✓	✓	✓	✓	✓
KCBT	✓	✓	✓	✓	✓	✓
MGE	✓	✓	✓	✓	✓	✓
Nadex (HedgeStreet)	✓	✓	✓	✓	✓	✓
NFX (PBOT)	✓	✓	✓	✓	✓	✓
NQLX	✓					
NYMEX (incl. COMEX)	✓	✓	✓	✓	✓	✓
NYSE LIFFE				✓	✓	✓
OCX	✓	✓	✓	✓	✓	✓
TRENDEX						✓
USFE	✓	✓	✓	✓	✓	
TOTAL	**13**	**12**	**12**	**13**	**14**	**17**

Table 5: Designated Contract Markets

3 Refer to the Table of Acronyms in Appendix 10 for full names of organizations.

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

Clearinghouses that provide clearing services for CFTC-regulated exchanges must register as DCOs. In FY 2010, 14 DCOs were registered with the Commission.

DCOs [4]	2005	2006	2007	2008	2009	2010
AE Clearinghouse	✓	✓	✓			
Cantor Clearinghouse						✓
CBOT	✓	✓	✓	✓	✓	✓
CCorp	✓	✓	✓	✓	✓	✓
CME	✓	✓	✓	✓	✓	✓
ICE Clear Europe						✓
ICE Clear US	✓	✓	✓	✓	✓	✓
IDC					✓	✓
KCBT	✓	✓	✓	✓	✓	✓
LCH	✓	✓	✓	✓	✓	✓
MGE	✓	✓	✓	✓	✓	✓
NADEX	✓	✓	✓	✓	✓	✓
NGX					✓	✓
NYMEX	✓	✓	✓	✓	✓	✓
OCC	✓	✓	✓	✓	✓	✓
TOTAL	**11**	**11**	**11**	**10**	**12**	**14**

Table 6: CFTC-Registered Derivatives Clearing Organizations

[4] Refer to the Table of Acronyms in Appendix 10 for full names of organizations.

Exempt Commercial Markets, 2005 – 2010

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

ECMs[5]	2005	2006	2007	2008	2009	2010
Agora-X					✓	✓[6]
CCX	✓	✓	✓	✓	✓	✓
CDXchange	✓	✓				
ChemConnect		✓	✓			
DFOX					✓	
EnergyCross.com					✓	✓
EOXLIVE				✓	✓	✓
Evolution Markets						✓[6]
FCRM					✓	✓
Flett			✓	✓	✓	
GFI			✓	✓	✓	✓
HSE	✓	✓	✓	✓	✓	✓
ICAP		✓	✓	✓	✓	✓
ICAPture		✓	✓	✓	✓	✓
ICAP Shipping		✓	✓	✓	✓	✓
ICAP Truequote						✓
ICE	✓	✓	✓	✓	✓	✓
IMAREX	✓	✓	✓	✓	✓	✓[6]
Liquidity Partners						✓
Liquidity Port			✓	✓	✓	✓[6]
NGX	✓	✓	✓	✓	✓	✓
Nodal			✓	✓	✓	✓

Table 7: Exempt Commercial Markets

[5] Refer to the Table of Acronyms in Appendix 10 for full names of organizations.
[6] These ECMs withdrew their ECM notifications during FY 2010.

ECMs	2005	2006	2007	2008	2009	2010
NTP		✓	✓	✓	✓	
OILX					✓	✓
OPEX	✓	✓	✓	✓	✓	
Parity				✓	✓	✓
SL	✓	✓	✓			
TCX	✓	✓	✓	✓	✓	
TFSWeather	✓	✓	✓	✓	✓	
tpENERGYTRADE					✓	
Tradition Coal.com				✓	✓	✓
Trading Optx					✓	✓[6]
TS	✓	✓				
WORLDPULP	✓	✓	✓	✓	✓	✓
TOTAL	12	17	19	20	27	23

Exempt Boards of Trade, 2005 – 2010

Transactions by eligible contract participants in selected commodities may be conducted on an EBOT as set forth under the CEA and the Commission's regulations. EBOTs are subject only to the CEA's anti-fraud and anti-manipulation provisions. An EBOT is prohibited from claiming that the facility is registered with, or recognized, designated, licensed, or approved by the Commission. Also, if it is performing a price discovery function, the EBOT must provide certain pricing information to the public. To date, 20 EBOTs filed notices with the Commission. In FY 2010, 14 EBOTs were in business for at least part of the year; one however, withdrew its EBOT notification during the fiscal year.

EBOTs[7]	2005	2006	2007	2008	2009	2010
AE	✓	✓	✓	✓	✓	
CME AM	✓	✓	✓	✓	✓	✓
CTRMTCH						✓
Derivatives Bridge				✓	✓	✓
ERIS						✓
FENICS						✓
GFI ForexMatch			✓	✓	✓	✓
Intrade	✓	✓	✓	✓	✓	✓
IRESE				✓	✓	✓
LiquidityPort			✓	✓		
Longitude			✓	✓	✓	✓
M2						✓
MATCHBOXX ATS		✓				
Storm		✓	✓	✓	✓	✓[8]
SURFEX						✓
Swapstream		✓	✓	✓	✓	✓
TACE					✓	✓
WBOT	✓	✓	✓			
WXL	✓	✓	✓			
Yellow Jacket				✓		
TOTAL	**5**	**8**	**9**	**9**	**10**	**14**

Table 8: Exempt Boards of Trade

7 Refer to the Table of Acronyms in Appendix 10 for full names of organizations.
8 This EBOT withdrew its EBOT notification during FY 2010.

Overview of Planned Outcomes by Strategic Goal

The Commission allocates budgetary resources by Strategic Goal in accordance with the Government Performance and Results Act (GPRA). The Dodd-Frank reforms passed on July 21, 2010 will require a thorough review of the Commission's Strategic Goals structure and an update of those Goals and, or at the least, the underlying outcome objectives and business processes. Since that process is not yet complete this budget allocates resources under the structure of the Commission's current strategic plan, incorporating where appropriate, new responsibilities emerging from Dodd-Frank.

Introduction

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

The Commission requests $308.0 million in FY 2012 to fund its efforts to reach its four strategic goals:

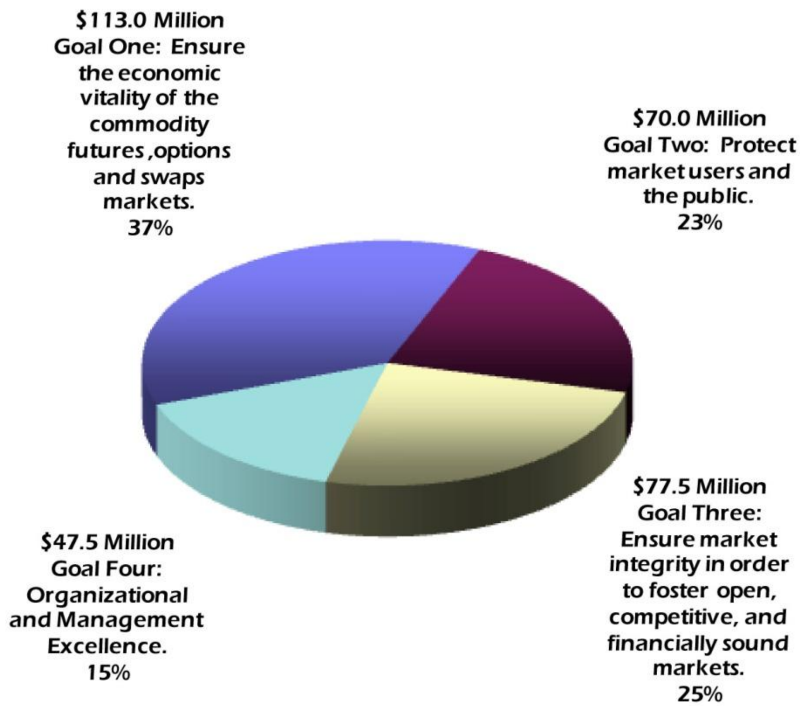


Figure 4: Budget & Performance Request by Strategic Goal

To achieve the planned outcomes for FY 2012, the Commission will allocate the $308.0 million request among seven programs: Enforcement; Clearing, Swap Dealer & Intermediary Oversight; Market Oversight; Chief Economist; Proceedings; General Counsel and International Affairs. There are two support programs: Agency Direction and Administrative Management and Support[9] .

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

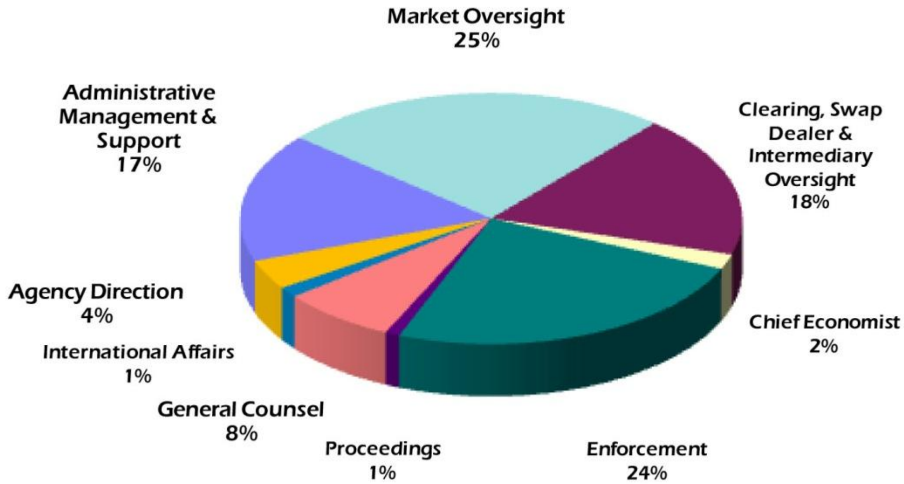


Figure 5: $308 Million Budget Request by Program

FY 2012 Outcomes by Goal

Goal One: Ensure the Economic Vitality of Commodity Futures, Options and Swap Markets

In seeking to fulfill its mission, a substantial portion of the Commission's resources are devoted to daily oversight of exchanges, intermediaries, and DCOs. In 1974, when the Commission was founded, the vast majority of regulated derivatives trading consisted of futures trading in agricultural sector products. 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 derivatives industry has become increasingly diversified. 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. However, 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. Financial and commodity futures and option contracts make up approximately 79 percent. Other contracts, such as those on metals and energy products, make up about 13 percent. The passage of the Dodd-Frank Act in July 2010, has further expanded the Commission's regulatory responsibilities to cover both bilateral and exchange-traded swaps contracts leading to even further growth and diversification.

In FY 2012, the Commission requests $113.0 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 2012 performance goal of zero price manipulations, which 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 2012 performance goal of improving the effectiveness and efficiency of market surveillance for futures and swaps products traded on registered entities as well as swaps executed bilaterally.

Breakout of Goal One Request by Outcome

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL ONE: Ensure economic vitality of commodity futures, options and swaps markets.						
Outcomes						
1.1 Futures, options and swaps markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	$48,211	193	$95,028	304	$46,817	111
1.2 Markets that can be monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.	5,409	22	17,983	58	12,574	36
Total Goal One	**$53,620**	**215**	**$113,011**	**362**	**$59,391**	**147**

Table 9: Breakout of Goal One by Outcome

Goal Two: Protect Market Users and the Public

Growth in the futures and swaps markets carries 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. The difficulty of this challenge will only increase with the expansion of the Commission's oversight duties to swaps markets pursuant to Dodd-Frank.

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 of 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. On average, the Commission has over 150 investigations open at any particular time, however in FY 2010 an unprecedented 453 investigations were opened. If evidence of criminal activity is found, matters are referred to state or Federal authorities for criminal prosecution.

In FY 2012, the Commission requests $70.0 million to fund its efforts to reach the following outcomes of Strategic Goal Two:

- Violations of Federal commodities and swaps laws are detected and prevented—with an FY 2012 performance goal of increasing the probability of violators being detected and sanctioned.

- Commodity professionals involved in both futures and swaps trading meet high standards—with an FY 2012 performance goal of zero unregistered, untested, or unlicensed commodity professionals required to be registered.

- Customer complaints against persons or firms registered under the CEA are handled effectively and expeditiously—with an FY 2012 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 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL TWO: Protect markets users and the public.						
Outcomes						
2.1 Violations of Federal commodities and swaps laws are detected and prevented.	$28,300	108	$46,650	146	$18,350	38
2.2 Commodity professionals meet high standards.	8,130	32	17,667	56	9,537	24
2.3 Customer complaints against persons or firms falling within the jurisdiction of the Commodity Exchange Act are handled effectively and expeditiously.	4,470	18	5,722	18	1,252	0
Total Goal Two	**$40,900**	**158**	**$70,039**	**220**	**$29,139**	**62**

Table 10: Breakout of Goal Two by Outcome

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

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

In FY 2012, the Commission requests $77.5 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 2012 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, options and swaps markets are effectively self-regulated—with an FY 2012 performance goal of zero loss of funds resulting from failure of SROs to ensure compliance with their rules for commodity futures and option markets, and with respect to the swaps markets, zero loss of funds resulting from the failure of the Commission to ensure compliance with the CEA and Commission's regulations.

- 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 2011		FY 2012		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.	$11,976	47	$24,366	78	$12,390	31
3.2 Commodity futures, options and swaps markets are effectively regulated.	16,165	65	29,498	95	13,333	30
3.3 Markets are free of trade practice abuses.	3,680	14	7,829	25	4,149	11
3.4 Regulatory environment is responsive to evolving market conditions.	9,194	36	15,809	50	6,615	14
Total Goal Three	**$41,015**	**162**	**$77,502**	**248**	**$36,487**	**86**

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 depends 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 2012, the Commission requests $47.5 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 2011 $ (000)	FY 2011 FTE	FY 2012 $ (000)	FY 2012 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.	$4,025	16	$6,207	20	$2,182	4
4.2 A modern and secure information system that reflects the strategic priorities of the Commission. [10]	9,858	39	13,594	44	3,736	5
4.3 An organizational infrastructure that efficiently and effectively responds to and anticipates both the routine and emergency business needs of the Commission.	3,773	15	6,207	20	2,434	5
4.4 Financial resources are allocated, managed, and accounted for in accordance with the strategic priorities of the Commission.	4,025	16	4,966	16	941	0
4.5 Commission's mission is fulfilled and goals are achieved through sound management and organizational excellence provided by executive leadership.	11,584	46	16,474	53	4,890	7
Total Goal Four	**$33,265**	**132**	**$47,448**	**153**	**$14,183**	**21**

Table 12: Breakout of Goal Four by Outcome

[10] 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, options and swaps, and to foster open, competitive, and financially sound commodity futures, options and swaps markets.

Goal One *Ensure the economic vitality of the commodity futures, options and swaps 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 and swaps laws are detected and prevented.
2. Commodity 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, options and swaps markets are effectively 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, Options and Swaps Markets.

Outcome Objectives and Annual Performance Goals

Outcome 1.1 – Futures, options and swaps 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, which would cause loss of confidence or negatively affect price discovery or risk shifting.

Outcome 1.2 – Markets that are effectively and efficiently monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.

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

Background and Context

In order for commodity futures, options and swaps 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, 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 Commission regulations. Enforcement actions may be brought against individuals who are or should be registered with the Commission, those who engage in trading on any domestic exchange, and those who engage in illegal cash market activities that affect or could affect the futures markets. 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 CEA, 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.

Currently, the surveillance activities described above apply only to exchange-traded commodity futures and options. With implementation of Dodd-Frank, this surveillance will be expanded to cover the swaps markets as well, greatly increasing the number of transactions subject to the Commission's surveillance program.

Means and Strategies for Achieving Objectives

Means:

- Directly monitor commodity futures, options and swaps markets to detect and protect against price manipulation and abusive trading practices to ensure that the markets are performing the vital economic functions 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 CEA 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, the Commission 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. Commission staff also analyze markets to determine how conditions and factors observed may impact individual registrants or the markets in general in order to deter potentially adverse conduct and to take appropriate action, responding quickly to potentially disruptive situations. Under the Dodd-Frank Act, the Commission also must collect and analyze information on swap trading to enforce aggregate position limits, identify potential market disruptions, ensure post trade transparency and conduct periodic assessments of activity in the swaps markets.

- *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. Commission staff conducts a due diligence review of each contract and contract amendment to ensure compliance with the CEA and the Commission's regulations, and relies on its authority to then alter, or supplement, exchange rules or to take emergency action, as appropriate, if a violation is discovered. Under the Dodd-Frank Act, the Commission now also must evaluate which products are subject to mandatory trading requirements and requirements for real time reporting of transaction information.

- *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 while 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*. Under Dodd-Frank the Chairman will be a voting member of the new Financial Stability Oversight Council (FSOC) and will participate in its deliberations and other activities. The FSOC, which was created in Title I of the Dodd-Frank Act, consists of the following voting members: the Secretary of the Treasury, who shall serve as Chairman of the Council, the Chairman of the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Director of the Bureau of Consumer Financial Protection, the Chairman of the Securities and Exchange Commission (SEC), the Chairman of the Federal Deposit Insurance Corporation, the Chairman of the CFTC, the Director of the Federal Housing Finance Agency, the Chairman of the National Credit Union Administration, and an independent member having insurance expertise, appointed by the President, by and with the advice and consent of the Senate. The non-voting members include the Director of the Office of Financial Research, the Director of the Federal Insurance Office, a designated State insurance commissioner, a designated State banking supervisor, and designated state securities. The purposes of the Council are to identify risks to the financial stability of the United States that could arise from the material financial distress or failure, or ongoing activities, of large, interconnected bank holding companies or nonbank financial companies, or that could arise outside the financial services marketplace; to promote market discipline, by eliminating expectations on the part of shareholders, creditors, and counterparties of such companies that the Government will shield them from losses in the event of failure; and to respond to emerging threats to the stability of the U.S. financial system. By law, the FSOC must meet at least quarterly. The Chairman will rely on the staff and resources of the CFTC to carry out his statutory duties as a member of the FSOC.

- *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 two 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, accelerate the process for granting appropriate product approvals, and reduce legal uncertainty.

- *Provide transparency about the marketplace*. Commission staff prepare and provide materials and information on the functions of the markets and the types of participants to the public through public Commission meetings, public roundtables, advisory committee meetings, symposia, publications, press releases, advisories, and publication of the Commitments of Traders (COTS) 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*. Commission attorneys and investigators conduct investigations and institute enforcement actions against alleged violators. Violators are sanctioned. The sanctions are publicized and enforced. The Commission may bring Federal injunction or administrative enforcement cases against persons or firms charged with violating the CEA or Commission regulations.

- *Review regulations and amend or abolish as appropriate*. In order to ensure that the regulations enforced by the Commission are sufficiently protective of the public interest, especially the new provisions mandated by the Dodd-Frank Act; the Commission reviews and adapts its regulations to evolving conditions and changes in the industry.

Summary of Goal One Performance Indicators

Goal One: Ensure the economic vitality of the commodity futures, options and swaps markets.

Outcome 1.1: Futures, option and swaps 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 2009 Actual	FY 2010 Actual	FY 2011 Plan	FY 2012 Plan
1.1.1 Percentage growth in market volume	-22.1%	14.7%	18%	20%
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, futures and options trading, enhance the price discovery process, or increase available risk management tools	75%	100%	90%	90%
1.1.3 Percentage increase in number of futures, options, and swaps products traded	29.1%	25.6%	11.5%	12.5%
1.1.4 Percentage of new exchange and clearinghouse organization applications completed within expedited review period:				
a) new exchange applications	N/A[11]	33%	50%	33.3%
b) new clearinghouse applications	N/A[12]	100%	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	71%	40%	20%	30%
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	73%	38%	35%	45%

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 2009 Actual	FY 2010 Actual	FY 2011 Plan	FY 2012 Plan
1.2.1 Percentage of exchange applications demonstrating compliance with core principles	100%	100%	100%	100%
1.2.2 Ratio of markets surveilled per economist	14	45	55	55
1.2.3 Percentage of contract expirations without manipulation	99.9%	99.9%	99.9%	99.9%

[11] The applicants of two fast track submissions were taken off the fast track review.
[12] 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.

Breakout of Goal One Request by Program Activity

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Market Oversight	$23,753	99	$56,276	182	$32,523	83
Clearing, Swap Dealer & Intermediary Oversight	2,017	8	4,058	13	2,041	5
Chief Economist	3,243	14	5,965	20	2,722	6
Enforcement	18,928	72	32,954	104	14,026	32
Proceedings	0	0	0	0	0	0
General Counsel	2,798	11	5,673	17	2,875	6
International Affairs	0	0	0	0	0	0
Agency Direction	0	0	0	0	0	0
Administrative Mgmt. & Support	2,881	11	8,085	26	5,204	15
TOTAL:	**$53,620**	**215**	**$113,011**	**362**	**$59,391**	**147**

Table 13: Breakout of Goal One Request by Program Activity

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Dodd-Frank (Included Above)	$0	0	$34,160	105	$34,160	105
TOTAL:	**$0**	**0**	**$34,160**	**105**	**$34,160**	**105**

Table 14: Breakout of Goal One Dodd-Frank Request by Program Activity

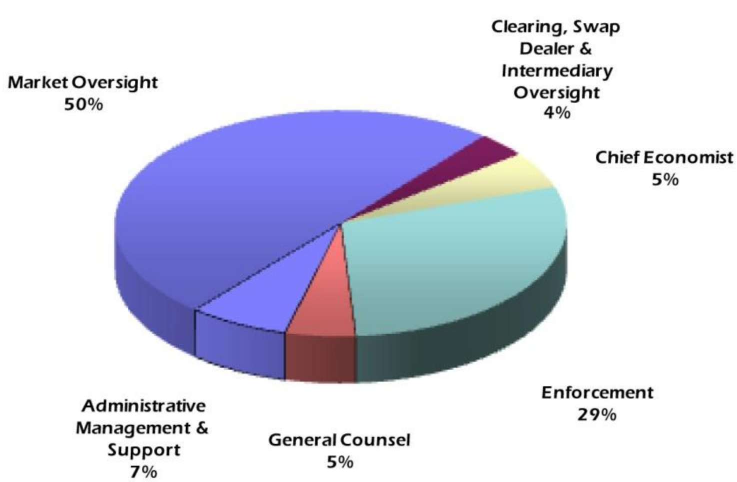


Figure 6: Breakout of Goal One Request by Program Activity

Breakout of Goal One Request by Outcome Objective

	FY 2011 $ (000)	FY 2011 FTE	FY 2012 $ (000)	FY 2012 FTE	Change $ (000)	Change FTE
GOAL ONE: Ensure economic vitality of commodity futures, options and swaps markets.						
Outcomes						
1.1 Futures, options and swaps markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	$48,211	193	$95,028	304	$46,817	111
1.2 Markets that can be monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.	5,409	22	17,983	58	12,574	36
Total Goal One	**$53,620**	**215**	**$113,011**	**362**	**$59,391**	**147**

Table 15: Breakout of Goal One by Outcome

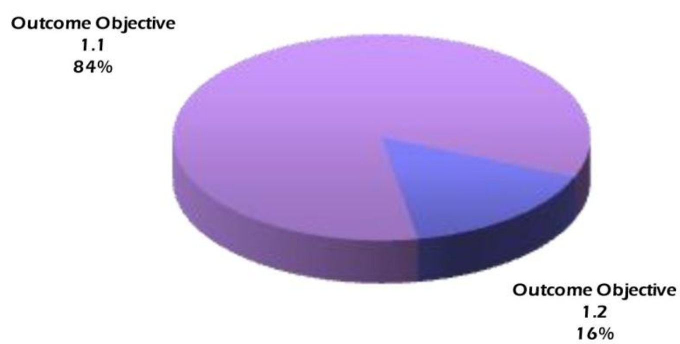


Figure 7: Breakout of Goal One Request by Outcome Objective

Strategic Goal Two – Protect Market Users and the Public.

Outcome Objectives and Annual Performance Goals

Outcome 2.1 – Violations of Federal commodity and swap laws concerning futures, options and swaps 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 commodities or swaps entities and professionals.

Outcome 2.3 – Customer complaints against persons or firms registered under the CEA 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.

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 Commission registrants. Extensive record-keeping of all futures and commodity option 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. With the passage of the Dodd-Frank Act, the Commission began promulgating rules that, among other changes, will require: swap dealers and major swap participants to register and come under comprehensive regulation — including capital standards, margin requirements, business conduct standards and record-keeping and reporting requirements; and ensure that dealers and major swap participants bring their clearable swaps into central clearinghouses. The Commission will monitor compliance with these requirements.

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

Means and Strategies for Achieving Objectives

Means:

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

Strategies:

- *Investigate and prosecute wrongdoing*. The Commission identifies, investigates, and brings enforcement actions regarding possible fraudulent and other illegal activities relating to retail foreign currency transactions and trading on the commodity futures and option markets. The Commission may bring Federal injunction or administrative enforcement cases against persons or firms charged with violating the CEA 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 participants.

- *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 CEA. Approximately 50 reparations cases are filed per year. In FY 2011, the Office of Proceedings is transitioning to Practice Manager, an eLaw automated tool that will assist staff in managing the reparations complaints more efficiently and effectively.

  Information regarding the Reparations program is available on the Commission's Web site. 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 and, if appropriated, the public. Dispositions from 1997 through the present are 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. The Commission will do the same for swaps dealers and major swap participants that will be required to register. Commission staff maintain 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 sufficiently protective of the public interests, the Commission reviews and adapts its regulations to 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 CEA and Commission regulations.

- *Maintain cooperative relationships*. Strong working relationships with the exchanges, the NFA, other Federal agencies, state governments, 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 and swaps laws are detected and prevented.

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

Performance Measures	FY 2009 Actual	FY 2010 Actual	FY 2011 Plan	FY 2012 Plan
2.1.1 Percentage of tips, complaints, and referrals assigned within 30 days of receipt	N/A[13]	100%	100%	100%
2.1.2 Percentage of open investigation matters that are subjected to Director Office docket review if pending more than 270 days	N/A[16]	100%	100%	100%
2.1.3 Percentage of matters resulted in civil injunction filings during the fiscal year that included referrals to other civil or criminal authorities	N/A[16]	75%	75%	75%
2.1.4 Initial response made less than 60 days to requests for assistance from the Commission's international counterparts pursuant to its information sharing arrangements	N/A[16]	100%	100%	100%

Outcome 2.2: Commodity professionals meet high standards.

Annual Performance Goal: No unregistered, untested, or unlicensed commodity and swaps entities and professionals that are required to be registered.

Performance Measures	FY 2009 Actual	FY 2010 Actual	FY 2011 Plan	FY 2012 Plan
2.2.1 Percentage of SROs that comply with core principles	100%	100%	100%	100%
2.2.2 Percentage of DCOs that comply with 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 swaps dealers and major swaps participants that comply with business conduct standards, and capital and margin requirements.	N/A	N/A	100%	100%
2.2.6 Percentage of total requests receiving CFTC responses for guidance and advice	90%	90%	90%	90%

Outcome 2.3: Customer complaints against persons or firms registered under the CEA 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 2009 Actual	FY 2010 Actual	FY 2011 Plan	FY 2012 Plan
2.3.1(a) Percentage of filed complaints resolved within one year of the filing date for Voluntary Proceedings	83%	71%	50%	50%
2.3.1(b) Percentage of filed complaints resolved within one year and six months of the filing date for Summary Proceedings	80%	77%	75%	75%
2.3.1 (c)Percentage of filed complaints resolved within one year and six months of the filing date for Formal Proceedings	93%	67%	75%	75%

[13] These performance measures are newly developed for the FY 2012 Budget Estimate in order to better capture the Commission's performance for Goal Two.

Breakout of Goal Two Request by Program Activity

	FY 2011 $ (000)	FY 2011 FTE	FY 2012 $ (000)	FY 2012 FTE	Change $ (000)	Change FTE
Market Oversight	$0	0	$0	0	$0	0
Clearing, Swap Dealer & Intermediary Oversight	9,227	37	17,868	57	8,641	20
Chief Economist	0	0	0	0	0	0
Enforcement	19,662	75	33,138	103	13,476	28
Proceedings	2,372	10	2,912	10	540	0
General Counsel	6,935	25	12,242	38	5,307	13
International Affairs	0	0	0	0	0	0
Agency Direction	0	0	0	0	0	0
Administrative Mgmt. & Support	2,704	11	3,879	12	1,175	1
TOTAL:	**$40,900**	**158**	**$70,039**	**220**	**$29,139**	**62**

Table 16: Breakout of Goal Two Request by Program Activity

	FY 2011 $ (000)	FY 2011 FTE	FY 2012 $ (000)	FY 2012 FTE	Change $ (000)	Change FTE
Dodd-Frank (Included Above)	$0	0	$14,950	46	$14,950	46
TOTAL:	**$0**	**0**	**$14,950**	**46**	**$14,950**	**46**

Table 17: Breakout of Goal Two Dodd-Frank Request by Program Activity

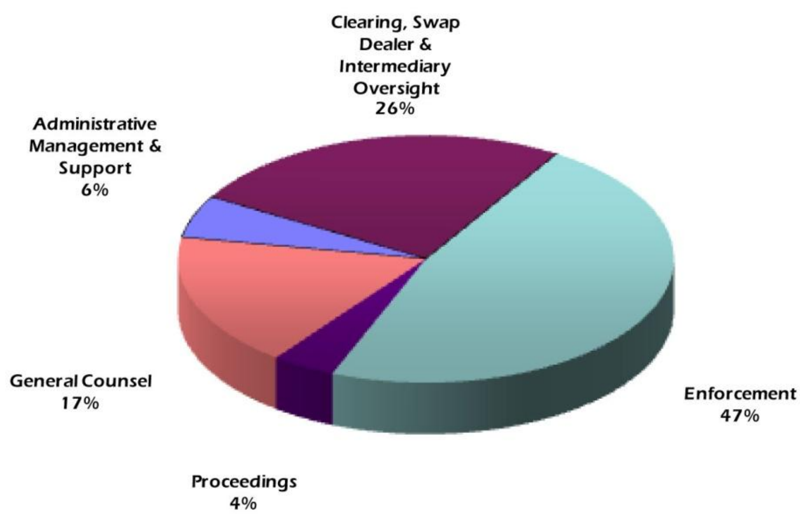


Figure 8: Breakout of Goal Two Request by Program Activity

Breakout of Goal Two Request by Outcome Objective

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL TWO: Protect markets users and the public.						
Outcomes						
2.1 Violations of Federal commodities and swaps laws are detected and prevented.	$28,300	108	$46,650	146	$18,350	38
2.2 Commodity professionals meet high standards.	8,130	32	17,667	56	9,537	24
2.3 Customer complaints against persons or firms falling within the jurisdiction of the Commodity Exchange Act are handled effectively and expeditiously.	4,470	18	5,722	18	1,252	0
Total Goal Two	**$40,900**	**158**	**$70,039**	**220**	**$29,139**	**62**

Table 18: Breakout of Goal Two by Outcome

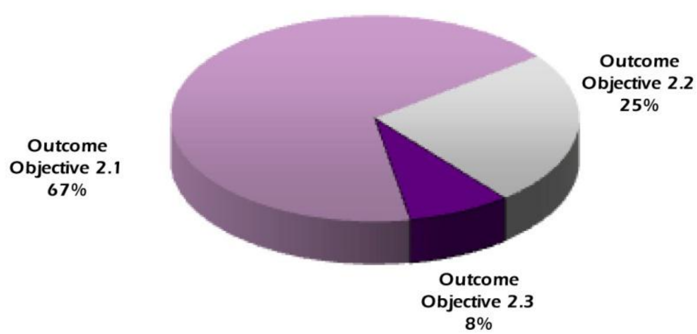


Figure 9: Breakout of Goal Two Request by Outcome Objective

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

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, options and swaps markets are effectively regulated.

- Annual Performance Goal: No loss of funds resulting from failure of self-regulatory organizations to ensure compliance with their rules; no loss of funds from failure of the Commission to enforce the CEA and Commission regulations.

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.

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 and assessing 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 meeting its oversight responsibility over futures industry SROs, including the NFA and DCOs, and 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 respect to applicable provisions of the CEA 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. The Commission will incorporate the supervision of swap dealers and major swaps participants into its regulatory programs.

With respect to intermediary oversight, the Commission can investigate and prosecute FCMs alleged to have violated minimum capital and other financial requirements, or to have committed supervisory or other compliance failures in connection with the handling of customer funds or transactions. Such enforcement 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 prosecuting a variety of trade practice violations. For example, the Commission brings enforcement actions alleging unlawful trade allocations, trading ahead of customer orders, misappropriating customer trades, and non-competitive trading. Similar authorities will apply swap dealers and major swap participants.

The financial crisis has led to heightened global concerns with regard to systemic risk, trading in the swaps markets, 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.

Means and Strategies for Achieving Objectives

Means:

- Oversee market intermediaries, swap dealers, major swap participants 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 regulatory requirements related to registration, business conduct, record-keeping and reporting, financial adequacy including capital margin, 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 order 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, DCOs, Swap Dealers and Major Swap Participants*. 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 respect to applicable provisions of the CEA and

Commission regulations. The Commission also will incorporate the supervision of swap dealers and major swap participants into its regulatory program.

- *Conduct financial surveillance*. To discharge the Commission's statutory responsibility to ensure the financial integrity of all transactions and avoid systemic risk, the clearing oversight program undertakes daily risk surveillance across all markets that are subject to CFTC jurisdiction by reviewing the risk profiles of DCOs, clearing firms and market participants with large positions. This responsibility will only increase with the anticipated increase in the number and complexity of swaps being cleared and the attendant increased risk at all DCOs, as a result of the clearing mandate of the Dodd-Frank Act.

- *Increase activities in international forums to respond to the financial crisis.* The global financial crisis has prompted regulators and international standard setting bodies such as the IOSCO, the Financial Stability Board (FSB) and G20 to accelerate work that focuses on enhancing international financial standards and principles. The Commission will expand its efforts within these organizations and their constituent working groups, and coordinate closely with the Treasury and SEC, to promote the development of stronger international financial standards.

- *Increase cooperative efforts to implement new legislative authority*. The new financial regulatory authority provided in the Dodd-Frank with regard to swaps will have international implications, such as the impact of this authority on entities located outside the United States, the need to avoid regulatory gaps that might encourage regulatory arbitrage and the need for oversight of entities that may be registered both in the United States and a foreign jurisdiction. The Commission will continue its international engagement with the European Commission and regulators in other relevant market jurisdictions to encourage the avoidance of regulatory gaps and to develop, as needed, new information sharing and supervisory coordinating mechanisms.

- *Respond to increasing concerns with respect to volatility in energy and agricultural markets*. The Commission will respond to global concerns about energy and agricultural market volatility by continuing to co-chair the IOSCO Commodity Task Force on Commodity Futures Markets and continuing its efforts to promote greater transparency of futures, cash and over-the-counter (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 statutory 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 mandates from Congress. 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 quicker approval of submitted rules and rule changes, and an expeditious and complete due diligence reviews of new rule and rule change certification submitted by exchanges for compliance 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.

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 2009 Actual	FY 2010 Actual	FY 2011 Plan	FY 2012 Plan
3.1.1 Lost funds: a) Number of customers who lost funds b) Amount of funds lost	 0 $0	 0 $0	 0 $0	 0 $0
3.1.2 Number of rulemakings to ensure market integrity and financially sound markets	4	4	2	3
3.1.3 Percentage of clearing organizations that comply with requirement to enforce their rules	100%	100%	100%	100%

Outcome 3.2: Commodity futures, options and swaps markets are effectively regulated.

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

Performance Measures	FY 2009 Actual	FY 2010 Actual	FY 2011 Plan	FY 2012 Plan
3.2.1 Percentage of intermediaries who meet risk-based capital requirements	100%	100%	100%	100%
3.2.2 Percentage of swap dealers and major swap participants who meet capital requirements	N/A	N/A	100%	100%
3.2.3 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 2009 Actual	FY 2010 Actual	FY 2011 Plan	FY 2012 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 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 2009 Actual	FY 2010 Actual	FY 2011 Plan	FY 2012 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	63	51	318	36
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%	100%	100%
3.4.4 Percentage of total requests receiving CFTC responses for guidance and advice	93%	90%	90%	90%

Breakout of Goal Three Request by Program Activity

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Market Oversight	$10,061	40	$21,288	68	$11,227	28
Clearing, Swap Dealer & Intermediary Oversight	19,216	77	34,627	112	15,411	35
Chief Economist	0	0	0	0	0	0
Enforcement	5,136	20	8,967	28	3,831	8
Proceedings	0	0	0	0	0	0
General Counsel	3,930	14	4,961	15	1,031	1
International Affairs	2,268	9	4,043	13	1,775	4
Agency Direction	0	0	0	0	0	0
Administrative Mgmt. & Support	404	2	3,616	12	3,212	10
TOTAL	**$41,015**	**162**	**$77,502**	**248**	**$36,487**	**86**

Table 19: Breakout of Goal Three by Program Activity

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Dodd-Frank (Included Above)	$0	0	$21,859	67	$21,859	67
TOTAL:	**$0**	**0**	**$21,859**	**67**	**$21,859**	**67**

Table 20: Breakout of Goal Three Dodd-Frank by Program Activity

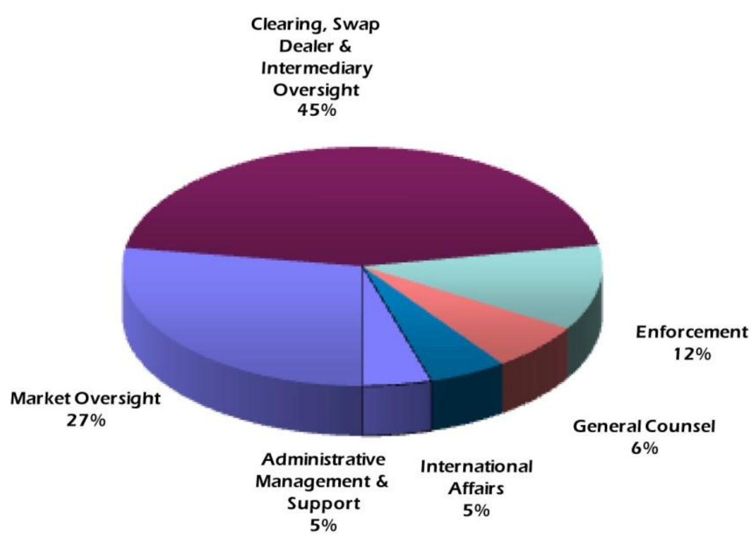


Figure 10: Breakout of Goal Three Request by Program Activity

Breakout of Goal Three Request by Outcome Objective

	FY 2011 $ (000)	FY 2011 FTE	FY 2012 $ (000)	FY 2012 FTE	Change $ (000)	Change 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.	$11,976	47	$24,366	78	$12,390	31
3.2 Commodity futures, options and swaps markets are effectively regulated.	16,165	65	29,498	95	13,333	30
3.3 Markets are free of trade practice abuses.	3,680	14	7,829	25	4,149	11
3.4 Regulatory environment is responsive to evolving market conditions.	9,194	36	15,809	50	6,615	14
Total Goal Three	**$41,015**	**162**	**$77,502**	**248**	**$36,487**	**86**

Table 21: Breakout of Goal Three Request by Outcome

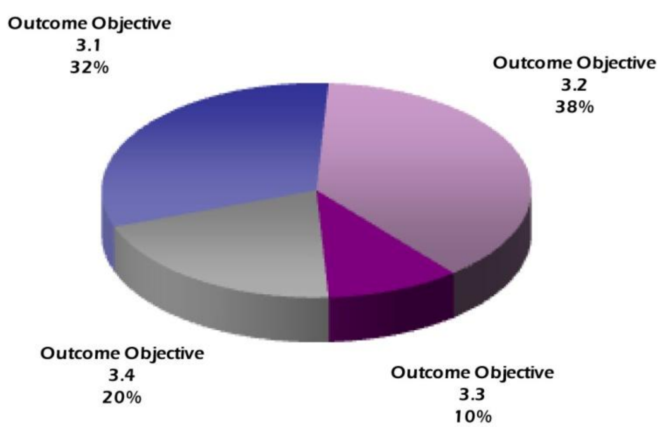


Figure 11: Breakout of Goal Three Request by Outcome Objective

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

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[14] for fiscal years 2007 through 2012.

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 implements the Dodd-Frank Act. This policy is designed to foster the financial integrity and economic utility of commodity futures, options, and swaps 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 Public Affairs; Office of Legislative Affairs; Enterprise Risk Group; the Office of Inspector General; and the Office of Equal Employment Opportunity.

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

The Dodd-Frank Act brings, for the first time, comprehensive regulation to the swaps marketplace. Implementation of the Dodd-Frank Act will lower risk, promote transparency and protect the American public.

Office of the Executive Director. The Office of the Executive Director has implemented and will continue to refine its strategic planning and operational management program to support the growth of the Commission and its expanded authorities. This program supports business process improvements, efficiency, expanded capability and productivity throughout the Commission. Additionally, the Office will continue to drive and enhance its records management program to ensure the documentation produced pursuant to the Commission's regulatory activity is accurately maintained. The Office of the Executive Director is comprised of the Office of Financial Management, the Office of Human Resources, the Office of Information Technology Services, the Office of Management Operations, the Office of the Secretariat, the Library and has responsibility for the Office of Proceedings.

Human Resources Management. The skilled employees of the Commission are fundamental to its ability to protect the integrity of the futures, options and swaps markets—especially in implementing legislation reforming oversight of these innovative and competitive financial services industries. To maintain America's global leadership in setting new standards for market integrity and protection for market users, the Commission must have sufficient resources to attract, train, promote, and retain its professional workforce. These legislative and market changes mean employees need ongoing, robust training and other human resources programs that maintain the technical and supervisory skills necessary to manage an organization and a mission that have grown vastly more complex.

The Commission sets and implements strategic human resource initiatives each year, then evaluates the outcome to identify revised tactics to better meet those goals in the year ahead. This means not only strategically planning the composition of the future workforce, but also continuously improving the business processes necessary to efficiently acquire and support a much larger organization. A governance committee of senior managers draws on frequent employee input to develop responsive programs that will support long-term goals with a knowledgeable, diverse and productive 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. This transparent, participative governance process has successfully built and maintained a comprehensive pay and benefits program as mandated by Section 10702 of Public Law 107-171, the Farm Security and Rural Investment Act of 2002 (FSRIA). CFTC has measured performance under a merit pay system for three years, with high and increasing positive feedback from employees on its effect in fostering a high-performing culture. The Commission implemented a revised awards program and completed its review of the system for classifying its mission-critical positions, implementing the resulting changes. Next steps include further review of supervisory and executive compensation, as well as continuous streamlining and automation of human resources business processes to support both data-driven strategic plans and their efficient execution. This ongoing strategic management of human capital initiative 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 FSRIA.

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 IT systems, applications and infrastructure, deploying a modern data analysis, reporting, messaging, archiving, and document management solution. The Commission's FY 2012 Budget includes approximately $66 million for information technology. The resources will allow the Commission to make improvements in information technology by increasing data processing and storage capacity, implementing hardware and software for staff working on activities related to new regulatory authorities, enhancing existing systems, and developing new systems critical to maintaining adequate market oversight and innovating new ways to assure transparency. See Appendix 4 for a more detailed summary of the information technology budget.

Information technology investments needed for Dodd-Frank not only support Strategic Goal Four but also span objectives and outcomes across Strategic Goals One, Two, and Three. Investments in SDR data aggregation, order data collection and standardization, and advanced computing platforms for high-frequency, algorithmic trading surveillance and enforcement primarily support Strategic Goal Two and Strategic Goal Three as do investments for systems integration of existing large trader and trade systems with swaps data, systems enhancements for aggregated position limit surveillance, and significant upgrades to the FILAC system for SEFs and SDRs. Increases in investments in capital equipment, telecommunication services, support services, legal information services, and operations and maintenance for all infrastructure, systems and services are required in particular to support the implementation of Dodd-Frank with respect to swap markets. However, these investments generally support the oversight of all markets under Commission supervision.

As a result of the growth of trade and order volumes, the amount of reported trade and order data has grown multifold. Because of 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. In relation to Dodd-Frank requirements, the Commission will be working to standardize the collection of order data. This data also is important for analysis associated with high frequency and algorithmic trading.

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. Several new custom trade practice surveillance models, reports, and alerting mechanisms are being developed. The full implementation of TSS will facilitate the full utilization of trade-related data, around which considerable market and trade practice 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 engaged in a significant modernization of this mission critical system, which was originally developed as a tool for market analysts to monitor market conditions. This system will be modernized to focus on more automated market manipulation detection and reporting, increased internal and external data transparency through enhanced report generation, improved case management to track market surveillance activities, integration of large trader data with intraday trading activity, improved automated collection of data from industry participants, and enhanced capabilities to manage position limit monitoring. The modernization of ISS will also include the functionality to monitor aggregate position limits across markets as called for under Dodd-Frank. Continuing to enhance ISS to meet new regulatory requirements and keep pace with industry change is an essential initiative that will be part of the technological foundation of the Commission's 21st century surveillance program in the global economy.

To more effectively oversee the futures, options and swaps markets, the Commission will be integrating existing systems such as TSS and ISS with new systems created to support Dodd-Frank requirements. Additionally, data linkages between swaps and futures data will need to be established to conduct financial risk surveillance, market surveillance, economic analysis, and enforcement investigations across the combined swaps and futures markets.

The Commission continues to upgrade its information technology management capabilities in the areas of analytics, statistical processing and market research. In FY 2010, the Commission implemented new and emerging software technology that enhance and leverage our current information assets. With this effort, 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 are finalizing the expansion of this system into the Office of Proceedings and planning further expansion into the Office of General Counsel. Additional technical enhancements are being introduced as the existing eLaw suite of products are upgraded or expanded. One recent expansion of the eLaw suite is the addition of audio analytics capability. Audio analytics software has being phased-in to complement the investigative process. Another such expansion is the application of computer forensics technologies to collect and analyze data acquired in support of enforcement investigations. Based on the successful application of forensic analysis at the Commission, this program area is expected to grow in support of future enforcement activities.

CFTC.gov and the Commission's intranet Web site, Open Interest, are being enhanced as part of an initiative to enhance both external and internal 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. The *http://www.cftc.gov* Web site was reengineered in FY 2010 and will continue to be enhanced to implement the transparency and data reporting requirements of Dodd-Frank. To improve internal information sharing and collaboration, an evaluation and functional assessment of the Open Interest intranet 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 in the process of defining requirements for 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 the development of an information management strategy that will transform a growing data stream and growing data analysis requirements into a 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, hiring a chief of security, 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.

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, and allocating resources; 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 implement enhanced recruitment and streamlined hiring strategies to better target mission-critical staff competencies needed in future years.

- Continue to improve the agency's ability to effectively 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.

- Enhance the 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 strengthen the decision-making process for allocation of IT resources.

- Ensure all IT systems establish 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 Homeland Security Presidential Directives (HSPDs) 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 optimize management and performance of the Commission.
- Undertake IT investment 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.
- Implement a robust security program and conduct testing and training for all employees.

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 2009 Actual	FY 2010 Actual	FY 2011 Plan	FY 2012 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 recruit request and entrance on duty of selectee, per Federal standards of 80 days or less	139	139	125	113
4.1.3 Rate of employee turnover, exclusive of retirements	1.9%	1.7%	2.5%	3.0%
4.1.4 Percentage of employees in mission-critical positions rating themselves at "extensive" or higher level of expertise on Strategic Workforce Planning Survey	43%	44%	50%	55%
4.1.5 Percentage of underrepresented groups among new hires	24%	21%	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 2009 Actual	FY 2010 Actual	FY 2011 Plan	FY 2012 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	100%	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 2009 Actual	FY 2010 Actual	FY 2011 Plan	FY 2012 Plan
4.3.1 Number of hours required to deploy staff and begin mission essential functions at the Continuity Of Operations Plan site	12	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 2009 Actual	FY 2010 Actual	FY 2011 Plan	FY 2012 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: 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 2009 Actual	FY 2010 Actual	FY 2011 Plan	FY 2012 Plan
4.5.1 Percentage of 18 Strategic Plan priorities that are on track to completion by FY 2012	25%	N/A[15]	N/A	N/A

[15] New Strategic Plan to be adopted on February 28, 2011.

Breakout of Goal Four Request by Program Activity

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Market Oversight	$0	0	$0	0	$0	0
Clearing, Swap Dealer & 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	7,819	31	11,819	38	4,000	7
Administrative Mgmt. & Support	25,446	101	35,629	115	10,183	14
TOTAL	**$33,265**	**132**	**$47,448**	**153**	**$14,183**	**21**

Table 22: Breakout of Goal Four by Program Activity

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Dodd-Frank (Included Above)	0	0	6,368	20	6,368	20
TOTAL:	**$0**	**0**	**$6,368**	**20**	**$6,368**	**20**

Table 23: Breakout of Goal Four Dodd-Frank by Program Activity

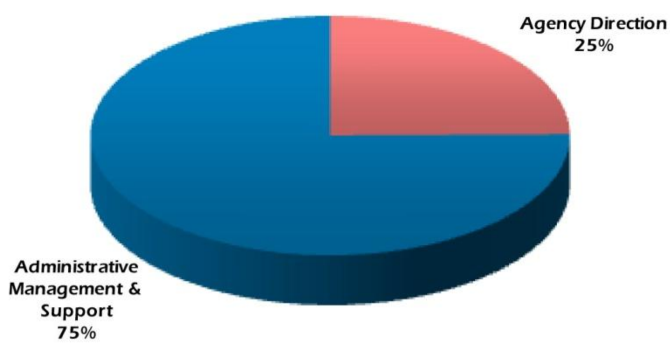


Figure 12: Breakout of Goal Four Request by Program Activity

Breakout of Goal Four Request by Outcome Objective

	FY 2011 $ (000)	FY 2011 FTE	FY 2012 $ (000)	FY 2012 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.	$4,025	16	$6,207	20	$2,182	4
4.2 A modern and secure information system that reflects the strategic priorities of the Commission. [16]	9,858	39	13,594	44	3,736	5
4.3 An organizational infrastructure that efficiently and effectively responds to and anticipates both the routine and emergency business needs of the Commission.	3,773	15	6,207	20	2,434	5
4.4 Financial resources are allocated, managed, and accounted for in accordance with the strategic priorities of the Commission.	4,025	16	4,966	16	941	0
4.5 The Commission's mission is fulfilled and goals are achieved through sound management and organizational excellence provided by executive leadership.	11,584	46	16,474	53	4,890	7
Total Goal Four	**$33,265**	**132**	**$47,448**	**153**	**$14,183**	**21**

Table 24: Breakout of Goal Four by Outcome

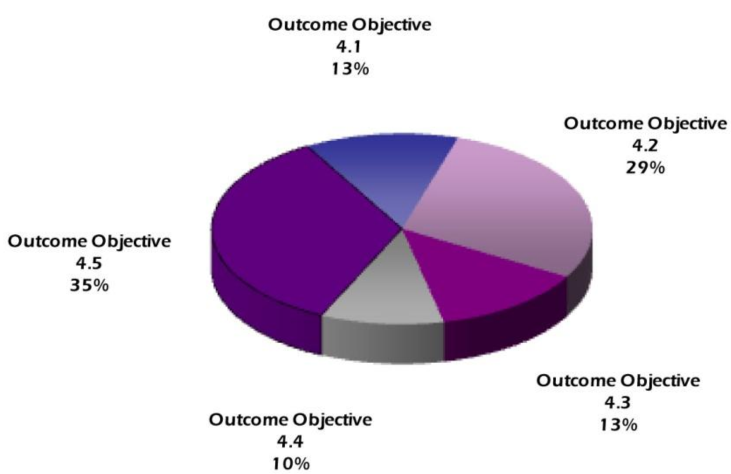


Figure 13: Breakout of Goal Four Request by Outcome Objective

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

Justification of the FY 2012 Budget & Performance Estimate

Breakout of $308.0 Million Budget Estimate by Program

	Actual On-Board EOY 9/30/10	FY 2010 Estimated Actual		FY 2011		FY 2012 Current Services		FY 2012 Request	
		FTE	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE	$ (000)
Market Oversight	143	129	$35,391	139	$33,814	139	$42,410	250	$77,564
Clearing, Swap Dealer & Intermediary Oversight	122	99	$27,294	122	$30,460	122	$38,013	182	$56,553
Chief Economist	18	14	$3,895	14	$3,243	14	$4,107	20	$5,965
Enforcement	170	149	$42,217	167	$43,726	167	$54,071	235	$75,059
Proceedings	11	11	$3,060	10	$2,372	10	$2,991	10	$2,912
General Counsel	52	43	$11,966	50	$13,663	50	$16,769	70	$22,876
International Affairs	9	9	$2,505	9	$2,268	9	$3,048	13	$4,043
Agency Direction	32	29	$8,070	31	$7,819	31	$9,505	38	$11,819
Administrative. Management & Support	123	122	$33,946	125	$31,435	125	$39,152	165	$51,209
Total	680	605	$168,344	667	$168,800	667	$210,066	983	$308,000

Table 25: Budget Estimate by Program

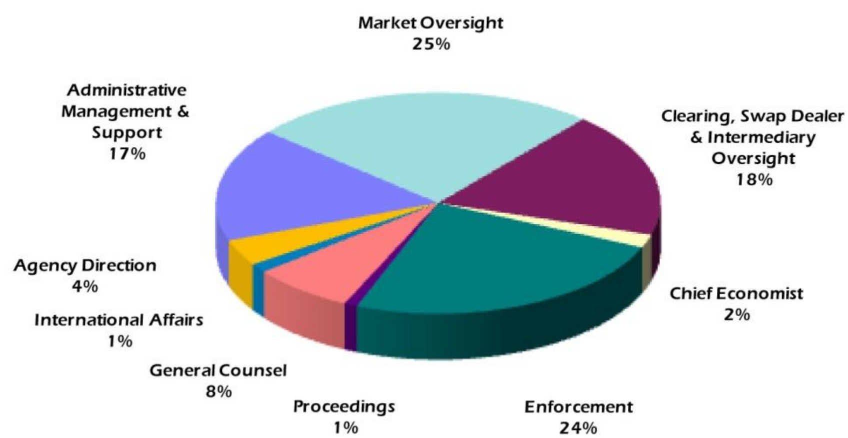


Figure 14: $308 Million Budget Request by Program

Breakout of $308.0 Million Budget Estimate by Object Class

		FY 2010 Actual ($000)	FY 2011 ($000)	FY 2012 Budget Request ($000)
11.1-11.5	Personnel Compensation	$82,577	$94,412	$142,697
12.1	Personnel Benefits: Civilian	23,164	26,960	41,703
13.0	Benefits for Former Personnel	4	4	227
21.0	Travel & Transportation of Persons	1,999	1,129	5,129
22.0	Transportation of Things	55	55	245
23.2	Rental Payments to Others	12,632	14,297	20,507
23.3	Comm., Utilities & Miscellaneous	4,156	3,406	5,267
24.0	Printing and Reproduction	664	938	1,325
25.0	Other Services[17]	30,910	24,520	68,003
26.0	Supplies and Materials	1,051	1,074	1,932
31.0	Equipment	7,422	2,005	14,743
32.0	Building/Fixed Equipment	3,685	0	6,222
42.0	Claims/Indemnities	25	0	0
99.0	**Subtotal, Direct Obligations**	**168,344**	**168,800**	**308,000**
99.0	Reimbursable	40	175	175
99.0	**Total Obligations**	**$168,384**	**$168,975**	**$308,175**

Table 26: Budget Request by Object Class

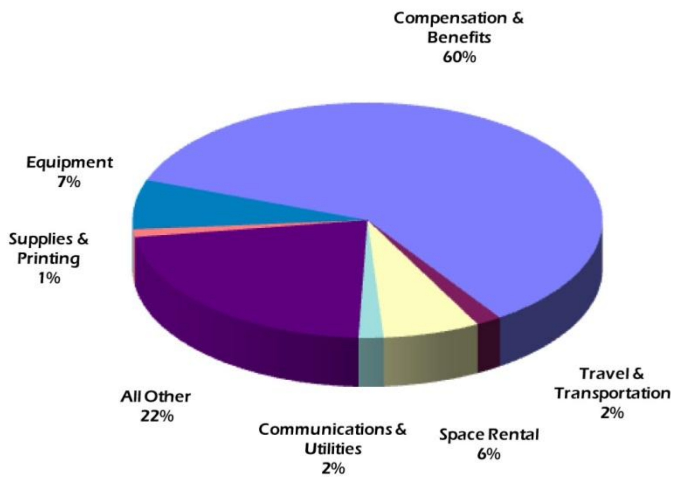


Figure 15: $308 Million Budget Request by Object Class

[17] Includes costs for advisory and assistance services for information technology, Enforcement investigations, economic research and analysis, and operations and maintenance of facilities.

Effect of Change in FY 2011 Base from President's Budget of $261million to Continuing Resolution Level of $168.8 million.

The President requested $261 million for the CFTC for FY 2011 in order for it to meet both pre-Dodd Frank and Dodd Frank mission and obligations. Of the $261 million $216 million was requested to cover pre-Dodd-Frank authorities. However, Congress has currently continued funding the CFTC at its FY 2010 level of $168.8 million through a Continuing Resolution that will expire on March 4, 2011. The Commission continues to support the President's FY 2011 request for the agency, as it provided an important step towards ensuring that the CFTC had the staff and resources it needs to fully execute its responsibilities.

However, for the purposes of the FY 2012 budget submission, the Office of Management and Budget (OMB) has directed Federal agencies to include the Continuing Resolution funding level as the FY 2011 base for budget formulation given the uncertainty over what Congress will finally provide in appropriations. Consistent with this direction, the CFTC is using the $168.8 million FY 2010 funding level as the base for the FY 2011 budget.

For context on the impact of these numbers on the CFTC's budget, it is important to recognize that the Commission reached low point in staffing for the CFTC in FY 2007. The agency had shrunk from a staffing level of 567 FTE in 1999 to 437 FTE in FY 2007—a 23 percent decline in staff while during the same period the futures and options markets increased five-fold. With support from the President and Congress beginning in 2008, the agency was able to begin rebuild its staff, reaching an authorized level of 650 FTE in FY 2010. That 650 FTE level gave the agency a staff that was modestly larger than it had in 1992 when it had the agency had a 592 FTE level and a high of 634 on board, and the markets were a fraction of what they are today.

Under the President's FY 2011 budget request, growth for the agency was projected to continue up to a level of 864 FTE, the Continuing Resolution will leave the agency near the 650 FTE level.

The Commission has realigned it FY 2011 Budget to conform to the limitations of the FY 2011 Continuing Resolution. All hiring has been restricted. The CFTC hired only two employees since the end of FY 2010 and student employees working part-time were terminated at the end of the 1st quarter of FY 2011. All programs are managing their pre-Dodd-Frank and Dodd Frank responsibilities with current staff which is well below what is required to manage even pre-Dodd-Frank activities. The CFTC is of course complying with the government-wide freeze in cost-of-living-adjustment and some employee benefits programs have been substantially reduced or eliminated outright where legally permitted. The same is true for some advisory and assistance services related to human resources, and operations and logistics, and economic analysis and research. Program travel has been reduced approximately 50 percent. Even though technology is critical the CFTC's efforts to oversee derivative markets, the Office of Information Technology Service's (IT) budget has been reduced 36 percent in order to preserve existing staffing levels. The capital non-IT equipment budget and fixed equipment/construction budget has been zeroed out.

Crosswalk from FY 2011 to FY 2012

	FY 2011 Budget	FY 2012 Request	Change
Budget Authority ($000)	$168,800	$308,000	$139,200
Full-Time Equivalents (FTE)	667	983	316

Explanation of Change	**FTE**	**Dollars ($000)**
Current Services Increases: (Adjustments to FY 2011 Base)		
To provide for the following changes in personnel compensation:		
--Performance element of merit adjustment (formerly WIG) July 2012		217
--Performance element of merit adjustment (formerly WIG) July 2011 (annualization of)		720
--To provide for increase in incentive awards		188
--To provide for increased costs of personnel benefits		353
--To provide for increased costs of unemployment benefits		109
To provide for the following changes in non-personnel costs:		39,679
--Travel/Transportation ($1,899)		
--Space Rental/Communications/Utilities ($6,902)		
--Supplies/Printing ($396)		
--All Services ($19,786)		
--Equipment ($4,474)		
--Building/Fixed Equipment ($6,222)		
Program Increase: (Adjustments to FY 2012 Current Services)		
--To provide for salaries and for 316 additional FTE	+316	61,664
--To provide for the following changes in non-personnel costs:		36,270
--Travel/Transportation ($2,291)		
--Space Lease ($786)		
--Communications and Utilities ($383)		
--Printing ($245)		
--Other Supplies ($23,697)		
--Supplies ($604)		
--Equipment ($8,264)		
Total Increases	**+316**	**$139,200**

Table 27: Crosswalk from FY 2011 to FY 2012

Market Oversight

Total Budget: $77,564,000 250 FTE

Total Change: $43,750,000 111 FTE

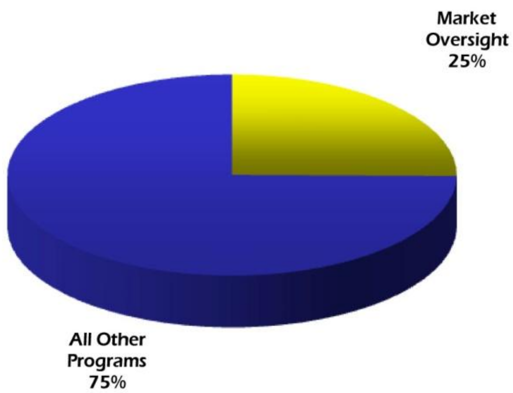


Figure 16: Market Oversight
Percentage of Total Budget Dollars

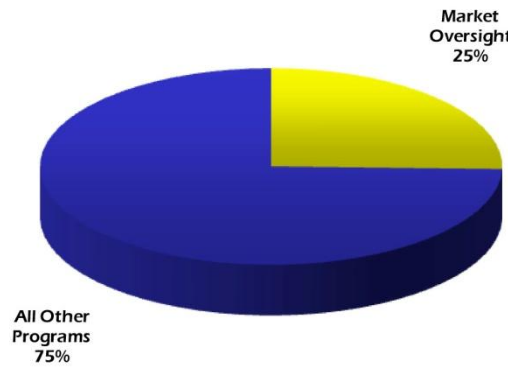


Figure 17: Market Oversight
Percentage of Total Budget FTE

The FY 2012 Budget is for $77,564,000 and 250 FTE, of which $26,646,000 and 82 FTE relate to Dodd Frank. The 82 FTE increase for Dodd-Frank are allocated to the following subprograms: Market Surveillance/Data Management (44), Market and Product Review (32), and Market Compliance (6).

Justification of Resources for Dodd-Frank Authorities

The Dodd-Frank Act created two new categories of registered entities, SEFs and SDRs, for which the Market Oversight program will have direct regulatory responsibility. It also imposed significant new regulatory requirements for registered entities and market participants for which the Market Oversight program oversees. The Dodd-Frank Act also created an entirely new regulatory category of registered entity – registered FBOTs – for which the Market Oversight program will need to construct new regulatory requirements and administer them on an ongoing basis. In addition, the Dodd-Frank Act established significant new requirements in the context of already established Market Oversight programs. For instance, the new legislation imposed new self-regulatory responsibilities for the existing designated contract markets (DCMs) and mandated that the Commission dramatically increase the number of contracts that must be subject to Commission-established speculative position limits.

The Market Oversight program is drafting a substantial set of new regulations to implement all of these requirements through at least July 2011, and will be responsible for the administration of those regulatory schemes going forward from July 2011. The adoption of the new regulations will begin a period of a substantial additional responsibility for Market Oversight as it is expected that a large number of entities will submit applications in each of the new regulated market categories and a substantial community of new market participants will become subject to Commission oversight for the first time.

The Dodd-Frank Act's significant new regulatory requirements will lead to a concomitant increase in need for legal support from the Chief Counsel's Office to the other units of the Market Oversight program. For example, the Dodd-Frank Act will dramatically increase the number of products that will be subject to CFTC-set speculative position limits. While the ongoing administration of those new requirements will be the responsibility of the Market Surveillance program, the Chief Counsel's Office will be responsible for drafting the new position limit regulations, producing formal and informal interpretations of those new provisions, and drafting appropriate revisions to those regulations when necessary. Likewise, the Chief Counsel's Office will be responsible for drafting new regulations in connection with the SDR category and updating those requirements as necessary as SDRs are overseen by the Market Surveillance Unit's Data Management subprogram.

Finally, the most significant new addition to the duties of the Chief Counsel's Office generated by the Dodd-Frank Act is the creation of a new Registered FBOT category. Although this new category will obviate the need for the current FBOT no-action letter program, the substantive requirements that will be imposed on Registered FBOTs will likely be more robust than the requirements imposed under the no-action regime and the number of FBOTs that will need to register with the Commission will also likely be larger. Even assuming adequate funding of all of the CFTC's current and new oversight duties with respect to domestically-traded derivatives, if there are insufficient funds to adequately support the Chief Counsel's office Registered FBOT sub-program, US-based derivatives market participants could use modern communication technology to move their activity to inadequately monitored FBOTs and thus evade the important regulatory scheme established by the Dodd-Frank Act.

Market Surveillance (and the Data Management Office). Market Surveillance is requesting 137 FTE, 66 additional FTE above the FY 2011 budget. Of the 66 FTE, 44 are related to Dodd-Frank. These additional FTE will support both the surveillance function and the data management function of the Market Surveillance program.

The Dodd-Frank Act expanded the responsibilities of the Market Surveillance Unit in a number of significant regards. First, it mandated the imposition of Commission-set speculative position limits to all DCM futures contracts based on non-financial commodities (*e.g.*, agricultural, energy, and metal contracts). Accordingly, the universe of contracts subject to such limits will expand from the current nine to potentially hundreds of contracts. Second, it expanded the Commission's position-limit-setting authority beyond futures contracts to swaps that perform a significant price discovery function. Finally, the Dodd-Frank Act directs the Commission, for the first time, to establish cross-market aggregate position limits. Cross-market limits will span not only futures and swap contracts listed on different exchanges, such as DCMs, FBOTs and SEFs, they will also reach bi-laterally-traded swaps. The complexity and scope of these new position limits is without regulatory precedent for the Commission.

The number of surveillance staff assigned to provide adequate oversight and analysis of trading activity on DCMs, FBOTs, SEFs, and over-the-counter physical commodity swaps will be increased to support those staff currently focusing on oversight and analysis of trading on DCMs. In order to detect and deter market manipulation, these staff members must make use of sophisticated automated surveillance programs to detect unwarranted price changes, concentrations of market power, and abusive trading practices across the markets (DCMs, FBOTs, and SEFs) and over-the-counter transactions involving counterparties that have invoked end-user exemptions. Specifically, Market Surveillance plans to establish four commodity-specific surveillance branches (including branch managers), focused on energy, financials, metals and soft commodities (*e.g.,* coffee, sugar and cocoa), and agricultural products. Further, other staff will be needed to provide policy guidance, program management, analysis and automated prototyping support to these branches.

In regards to the Data Management Office, the Dodd-Frank Act expanded the scope of data collection to include a large trader reporting system for swaps (Swaps LTRS). This Swaps LTRS would provide the Commission staff with information on the size and counterparties of swaps prior to the formation of SDRs and SEFs. In addition, by converting swaps (including swaptions and certain options) to futures equivalent positions, the Swaps LTRS potentially will provide information not otherwise collected by SDRs or SEFs, specifically, risk equivalent positions (*i.e.*, delta adjusted swaption and option positions).

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 has 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 accurately track speculative limit violations, which can create significant risk to the marketplace. In addition, the Dodd-Frank Act 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 clearing organizations, swaps repositories and parties otherwise required to report directly to the Commission. The complexity and volume of swap transaction data is expected to be substantial and greatly add to the current volume of data for which the Commission collects, assembles, analyzes, and reports.

The number of staff assigned to Data Management is projected to increase to provide an adequate level of staff to accomplish quality control and review of data to be received from five or more SDRs and to establish automated checks of data arising from an estimated thirty or more SEFs. The increase of staff will enable Market Oversight to review SEF and SDR data flows and to establish, maintain and analyze database structures and data dictionaries associated with swap transactions. Other additional staff members will provide program management to accommodate future innovations in the swaps industry.[18]

The current marketplace demands sophisticated 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, 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 an increasingly, complex futures, options and swaps marketplace.

The increasing inter-relationship among exchange-traded contracts, OTC swaps 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. 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 capabilities.

Adequate staff is 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. Congress, through the Dodd-Frank Act, has shown particular interest in ensuring that the Commission adequately reviews the operations of derivatives markets to ensure that they are free from the potential for manipulation, excessive speculation, and disruptive trading practices of the past. For example, witness the dramatic expansion of the Commission position limit authority with mandatory position limits for all non-financial derivative products that expand to include positions originated on different domestic and foreign exchanges and through bilateral trading. Without adequate resources, staff will not be able to fulfill these important new legislative mandates, and could thus allow traders to use these markets to carry out manipulations or abusive trading strategies.

The expansion of the Commission's jurisdiction to swap products generally will increase the burden on Surveillance staff 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 the underlying markets. Surveillance

[18] In order to maintain and then increase its current level of functionality, as mandated by the Dodd-Frank Act, Market Surveillance and the Data Management Office will be similarly maintaining and increasing its presence in both the Chicago and New York offices – in addition to the increase in personnel at the Washington D.C. headquarters.

economists currently are required to cover many, often diverse markets, limiting the amount of expertise and attention that can be devoted to each market. It is likely that this situation will only deteriorate without adequate staffing. 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.

Market and Product Review. The Market and Product Review Office is requesting 60 FTE, 30 additional FTE above the FY 2011 budget. Between FY 2011 and FY 2012 an additional 32 FTE are allocated to Dodd-Frank responsibilities and two (2) less FTE to pre-Dodd-Frank responsibilities.

The Dodd-Frank Act establishes a number of new regulatory requirements that will substantially increase the responsibilities of the Market and Product Review subprogram.

First, it alters significantly the contract and rule review process for exchanges by establishing a ten-day review process (rather than the immediate effectiveness feature of the current rule submission process) and gives the Commission discretion to extend that review period to ninety days for contract amendments 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 rule review process, which would require immediate attention to all submissions to evaluate the product and rule submissions within 10 days. In addition, the contract review program would be expanded by new authority to prohibit the listing of certain event contracts that are deemed to be contrary to the public interest, requiring additional resources to carry out this new mandate.

Second, it significantly expands the self-regulatory obligations of DCMs by establishing five new DCM Core Principles and modifying others in the areas of competitive trading on the centralized market, exchange finances, systems security, governance and information-sharing. Proposed implementing regulations will require that existing exchanges certify compliance with the new and modified core principles, which expands the subprogram's review responsibilities.

Third, the Dodd-Frank Act creates an entirely new regulated market category in the form of SEFs. The Market and Product Review subprogram will have substantial responsibility for formulating the implementing rules to the Act, and the regulatory framework for SEFs to operate. Once the rules and regulatory framework are established, the Market and Product Review subprogram will have responsibility for the review and oversight of its rules and activities, along with the Compliance subprogram that will conduct periodic examinations, or rule enforcement reviews (RERs), to evaluate ongoing compliance with extensive self-regulatory obligations. The Market and Product Review subprogram has 13 FTE dedicated to the rule review process as of September 30, 2010. With 17 DCMs, this works out to an oversight ratio of one FTE for 1.3 DCMs.

Finally, the Dodd-Frank Act establishes a "mandatory" exchange-trading requirement for standardized swaps such that standardized swaps must, with only limited exceptions, trade on either a DCM or a SEF. The Market and Product Review subprogram must evaluate individual swaps products and determine which swaps must be traded in an exchange environment and which qualify for an exception. Additional resources are needed to accomplish this mandate given the large number of swaps currently traded and the complex nature of many of these products. Thus, DCMs will be taking on an entire new category of products, which will further expand the Market and Product Review subprogram. Further, for each swap made available for trading, Market and Product Review expects to conduct a due diligence review of the mechanics of the trade in order to assess which swap trades must be reported in real-time and which trades are eligible for a delay.

Based upon expected applications from existing, operating ECMs and EBOTs, interest from numerous interdealer brokers; interest from investment firms who want to set up markets; subsidiaries; interest from information service providers and an expectation that some DCMs may set up separate SEF arms, it is estimated that, approximately 30 to 40 entities will register as SEFs. Based on the number of products available for trading on those market venues, it is reasonable to expect that the number of products to be reviewed will be several hundred, conservatively speaking, and could be well above a thousand. These new products and markets represent an entirely new regulatory scheme – which is separate from and in addition to the current programs maintained by Market and Product Review.

Additional attorneys and economists are needed to help establish and implement the Dodd-Frank Act as well as carry on the current regulatory work of Market and Product Review, including reviewing applications for designation as contract markets, reviewing new futures and option contract filings, reviewing rule submissions, reviewing changes in ownership structures, and developing new rules and policies to accommodate innovations in the industry. Without the additional staff, it will be difficult, if not impossible, for Market and Product Review to complete in a timely manner the review of SEF registrations and their rules as well as oversee the operation of the SEFs once registered. The addition to the rule review process of 30 to 40 SEFs would raise the ratio of DCMs and SEFs overseen per FTE from one FTE for each 1.31 DCMs to between 3.62 to 4.38 DCMs and SEFs for each FTE. Under such conditions, it is very likely that reviews would be delayed and existing entities would have to wait to begin operations. Likewise, the review of applications for DCMs likely would be compromised in the rush to review those applications along with the SEF applications. Further, without the requested additional staff, the current work of Market and Product Review would be jeopardized. For example, without sufficient staff to review the numerous daily rule submissions, it would be possible that new products and rule amendments would be certified and implemented by DCMs without the proper review. In short, the current staff is insufficient to handle the new and current workload, and maintaining the current number of staff will have detrimental effects on the Market and Product Review Program.

For the CFTC, the most fundamental change triggered by the Dodd-Frank Act is the expansion of its regulatory jurisdiction to the heretofore un-regulated swaps markets. As described above, the Market Oversight program will expand to include market monitoring responsibilities over two new regulatory categories exclusively dealing with swaps — SEFs and SDRs. Without additional resources and personnel, the Market Oversight program's ability to implement the new oversight requirements for these new regulated entities (SEFs and SDRs) would be severely handicapped, would prevent Market Oversight from fulfilling the public reporting and transparency requirements, and would result in markets operating without robust surveillance and compliance reviews. The swaps markets would continue to have inadequate or no supervision, increasing the potential for market participants to engage in market abuses. Depending on their scale, such abuses could have far-reaching dire consequences for the national and international economy.

The Market and Product Review Section will also be responsible for carrying out many of the regulatory duties associated with the real-time public reporting requirement for swaps trading established by the Dodd-Frank Act. For example, the unit will have to assign economists to regularly monitor swap trading on SEFs covering the various asset classes to assess whether block trading levels appropriately represent "large" transactions in the underlying swaps market and, accordingly, merit an exception for the real-time reporting requirement. In addition, economist and market experts will have to review filings by SEFs related to the control determination as to whether a particular swap is "made available" for trading thus trades must take place on a SEF.

Market Compliance. The Market Compliance Office is requesting 53 FTE for an increase of 15 above the FY 2011 budget. Of the 15 FTE, 6 are related to Dodd-Frank.

Effective implementation of Dodd-Frank will require that Market Compliance revamp and greatly expand its RER program. First, the establishment of new regulatory responsibilities for DCMs in the form of new and revised core principles will necessitate that the Market Compliance subprogram expand to include evaluations of the effectiveness of the DCMs' enforcement of those new requirements. Second, the establishment of two brand new registered entity categories — SDRs and SEFs — will significantly expand the quantity of RERs but also the character of RERs to reflect the unique self-regulatory responsibilities of those categories. The Commission expects 30 to 40 entities to register as SEFs and, at a minimum, five entities to register as SDRs. Finally, the Dodd-Frank Act's expansion of Commission jurisdiction to swaps may force the Market Compliance subprogram to revamp certain aspects of its RER to accommodate these heretofore unregulated instruments. The Market Compliance subsection dedicated approximately 25 FTE, as of September 30, 2010, to conducting RERs of DCMs. With 17 DCMs, this works out to an oversight ratio of one FTE for 0.68 DCMs. The addition of 30 to 40 SEFs would increase the oversight ratio to at least between 2.08 to

2.48 DCMs, SEFs and SDRs for one FTE. Without the requested resources, Market Compliance will not be able to enhance and expand its RER program as necessary to ensure that DCMs, SEFs, and SDRs are complying with the new statutory requirements enumerated in Dodd-Frank.[19] This poses an unacceptable risk to the general public.

The Dodd-Frank Act will also require the Market Compliance program to integrate swaps transaction data into its new automated trade practice alert system, known as the TSS. TSS is critical for Market Compliance's investigation program. This will require dedicating significant resources to ensure the swaps data is received in a standardized format, to analyze the data, and to draft business requirements for trade detection alerts. If swaps data is not integrated into TSS, Market Compliance will be unable to monitor swap transactions for potential trade practice violations. This is extremely problematic and puts the general public at great risk because no DCM or SEF will have all the swaps data necessary to detect potential trade violations across markets. Dodd-Frank mandates that most, or cleared, swaps be fungible. Thus, a single swap contract can potentially trade on more than one DCM or SEF. This means that there is the opportunity for a market participant to use more than one SEF or DCM to commit a single trade practice violation, such as trading ahead.

Consequence of Not Receiving Requested Level of Resources for Dodd-Frank Authorities

The Dodd-Frank Act makes fundamental changes to the U.S. financial regulatory system, including new obligations with respect to the oversight of swaps markets. Without additional resources and personnel, it would prevent or severely handicap the Market Oversight's ability to implement the new oversight requirements over the new regulated entities (SEFs and SDRs), would prevent Market Oversight from fulfilling the public reporting and transparency requirements, and would result in markets operating without robust surveillance and compliance reviews.

Justification of the Existing Programs (Prior to Dodd-Frank)

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.

Market Surveillance. The detection and prevention of price manipulation are the responsibility of surveillance economists who monitor all active futures and option contracts for potential problems. The staff requested for the existing Market Surveillance 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. 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.

Data Management Office (within Market Surveillance Unit). 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.

[19] In order to maintain and then increase its current level of functionality, as mandated by the Dodd-Frank Act, Market Compliance will have to similarly maintain and increase its presence in both the Chicago and New York offices – in addition to the increase in personnel at the Washington D.C. headquarters.

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 to ensure that the exchange is in compliance with DCM 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 they have appropriate self regulatory programs in place to police their markets.

Market Compliance. The Market Compliance subprogram oversees the regulatory and oversight activities of all DCMs to ensure customer protection and market integrity. The cornerstone of the Market Compliance program is the 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 CEA 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 every two to three years for compliance with various securities laws and regulations.

Consequence of Not Receiving Requested Level of Resources of Existing Programs (Prior to Dodd-Frank)

The current marketplace demands a sophisticated level of surveillance to adequately protect the public. 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, options and swaps 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 requested staff levels for existing activities is critical to enable the Market Oversight program to focus on the complex issues and changing practices in the futures and option markets, and especially in the newly overseen swaps markets. 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, 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 DCMs and SEFs adequately address potential conflicts of interest between their self-regulatory functions and responsibilities, and their commercial interests. 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.

Table 28: Market Oversight Request by Subprogram

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Market Compliance	$9,575	38.00	$16,559	53.00	$6,984	15.00
Market & Product Review	7,409	30.00	18,767	60.00	11,358	30.00
Market Surveillance	16,830	71.00	42,238	137.00	25,408	66.00
TOTAL	$33,814	139.00	$77,564	250.00	$43,750	111.00

Table 29: Dodd-Frank Included Above in Market Oversight Request

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Dodd-Frank	$0	0.00	$26,646	82.00	$26,646	82.00
TOTAL	**$0**	**0.00**	**$26,646**	**82.00**	**$26,646**	**82.00**

Figure 18: Market Oversight FY 2012 Budget by Subprogram

Table 30: Market Oversight Request by Goal

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL ONE: Protect the economic functions of the commodity futures, options and swaps markets.						
Outcomes						
1.1 Futures, options and swaps markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	$21,948	91.45	$48,053	155.28	$26,105	63.83
1.2 Markets that can be monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.	1,805	7.37	8,223	26.53	6,418	19.16
Subtotal Goal One	**$23,753**	**98.82**	**$56,276**	**181.81**	**$32,523**	**82.99**
GOAL TWO: Protect market users and the public.						
None						
GOAL THREE: Foster open, competitive, and financially sound markets.						
Outcomes						
3.2 Commodity futures, options and swaps markets are effectively regulated.	$7,177	28.69	$15,412	49.39	$8,235	20.70
3.3 Markets are free of trade practice abuses.	2,336	9.27	3,881	12.42	1,545	3.15
3.4 Regulatory environment is responsive to evolving market conditions.	548	2.22	1,995	6.38	1,447	4.16
Subtotal Goal Three	**$10,061**	**40.18**	**$21,288**	**68.19**	**$11,227**	**28.01**
TOTAL	**$33,814**	**139.00**	**$77,564**	**250.00**	**$43,750**	**111.00**

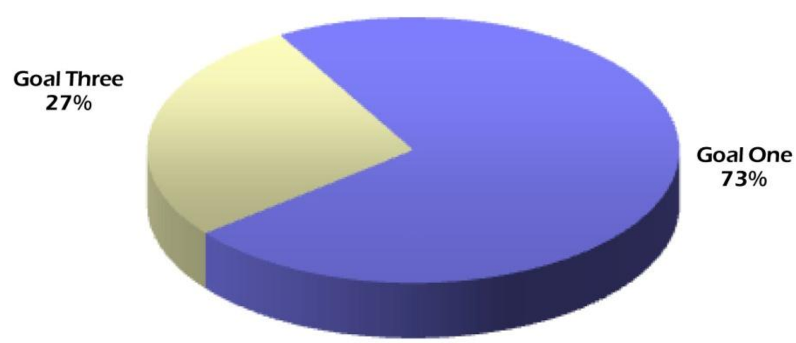


Figure 19: Market Oversight FY 2012 Budget by Goal

Clearing, Swap Dealer & Intermediary Oversight

Total Budget: $56,553,000 182 FTE

Total Change: $26,093,000 60 FTE

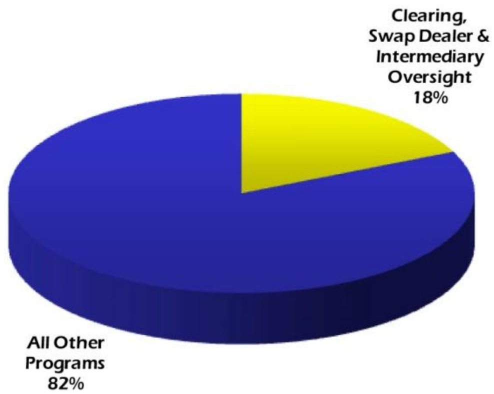


Figure 20: Clearing, Swap Dealer & Intermediary Oversight Percentage of Total Budget Dollars

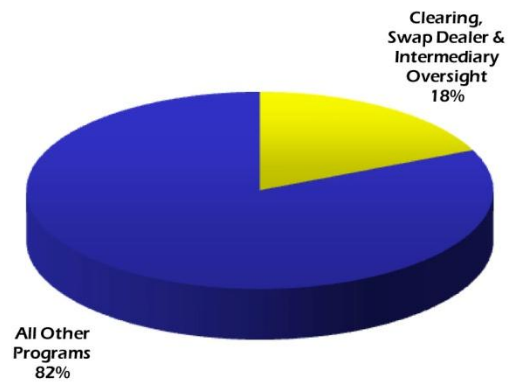


Figure 21: Clearing, Swap Dealer & Intermediary Oversight Percentage of Total Budget FTE

The FY 2012 Budget is for $56,553,000 and 182 FTE, of which $19,496,000 and 60 FTE relate to Dodd Frank. The 60 FTE increase are allocated to the following subprograms: Clearing Policy and Risk Surveillance (30), Compliance and Registration (4), and Audit and Financial Review (26).

Justification of Resources for Dodd-Frank Authorities

For the first time, regulation of the swaps market was mandated with the passage of the Dodd-Frank Act. Among other things, the Dodd-Frank Act granted Commission authority to regulate swaps, including mandatory clearing of swaps, the registration of new categories of CFTC registrants such as swap dealers and major swap participants, and the imposition of various prudential, segregation and business conduct standards upon these entities.

The Dodd-Frank Act requires the Commission to undertake extensive rulemaking (and/or joint rulemaking with SEC and others) in the following areas:

- Rules governing persons to be registered as DCOs for swaps;
- Rules giving effect to the 18 statutory Core Principles for DCOs;
- Rules containing risk management standards for those DCOs that are determined to be systemically important by the Financial Stability Oversight Council;
- Rules providing for the registration of swap dealers and major swap participants;
- Rules imposing capital and margin requirements on non-bank swap dealers and major swap participants;
- Rules governing reporting and record-keeping 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;

- Rules requiring that futures commission merchants and introducing brokers implement conflict-of-interest systems and procedures;
- Rules addressing the mandatory clearing of swaps, including the determination of which types of swaps must be cleared; and
- Rules requiring the reporting of financial data and investment portfolio information by advisors to private funds that are dully registered with the SEC and CFTC, and certain CPOs and CTAs.

While much of the rulemaking is required to be completed in FY 2011, the implementation of the rules is expected to demand significant additional resources in FY 2012. For example,

- The imposition of financial requirements will require the development and implementation of a routine financial surveillance function, which will include the periodic examination of swap dealers and major swap participants, and the review of interim and annual financial reports submitted by swap dealers and major swap participants.
- The registration of new DCOs engaged in the clearing of swaps will require the examination of new entrants for compliance with core principles as well as the routine inspection 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.
- Pursuant to Title VIII, the Commission will be required to prescribe regulations containing risk management standards for designated clearing entities and financial institutions engaged in designated activities for which the Commission is the Supervisory Agency. The Commission will also be required to review all proposed changes to the rules, procedures or operations of designated financial market utilities for which it is the Supervisory Agency and conduct, at a minimum, annual examinations of each such utility.

Finally, given the program's responsibility for the bulk of new rules, significant time will be devoted to providing interpretations and guidance, drafting follow-up rules as issues with implementation emerge, and responding to industry and public inquires regarding the meaning, scope, and effect of the new rules.

Swap Dealer and Intermediary Oversight. The Compliance and Registration and Audit and Financial Review sub-programs (*i.e.,* Swap Dealer and Intermediary Oversight), are responsible for oversight of FCMs, IBs, CPOs, CTAs and SROs, and they have between them 77 FTE as of September 30, 2010. With approximately 127 FCMs, this works out to an oversight ratio of one FTE for 1.6 registrants.

With the new authorities provided for by the Dodd-Frank Act, it is estimated that some 200 entities will register as swap dealers. This includes global and regional banks currently known to offer swaps in the United States. Of the 830 members of the International Swaps and Derivatives Association's (ISDA), 209 are "Primary Members." Under ISDA's bylaws, a firm is only eligible for primary member status if it deals in derivatives for purposes other than "risk hedging or asset or liability management." Though many of the dealers in emerging markets may not seek to register in the U.S., it is likely that most, if not all, global and international members would and it is estimated that some 80 would register as swap dealers. Many affiliates of these global banks that will be set up to comply with the Dodd-Frank Act's Section 716 provision requiring banks to push out their commodities, equities and much of their credit default swap business. It is estimated that some 60 of these entities would register as swap dealers. Numerous nonbank swap dealers currently offering commodity and other swaps would be required to register and it is estimated that some 40 would register as swap dealers. Finally, potential new market makers may wish to make markets in cleared swaps that have to be listed on either a CFTC DCM or registered SEF and it is estimated that some 20 would register as swap dealers.

As a result of the provisions of the Dodd-Frank Act, it is estimated that some 200 entities will register as swap dealers. It if further estimated that an additional 75 entities will register as FCMs while another 25 entities will register as RFEDs. The total of new estimated registrants is 300. If the same ratio of one FTE for 1.6 registrants is used, this will mean an additional 182.9 FTE. However, The CFTC is requesting only 30 FTE for this program in FY 2012 and it is critical that this request be granted. With 112 FTE to oversee 427 registrants, the ratio of registrants per FTE would be 3.8, instead of one FTE for 1.6 registrants. However, the reason the CFTC is asking for this level of FTE resource is that the swap dealer and major swap participant program is new and it is not anticipated that all estimated registrants will have to register on the effective date of the Dodd-Frank Act. A phased approach is anticipated, and not all new registrants will be of the same size or complexity and the CFTC can be efficient in its oversight.

It is therefore essential that the Compliance and Registration and Audit and Financial Review sub-programs receive the FTE allocations requested so that the CFTC may discharge its responsibilities effectively.

The Swap Dealer and Intermediary Oversight program is also responsible for reviewing petitions under Part 30 of the Commission's regulations, and monitor compliance under existing Part 30 orders. 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, sufficient 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. 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.

Program staff is 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, staff is responsible for handling numerous inquiries, ranging from daily calls and email 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 finalized rules that, for the first time, impose registration requirements and Commission oversight upon intermediaries engaged in the offer and sale of OTC foreign currency contracts to retail customers. Given current trends, staff anticipates significantly more work in this area, including the drafting of follow up regulations and the provision of guidance to the public and industry regarding the effect of the rules.

Program staff is also responsible for ensuring that market intermediaries comply with applicable financial and customer protection requirements set forth in the CEA and Commission regulation. This is currently done by conducting oversight of the financial surveillance programs of the SROs for compliance with the CEA, 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, KCBT, MGE, 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 staff also reviews and assesses the effectiveness of NFA's program for monitoring CPOs' and CTAs' compliance with relevant provisions of the CEA and Commission regulations. The staff 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 staff performs routine, daily financial surveillance of FCMs, including reviews of monthly financial statements submitted by FCMs to assess compliance with financial and customer funds protection requirements and to identify possible adverse financial trends. Staff reviews and performs 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 staff 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 CEA and Commission regulations. Staff also oversees CPO's provision of financial data and related reporting requirements. Furthermore, the 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 oversight program. The expertise and proficiency acquired 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 acquired 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.

Clearing Policy and Risk Surveillance. The Dodd-Frank Act mandates the clearing of standardized swaps by CFTC registered derivatives clearing organizations (DCOs). It is estimated that the number of DCOs registered with the Commission will grow from 14 to 20. The Dodd-Frank Act also creates a new category of systemically important DCOs and requires them to comply with heightened risk management and other prudential standards. The CFTC is also required by the Dodd-Frank Act to examine all systemically important DCOs at least once a year. The Dodd-Frank Act requires the CFTC to make determinations as to whether certain types or categories of swaps must be cleared. This requires the CFTC to analyze numerous swaps against factors listed in the statute to make such a determination. It is anticipated that there will be more DCOs which will clear more products and that the risk profile of these cleared products will be more complex than traditional futures and options on futures. As such, the risk surveillance function will have to grow so that the CFTC can continue to effectively discharge its statutory duty to avoid systemic risk. As such, it is critical that the CFTC receive the FTE requested for this program in FY 2012.

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; make recommendations as to which types of swaps should be cleared; to assess DCO compliance with the CEA and Commission regulations through examinations; to examine systemically important DCOs at least once a year; prepare proposed regulations, orders, guidelines, and other regulatory approaches on issues pertaining to DCOs; and 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.

The Clearing Policy and Risk Surveillance staff conducts periodic reviews of DCOs to evaluate their compliance with the CEA 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 due to resource constraints. The CFTC will be required by the Dodd-Frank Act to review each systemically important DCO at least once a year. With the clearing mandate imposed by the Dodd-Frank Act, it is anticipated that the number of DCOs and the volume of positions cleared by such DCOs will grow exponentially. Furthermore, the risk profile of these positions will be much more complex and it is therefore imperative that the sub-program be staffed to perform effective oversight. To discharge the Commission's statutory responsibility to ensure the financial integrity of all transactions and avoid systemic risk, the Clearing Policy and Risk Surveillance staff also undertakes daily risk surveillance across all markets that are subject to CFTC jurisdiction by reviewing the risk profiles of DCOs, clearing firms and market participants with large positions. To discharge this responsibility, 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. With the anticipated exponential increase in swaps being cleared and the attendant increased risk at all DCOs, as a result of the clearing mandate of the Dodd-Frank Act, more FTE will be needed by the subprogram to monitor the increased risk.

Consequences of Not Receiving Requested Level of Resources for Dodd-Frank Authorities

The Clearing, Swap Dealer and Intermediary Oversight 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 clearing, swaps dealing, and customer intermediation process.

Without the requested level of resources, the Clearing, Swap Dealer and Intermediary Oversight program will not be able to meet its current level of responsibilities, much less the responsibilities assigned to it by the Dodd-Frank Act.

The Dodd-Frank Act creates transparency and accountability for the swaps markets. It closes regulatory gaps by giving the CFTC the authority to regulate swap dealers and major swap participants, mandates clearing and exchange trading for swaps, improves market transparency through exchange trading and data collection, adds financial safeguards by ensuring swap dealers and major swap participants have adequate financial resources, and establishes a higher standard of conduct for all registered swap dealers and major swap participants.

To achieve these purposes, the level of resources requested is necessary for the Clearing, Swap Dealer and Intermediary Oversight program to implement various provisions of the Dodd-Frank Act in a timely and effective manner. Among other things, the program's responsibilities will be significantly increased and expanded to address the registration of new categories of registrants such as swap dealers, major swap participants, the continuing oversight of FCMs, IBs, RFEDs and DCOs; the examination of swap dealers and major swap participants for assessing compliance with Commission regulations on business conduct standards, record-keeping, reporting, capital and margin requirements; the risk surveillance and examination of DCOs for swaps and assessing compliance with Core Principles; and the review and assessment of swaps and to determine their suitability for clearing. Without the requested level of resources, the Clearing, Swap Dealer and Intermediary Oversight program will not be able to meet its oversight responsibilities, and the purposes of the comprehensive financial reform may not be achieved to the extent as intended.

The increasing volume of retail, non-intermediated, off-exchange trading in contracts based on forex has brought increased attention to this area. Specifically, the program must commit 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, the program expects to devote significant resources to respond to futures industry and public inquiries regarding the effect of these regulations as it is estimated that some 25 entities will register as RFEDs.

Another consequence of not receiving the program's requested level of resources is that it will not be able to timely and adequately fulfill its oversight and review functions over DCOs, SROs, FCMs, IBs, CPOs, CTAs, swap dealers, major swap participants and RFEDs as it will not be able to conduct as many oversight examinations of such entities, 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.

To summarize, the Clearing, Swap Dealer and Intermediary Oversight program will be severely hampered in its ability to implement current and the newly expanded Congressional mandates in a timely fashion without the requested level of resources.

Justification of the Existing Programs (Prior to Dodd-Frank)

The primary responsibility of the Clearing, Swap Dealer and Intermediary Oversight program is to foster financially sound markets and clearing systems and to protect customer funds. The level of funding requested in FY 2012 of 122 FTE is for existing authorities exclusive of Dodd-Frank, and the funding level is needed in order for the Clearing, Swap Dealer and Intermediary Oversight program to fulfill its regulatory responsibilities executed by the Compliance and Registration (16 FTE), Audit and Financial Review (66 FTE), and Clearing Policy and Risk Surveillance (40 FTE) subprograms.

The Compliance and Registration staff develops regulations, orders, and guidelines applicable to market intermediaries including matters such as registration and fitness, sales practices, managed funds, disclosure, record-keeping, and reporting, and foreign futures and options. Compliance and Registration staff 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 email 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 has recently finalized rules that, for the first time, impose registration requirements and Commission oversight upon intermediaries engaged in the offer and sale of OTC foreign currency contracts to retail customers.

The Clearing Policy and Risk Surveillance subprogram's major functional responsibilities are to review DCO applications and rule submissions and make recommendations to the Commission; assess DCO compliance with the CEA and Commission regulations, including Core Principles; 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; and review DCO and FCM requests for no-action, exemptive, or interpretive letters relating to the CEA or Commission regulations. The staff also conducts 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.

The Audit and Financial Review subprogram addresses its responsibilities by conducting oversight of the financial surveillance programs of the SROs for compliance with the CEA, 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, KCBT, MGE, 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 CEA and Commission regulations. The Audit and Financial Review subprogram conducts direct examinations of FCMs and CPOs that serve as an integral part of the oversight of the SROs' financial surveillance program, or that they may be conducted on a "for cause" basis to assess whether the target of the examination is in compliance with the CEA and Commission regulations. The Audit and Financial Review subprogram performs routine, daily financial surveillance of FCMs, including reviews of 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.*).

Consequences of Not Receiving Requested Level of Resources of Existing Programs (Prior to Dodd-Frank)

The level of resources requested is necessary for the program to meet its responsibilities 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.

A major consequence of not receiving the program's requested level of resources is that program staff will not be able to timely and adequately fulfill oversight and review functions over DCOs, SROs, FCMs, IBs, CPOs, CTAs, and RFEDs. Without the requested resources, the 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.

Table 31: Clearing, Swap Dealer & Intermediary Oversight Request by Subprogram

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Clearing Policy & Risk Surveillance	$11,412	45.00	$21,939	70.00	$10,527	25.00
Compliance & Registration	3,443	14.00	6,163	20.00	2,720	6.00
Audit & Financial Review	15,605	63.00	28,451	92.00	12,846	29.00
TOTAL	**$30,460**	**122.00**	**$56,553**	**182.00**	**$26,093**	**60.00**

Table 32: Dodd-Frank Included Above in Clearing, Swap Dealer & Intermediary Oversight Request

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Dodd-Frank	$0	0.00	$19,496	60.00	$19,496	60.00
TOTAL	**$0**	**0.00**	**$19,496**	**60.00**	**$19,496**	**60.00**

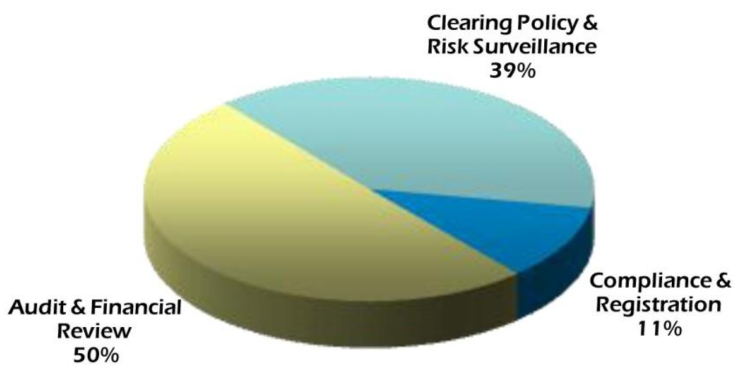


Figure 22: Clearing, Swap Dealer & Intermediary Oversight FY 2012 Budget by Subprogram

Table 33: Clearing, Swap Dealer & Intermediary Oversight Request by Goal

	FY 2011 $ (000)	FY 2011 FTE	FY 2012 $ (000)	FY 2012 FTE	Change $ (000)	Change FTE
GOAL ONE: Protect the economic functions of the commodity futures, options and swaps markets.						
Outcomes						
1.1 Futures, options and swaps markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	$1,008	4.00	$2,029	6.50	$1,021	2.50
1.2 Markets that can be monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.	1,009	4.00	2,029	6.50	1,020	2.50
Subtotal Goal One	**$2,017**	**8.00**	**$4,058**	**13.00**	**$2,041**	**5.00**
GOALTWO: Protect market users and the public.						
Outcomes						
2.1 Violations of Federal commodities and swaps laws are detected and prevented.	$1,862	7.50	$3,251	10.50	$1,389	3.00
2.2 Commodity professionals meet high standards.	7,117	28.50	14,309	46.00	7,192	17.50
2.3 Customer complaints against persons or firms falling within the jurisdiction of the Commodity Exchange Act are handled effectively.	248	1.00	309	1.00	61	0.00
Subtotal Goal Two	**$9,227**	**37.00**	**$17,869**	**57.50**	**$8,642**	**20.50**
GOAL THREE: Foster open, competitive, and financially sound markets.						
Outcomes						
3.1 Clearing organizations and firms holding customer funds have sound financial practices.	$7,161	28.50	$15,116	48.50	$7,955	20.00
3.2 Commodity futures, options and swaps markets are effectively regulated.	8,446	34.00	13,314	43.00	4,868	9.00
3.4 Regulatory environment responsive to evolving market conditions.	3,609	14.50	6,196	20.00	2,587	5.50
Subtotal Goal Three	**$19,216**	**77.00**	**$34,626**	**111.50**	**$15,410**	**34.50**
TOTAL	**$30,460**	**122.00**	**$56,553**	**182.00**	**$26,093**	**60.00**

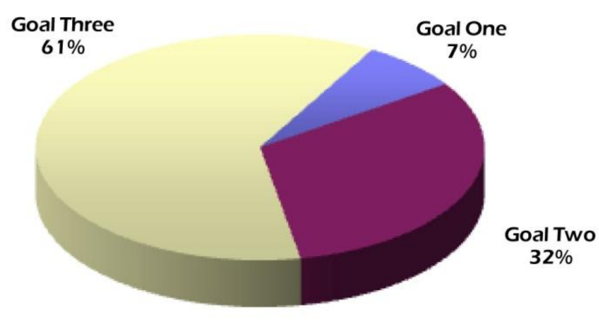


Figure 23: Clearing, Swap Dealer & Intermediary Oversight FY 2012 Budget by Goal

Enforcement

Total Budget:	$75,059,000	235 FTE
Total Change:	$31,333,000	68 FTE

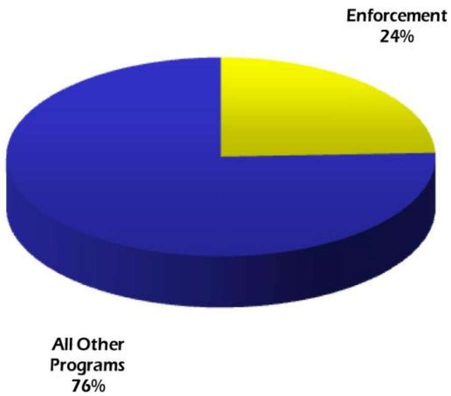


Figure 24: Enforcement Percentage of Total Budget Dollars

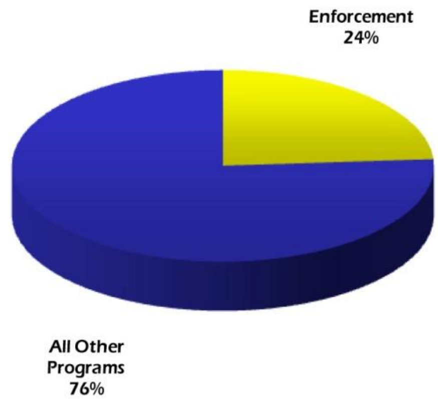


Figure 25: Enforcement Percentage of Total Budget FTE

The FY 2012 Budget for Enforcement is $75,059,000 and 235 FTE, of which $11,374,000 and 35 FTE relate to Dodd-Frank.

Justification of Resources for Dodd-Frank Authorities

The Dodd-Frank Act, in effect:

- Establishes Commission fraud and manipulation authority over OTC trading. More specifically, the proposed legislation amends several provisions of the 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 subtitle A of the Dodd-Frank Act with respect to any person.

- Supplements the Commission's existing "price-based" anti-manipulation authority by adding a "fraud-based" manipulation provision.

- Clarifies the Commission's authority with respect to off-exchange retail commodity transactions. For example, this provision, in part, will clarify the Commission's jurisdiction with respect to off-exchange retail transactions involving precious metals.

- Establishes protection and financial incentives for whistleblowers that provide original information leading to a successful enforcement action.

- Establishes prohibitions on insider trading in futures, options, or swaps by Federal employees with access to non-public information.

- Establishes prohibitions on disruptive practices, trading or conduct on or subject to the rules of any registered entity that: violates bids or offers; intentionally or recklessly disregards the orderly execution of transactions during the closing period; or is known as spoofing (bidding or offering with the intent to cancel the bid or offer before execution).

Consequence of Not Receiving Requested Level of Resources for Dodd-Frank Authorities

The Dodd-Frank Act makes fundamental changes to the U.S. financial regulatory system, including new enforcement and oversight responsibilities with respect to the swaps markets. Additional FTE are necessary for the Commission to effectively and enforce compliance with the CEA by market participants. Without additional FTE, the Commission's ability investigate violations and prosecute wrongdoers will be compromised. The Enforcement program will need to be more selective in the matters it investigates, potentially leaving serious wrongdoing unaddressed. If the Enforcement program shifts resources to cover its increased responsibilities under the Dodd-Frank Act, its ability to complete its current investigations and prosecute violations will be degraded both in terms of timeliness and scope. Further, as noted above, 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.

Justification of the Existing Programs (Prior to Dodd-Frank)

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 2012, the Enforcement program requests 200 FTE in order to support existing programs, an increase of 33 FTE over the FY 2011 allocation level. This staffing level is necessary for the Enforcement program to meet its existing, pre-Dodd Frank responsibilities, including the following:

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 2010, the Commission's efforts have thus far resulted in the award of approximately $114 million in restitution and disgorgement and $40 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. The wrongdoers in these cases employ a variety of schemes to defraud individual retail investors, including "boiler rooms" and Ponzi schemes.

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 of Existing Programs (Prior to Dodd-Frank)

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 FTE requested for FY 2012 in targeting certain program areas, for example: 1) allegations of manipulation, attempted manipulation, trade practice violations, and false reporting; 2) fraud involving retail, off-exchange transactions in commodities, including precious metals; 3) misconduct by commodity pools, hedge funds, CPOs, and CTAs; and 4) financial, supervision, record-keeping and other violations committed by registered entities.

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 is operating at full capacity and a decrease in FTE will force the Enforcement program to shift resources from important investigations to ongoing and future litigation demands, which limits its 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. SROs 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 FTE to assist criminal authorities in their prosecutions.

Table 34: Enforcement Request

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Enforcement	$43,726	167.00	$75,059	235.00	$31,333	68.00
TOTAL	**$43,726**	**167.00**	**$75,059**	**235.00**	**$31,333**	**68.00**

Table 35: Dodd-Frank Included Above in Enforcement Request

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Dodd-Frank	$0	0.00	$11,374	35.00	$11,374	35.00
TOTAL	**$0**	**0.00**	**$11,374**	**35.00**	**$11,374**	**35.00**

Table 36: Enforcement Request by Goal

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL ONE: Protect the economic functions of the commodity futures, options and swaps markets.						
Outcomes						
1.1 Futures, options and swaps markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	$18,300	69.90	$31,862	99.75	$13,562	29.85
1.2 Markets are effectively and efficiently monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.	628	2.40	1,092	3.42	464	1.02
Subtotal Goal One	**$18,928**	**72.30**	**$32,954**	**103.17**	**$14,026**	**30.87**
GOAL TWO: Protect market users and the public.						
Outcomes						
2.1 Violations of Federal commodities and swaps laws are detected and prevented.	$19,452	74.29	$32,772	102.61	13,320	28.32
2.2 Commodity professionals meet high standards.	210	0.80	365	1.14	155	0.34
Subtotal Goal Two	**$19,662**	**75.09**	**$33,137**	**103.75**	**$13,475**	**28.66**
GOAL THREE: Foster open, competitive, and financially sound markets.						
Outcomes						
3.1 Clearing organizations and firms holding customer funds have sound financial practices.	$3,766	14.38	$6,780	21.23	$3,014	6.85
3.3 Markets are free of trade practice abuses.	558	2.13	910	2.85	352	0.72
3.4 Regulatory environment is responsive to evolving market conditions.	812	3.10	1,278	4.00	466	0.90
Subtotal Goal Three	**$5,136**	**19.61**	**$8,968**	**28.08**	**$3,832**	**8.47**
TOTAL	**$43,726**	**167.00**	**$75,059**	**235.00**	**$31,333**	**68.00**

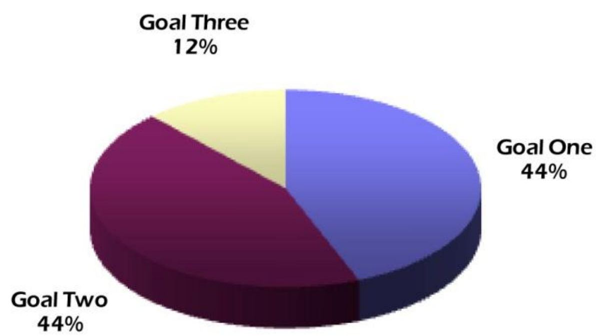


Figure 26: Enforcement FY 2012 Budget by Goal

Office of the Chief Economist

Total Budget:	$ 5,965,000	20 FTE
Total Change:	$ 2,722,000	6 FTE

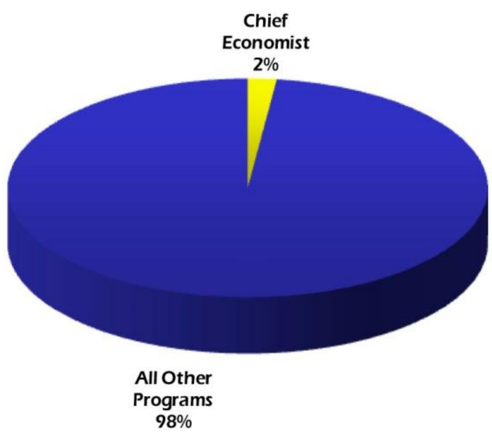


Figure 27: Chief Economist
Percentage of Total Budget Dollars

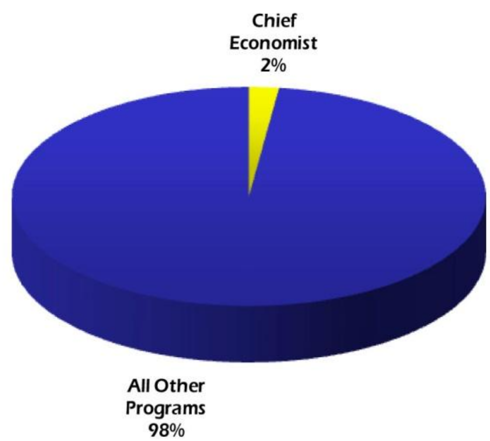


Figure 28: Chief Economist
Percentage of Total Budget FTE

The FY 2012 Budget for the Office of the Chief Economist is $5,965,000 and 20 FTE, of which $975,000 and three (3) FTE relate to Dodd-Frank.

Justification of Resources for Dodd-Frank Authorities

The Dodd-Frank Act, in effect:

- Requires the Office of the Chief Economist to assist the Commission staff responsible for developing regulations mandated by legislation with the appropriate economic analysis of the perceived costs and benefits. Moreover, the proposed regulations may induce unintended market consequences which must also be analyzed.

- Requires that OCE possesses sufficient expertise needed to fulfill the regulatory responsibilities granted by the Dodd-Frank Act, including expert knowledge in areas such as the trading and clearing of complex derivative instruments.

- Requires that OCE possesses sufficient expertise in the area of perspective data standards, requirements, and formats for both cleared and uncleared complex derivative instruments. This expertise is important for the implementation of sound data standards.

- Requires that OCE possesses sufficient expertise in the area of market structure of the trading platforms on which complex derivative contracts will be traded.

Consequence of Not Receiving Requested Level of Resources for Dodd-Frank Authorities

Without the requested level of resources, the Office of the Chief Economist:

- Would not be able to conduct economic analysis on the unintended consequences of the proposed regulations under the Dodd-Frank authorities.

- Would not be able to provide adequate expertise in the areas of new data standards, the market structure of new trading platforms, and the economic analysis of clearing-related issues, which would arise under the Dodd-Frank authorities.

Justification of the Existing Programs (Prior to Dodd-Frank)

The growth in the number of markets that trade and clear a widening array of derivative products requires the maintenance of a quantitative research program to inform regulatory, surveillance, and enforcement activities in these markets and products. The quantitative research program includes, but is not limited to:

- Analysis of algorithmic and high frequency trading in electronic markets.
- Analysis of the composition of markets participants and the trading activity of such traders as managed money funds, exchange traded funds, and commodity index funds in futures and options markets.
- Analysis of the linkages between the futures and options markets and the underlying cash markets for energy, agricultural, and other commodities.
- Provision of greater market transparency initiatives and development of educational materials on futures and options trading for dissemination to market participants, regulators, and the general public.
- Development of analytical tools and methods in support of the Commission's Enforcement program, including economic and statistical analysis or expert testimony to promote compliance with and deter violations of commodity laws.
- Development of analytical tools and methods in support of the Commission's automated surveillance initiatives.
- 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.
- Review and analysis of new market trading structures and new trading products.
- Participation in the development of flexible and effective regulatory responses to evolving market conditions.
- Examination of the linkages between the futures and securities markets.
- Assessment of systemic risk issues in the futures and options markets.

In FY 2012, the Office of the Chief Economist requests 20 FTEs, an increase of six FTEs over the FY 2011 level. This increase would support the maintenance of an ongoing quantitative research program, as innovations in trading technology and trading instruments in the futures and options markets create significant regulatory, surveillance, and enforcement challenges.

Specifically, in FY 2012, OCE staff will continue to analyze a diverse range of markets and trading activity of a broad range of market participants, including algorithmic and high frequency traders. This analysis is extremely data intensive as it is based on the processing of a massive amount of trade register data.

With the requested level of resources, analysis to enhance the understanding of the markets and market participants 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 key developments in derivatives trading and market innovations.

The performance of derivative markets has a potentially large impact on the stability of domestic and international 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 to 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 of Existing Programs (Prior to Dodd-Frank)

Without the requested level of resources, the Office of the Chief Economist:

- Would not be able to conduct market research and analysis commensurate with the growth in new types of exchanges, new trading execution methods in futures and options markets, and the review of new products. This would undermine the ability of the Commission to keep its regulatory policies in line with new developments in the markets, which could impede innovation and may adversely affect the economic function of these markets.

- Would not be able to provide effective economic and statistical analysis to the enforcement and surveillance programs, and to 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.

- Would not be able to devote significant resources to new initiatives to enhance market transparency and to develop effective materials to educate market participants, regulators, and the general public about the functioning of these markets.

Table 37: Office of the Chief Economist Request

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Chief Economist	$3,243	14.00	$5,965	20.00	$2,722	6.00
TOTAL	**$3,243**	**14.00**	**$5,965**	**20.00**	**$2,722**	**6.00**

Table 38: Dodd-Frank Included Above in Chief Economist Request

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Dodd-Frank	$0	0.00	$975	3.00	$975	3.00
TOTAL	**$0**	**0.00**	**$975**	**3.00**	**$975**	**3.00**

Table 39: Office of the Chief Economist Request by Goal

	FY 2011 $ (000)	FY 2011 FTE	FY 2012 $ (000)	FY 2012 FTE	Change $ (000)	Change FTE
GOAL ONE: Protect the economic functions of the commodity futures, options and swaps markets.						
Outcomes						
1.1 Futures, options and swaps markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	$3,243	14.00	$5,965	20.00	$2,722	6.00
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	**$3,243**	**14.00**	**$5,965**	**20.00**	**$2,722**	**6.00**
GOAL TWO: Protect market users and the public.						
None.						
GOAL THREE: Foster open, competitive, and financially sound markets.						
None						
TOTAL	**$3,243**	**14.00**	**$5,965**	**20.00**	**$2,722**	**6.00**

Office of Proceedings

Total Budget:	$ 2,912,000	10 FTE
Total Change:	$ 540,000	0 FTE

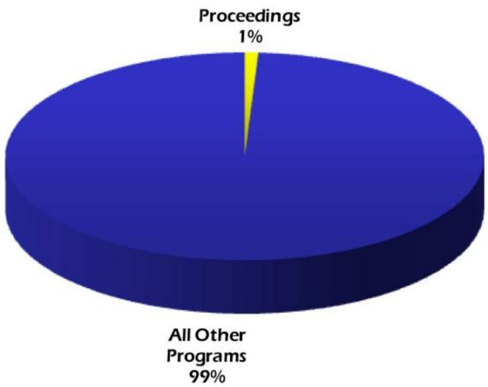


Figure 29: Proceedings Percentage of Total Budget Dollars

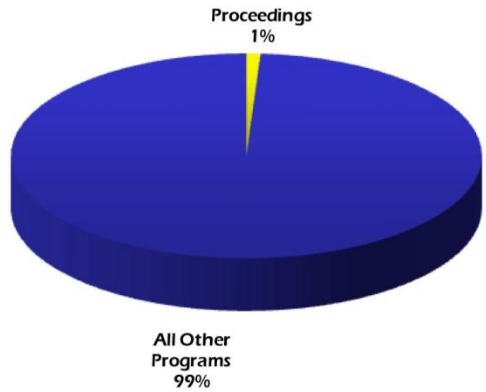


Figure 30: Proceedings Percentage of Total Budget FTE

The FY 2012 Budget for the Office of Proceedings is $2,912,000 and 10 FTE. No additional resources are requested to implement Dodd-Frank.

Justification of the Existing Programs (Prior to Dodd-Frank)

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 2012, the Office of Proceedings requests 10 FTE. .

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 approximately 50 reparations cases per year and will respond to approximately 4,000 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 of Proceedings 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 email, 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 of Existing Programs (Prior to Dodd-Frank)

In FY 2012, the Office of Proceedings is requesting 10 FTE, which is the same as the FY 2011 level. For a variety of reasons, the workload of the Office of Proceedings has declined. The reparations program volume swelled during the first few years of operation, from 25 cases pending at the end of 1976 to 1,203 pending at the end of 1980. Amendments to the CEA by the Futures Trading Act of 1982 allowed complaints only to be brought against registrants. Volume began to diminish following the effective date of the rules implementing those amendments in 1984, with a significant drop beginning in 1990. The number of complaints has leveled out at about 60 complaints per year. The decline may be attributable to a number of factors including the effectiveness and shorter time frame of the NFA arbitration and mediation program, which was established in 1983, and a decline in the number of firms holding customer accounts.

Similarly, the Commission's use of the administrative enforcement forum has declined. No administrative cases are currently pending before the Commission's ALJs. Like other Federal regulatory agencies, the CFTC primarily brings cases in Federal District Court in order to seek injunctive and other relief not available in the administrative forum and to take advantage of more advantageous discovery rules.

As a result of this decline, the CFTC does not see a reason to request expanded resources at this time.

Table 40: Proceedings Request by Subprogram

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Enforcement	$712	3.00	$874	3.00	$162	0.00
Reparations	1,660	7.00	2,038	7.00	378	0.00
TOTAL	**$2,372**	**10.00**	**$2,912**	**10.00**	**$540**	**0.00**

Table 41: Dodd-Frank Included Above in Proceedings Request

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Dodd-Frank	$0	0.00	$0	0.00	$0	0.00
TOTAL	**$0**	**0.00**	**$0**	**0.00**	**$0**	**0.00**

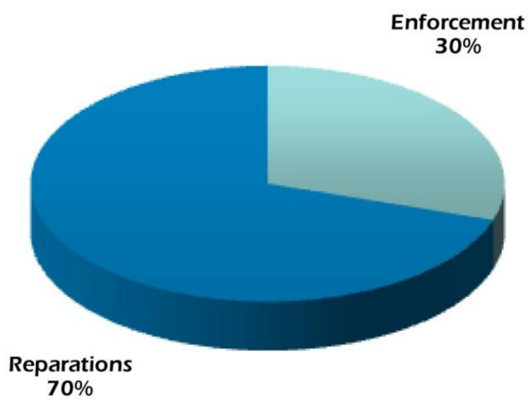


Figure 31: Proceedings FY 2012 Budget by Subprogram

Table 42: Proceedings Request by Goal

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL ONE: Protect the economic functions of the commodity futures, options and swaps markets.						
None						
GOAL TWO: Protect market users and the public.						
Outcomes						
2.1 Violations of Federal commodities and swaps laws are detected and prevented.	$712	3.00	$874	3.00	$162	0.00
2.2 Commodity 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.	1,660	7.00	2,038	7.00	378	0.00
Subtotal Goal Two	**$2,372**	**10.00**	**$2,912**	**10.00**	**$540**	**0.00**
GOAL THREE: Foster open, competitive, and financially sound markets.						
None						
TOTAL	**$2,372**	**10.00**	**$2,912**	**10.00**	**$540**	**0.00**

Office of the General Counsel

Total Budget:	$22,876,000	70 FTE
Total Change:	$ 9,213,000	20 FTE

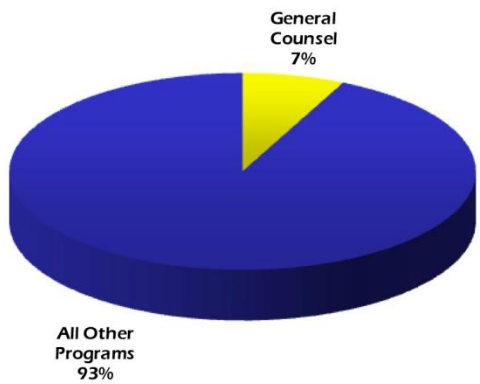


Figure 32: Percentage of Total Budget Dollars

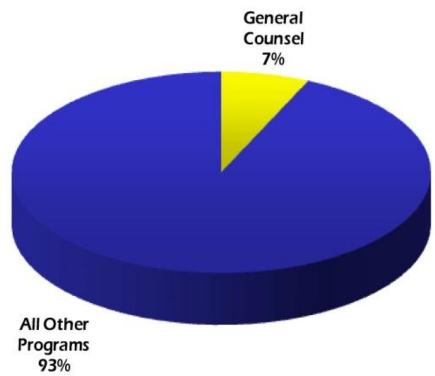


Figure 33: Percentage of Total Budget FTE

The FY 2012 Budget for the Office of the General Counsel is $22,876,000 and 70 FTE, of which $6,499,000 and 20 FTE relate to Dodd-Frank.

Justification of Resources for Dodd-Frank Authorities

Title VII of the Dodd-Frank Act establishes a comprehensive new regulatory framework for swaps. It will reduce risk, increase transparency, and promote market integrity within the financial system by, among other things: 1) providing for the comprehensive regulation of swap dealers and major swap participants; 2) imposing clearing and trade execution requirements on standard products; 3) creating robust record-keeping and real-time reporting regimes; and 4) enhancing the Commission's rulemaking and enforcement authorities for, among others, all registered entities and intermediaries subject to the Commission's oversight.

In terms of increased demands for legal services from OGC, the Dodd-Frank Act will require 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 development and application of rules to implement this broad statutory scheme. More specifically, the Dodd-Frank Act, in its implications for OGC:

- Requires the adaptation of existing regulatory structures to new markets and platforms. Although some swaps are voluntarily cleared under existing law, the legislation requires a substantial expansion of the Commission's regulatory program for DCOs since standard swaps will have to be centrally cleared (unless they qualify for a statutory exception based on the nature of the counterparties). Further, existing exchanges established to trade futures may now expand to trade swaps as well, and a new breed of swap execution facilities (referred to as "SEFs," which are akin to, but different from, existing exchanges) may provide a platform for institutional swap trading. Legal issues will arise as rules and practices developed for a different model are expanded to accommodate these new clearing and trading regimes. Legal services required of OGC will grow markedly, both in terms of assuring the legal sufficiency of new regulatory actions proposed to carry out the clearing and trading mandates of the legislation, as well as financial integrity and RERs on an ongoing basis to evaluate the stability of the clearing system and the fairness and integrity of the markets.

- Includes provisions for new categories of market participants that do not exist under current law— swap dealers and major swap participants— all of which will 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 will arise as the Commission applies these programs on a going forward basis. Legal support from OGC will 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 traders that trade them. This is particularly true with respect to the new class of "major swap participants," which are essentially large traders–since registration and compliance with financial and business conduct standards have never been required of large traders in futures or commodity options.

- Clarifies the Commission's ability to adopt rules in administering the Core Principles applicable to contract markets, clearinghouses, SEFs, and SDRs. The legislation also provides for advance Commission review of new and amended rules 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 position limits for futures and options on physical commodities traded on contract markets, as well as aggregate position limits also covering contracts traded on FBOTs and swaps. The imposition of these intricate position limits – in compliance with other statutory directives to simultaneously establish limits for economically equivalent swaps, while also striving to ensure that any limits imposed by the Commission will not cause price discovery in the commodity to shift to trading on FBOTs–will require extensive legal review.

- Includes a comprehensive real-time public reporting mandate and a new registration regime for SDRs, which will require additional legal services to assure compliance with CEA provisions mandating confidentiality of certain trade information.

- Expands 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 the CFTC Reauthorization Act of 2008 (CRA) for retail foreign currency transactions to all other retail commodity contracts as well. Additional Commission enforcement authorities granted in the legislation include, but are not limited to, the following: additional anti-manipulation authority; additional prohibited trading practices; insider trading authority with respect to futures on security indexes and misappropriated government information; and whistleblower awards. OGC reviews all enforcement recommendations concerning the filing and settlement of 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. The significantly expanded enforcement authority provided for in the Dodd-Frank Act will yield increased numbers of case filings, settlements, and appeals, all requiring additional legal resources in OGC to fully protect the Commission's interests.

- In Title VIII, grants enhanced authority to the Commission with respect to DCOs that are designated as systemically important. Further, Title VIII also provides certain authorities to the Federal Reserve Board with respect to such clearinghouses, and thus requires a closer degree of coordination between the agencies. Legal support from OGC will be necessary for the Commission to properly navigate the interplay between Titles VII and VIII, to exercise its new authorities consistently with Congressional intent, and to assure through its working relationship with the Federal Reserve that each acts according to the parameters of its respective statutory remit.

- Requires focused attention on statutes of government-wide applicability – such as the Administrative Procedure Act, the Regulatory Flexibility Act, and the Paperwork Reduction Act – that will play a critical role in the development of the extensive rulemakings necessary to properly implement the regulatory program established by Congress. OGC has created a General Law Team, dedicated solely to the analysis and resolution of legal issues arising under these and related statutes, to assure that the Commission's rulemaking efforts comply with all legal requirements.

- Necessitates resources to respond to close scrutiny by Congressional oversight committees, and Congressional requests for information to the Commission, that are anticipated in the course of monitoring the Commission's implementation of this landmark legislation over the next several years.

Consequence of Not Receiving Requested Level of Resources for Dodd-Frank Authorities

The Commission's development of rulemakings, its regulatory initiatives undertaken to implement those rules, and its enforcement actions against those alleged to have violated those rules, must pass legal muster. The Commission cannot suffer the fate of moving so aggressively to implement new authorities granted to it by Congress that legal limitations embedded in the Dodd-Frank Act itself, or contained in other statutes applicable to the activities of government agencies, are given insufficient analysis. The Commission will only be considered to have successfully implemented its new mandate in the Dodd-Frank Act if its rules, regulatory actions, and enforcement proceedings are able to withstand legal challenge and judicial review.

OGC will be instrumental to assuring that success. An insufficiently staffed OGC may result in the Commission receiving legal advice on Dodd-Frank Act issues that is not thoroughly grounded in statutory construction and rigorous legal analysis. If stretched thin, OGC's legal services to the Commission – and its legal work product to outside stakeholders such as Congress and the courts – may not be sufficiently timely or thorough. In short, the consequence of not providing 20 additional FTE to OGC is that the Commission will be placed at risk of failure in the implementation of the new regulatory regime ushered in by the Dodd-Frank Act.

Justification of the Existing Programs (Prior to Dodd-Frank)

OGC provides legal services and support to the Commission and all 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 2012, the OGC requests a total of 50 FTE to continue current operations.

As the 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 are relevant 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 Administrative Procedure, 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, and prepares technical assistance regarding draft legislation as requested by members of Congress or their staff;
- Analyzes jurisdictional issues and provides liaison with other Federal regulators as necessary to address specific matters implicating the jurisdiction of multiple agencies;
- 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.

Although the Dodd-Frank Act has been enacted, OGC expects to continue to be called upon to provide technical assistance to members of Congress and their staff with respect to ongoing legislative proposals affecting futures and swap markets. As one example, legislative proposals that include new carbon markets may again require technical analysis and assistance.

In addition, OGC is heavily involved in advising the Commission on the use of its existing authorities to ensure the fair and orderly trading of derivatives contracts. In particular, OGC is assisting the Commission regarding the implementation of its authority, granted as part of the CRA, to register and regulate the activities of those involved in selling off-exchange foreign currency contracts to retail customers. Other complex matters before OGC include legal counsel regarding efforts to harmonize the CFTC's and SEC's respective regulatory structures. 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 (and the enactment in the Dodd-Frank Act of a formal process to address any resulting jurisdictional issues) creates an increased need for legal analysis of products, statutory jurisdiction, and judicial precedents by OGC attorneys. Finally, ongoing initiatives by the U.S. Treasury's Financial Crimes Enforcement Network (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, 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 continue to experience marked 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 Commission's increasingly active involvement in international initiatives with its counterparts overseas also requires heightened OGC review for consistency with statutory and regulatory mandates.

Consequence of Not Receiving Requested Level of Resources of Existing Program (Prior to Dodd-Frank)

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 a current service level of 50. 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 and enforcement activity underway at the Commission, and the stakes that attach to OGC's analysis of such initiatives, maintenance of a staffing level of 50 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 receiving the current services level 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 OGC risks leaving the Commission's legal interests in these critical forums less than fully protected.

Table 43: General Counsel Request

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
General Counsel	$13,663	50.00	$22,876	70.00	$9,213	20.00
TOTAL	**$13,663**	**50.00**	**$22,876**	**70.00**	**$9,213**	**20.00**

Table 44: Dodd-Frank Included Above in General Counsel Request

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Dodd-Frank	$0	0.00	$6,499	20.00	$6,499	20.00
TOTAL	**$0**	**0.00**	**$6,499**	**20.00**	**$6,499**	**20.00**

Table 45: General Counsel Request by Goal

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL ONE: Protect the economic functions of the commodity futures, options and swaps markets.						
Outcomes						
1.1 Futures, options and swaps markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	$2,615	9.57	$5,117	15.66	$2,502	6.09
1.2 Markets that can be monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.	183	0.67	556	1.70	373	1.03
Subtotal Goal One	**$2,798**	**10.24**	**$5,673**	**17.36**	**$2,875**	**7.12**
GOAL TWO: Protect market users and the public.						
Outcomes						
2.1 Violations of Federal commodities and swaps laws are detected and prevented.	$4,118	15.07	$6,883	21.06	$2,765	5.99
2.2 Commodity professionals meet high standards.	803	2.94	2,993	9.16	2,190	6.22
2.3 Customer complaints against persons or firms falling within the jurisdiction of the Commodity Exchange Act are handled effectively and expeditiously.	2,014	7.37	2,366	7.24	352	-0.13
Subtotal Goal Two	**$6,935**	**25.38**	**$12,242**	**37.46**	**$5,307**	**12.08**
GOAL THREE: Foster open, competitive, and financially sound markets.						
Outcomes						
3.1 Clearing organizations and firms holding customer funds have sound financial practices.	$820	3.00	$964	2.95	$144	-0.05
3.2 Commodity futures, options and swaps markets are effectively regulated.	367	1.34	772	2.36	405	1.02
3.3 Markets are free of trade practice abuses.	786	2.88	928	2.84	142	-0.04
3.4 Regulatory environment is responsive to evolving market conditions.	1,957	7.16	2,297	7.03	340	-0.13
Subtotal Goal Three	**$3,930**	**14.38**	**$4,961**	**15.18**	**1,031**	**0.08**
TOTAL	**$13,663**	**50.00**	**$22,876**	**70.00**	**$9,213**	**20.00**

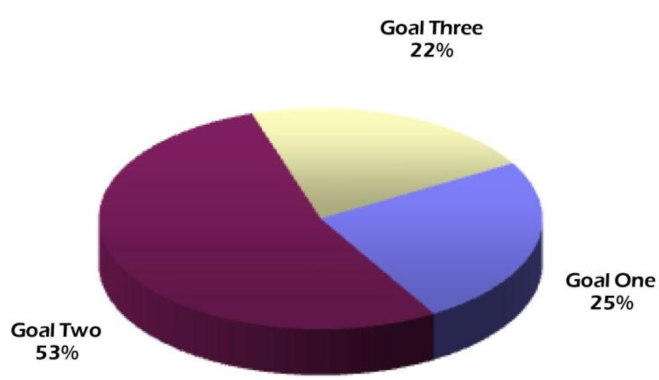


Figure 34: General Counsel FY 2012 Budget by Goal

Office of the International Affairs

Total Budget: $ 4,043,000 13 FTE

Total Change: $ 1,775,000 4 FTE

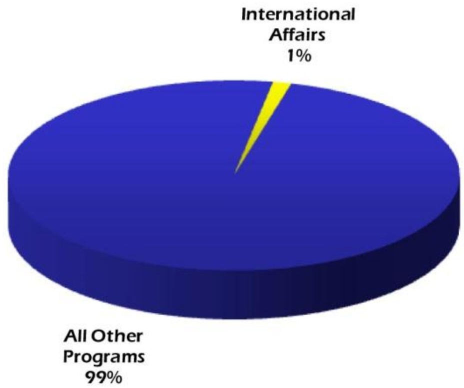


Figure 35: Percentage of Total Budget Dollars

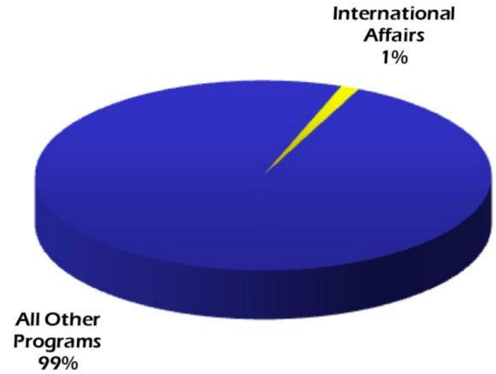


Figure 36: Percentage of Total Budget FTE

The FY 2012 Budget for the Office of the International Affairs is $4,043,000 and 13 FTE, of which $975,000 and three (3) FTE relate to Dodd-Frank.

Justification of Resources for Dodd-Frank Authorities

The Dodd-Frank Act, 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 OTC derivatives. For example, the registration and regulation of 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 FBOTs 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.

Consequence of Not Receiving Requested Level of Resources for Dodd-Frank Authorities

The work-streams that have been initiated within international bodies such as IOSCO and the FSB to address the financial crisis, as well as the need to coordinate with the European Commission and regulators in other major jurisdictions with regard to the transnational implications of the Commission's exercise of its expanded financial market powers, have already strained the resources of OIA. Not only has OIA been staffing these various working groups, but also is working through IOSCO to try and coordinate these international response. This need to staff both working groups and the IOSCO coordinating group supervisory" is reaching the limits of OIA's resources. Once the new legislative authorities are in place, additional demands for OIA's participation in due diligence examinations and the development of information sharing and coordination MOUs are expected to arise from requests by foreign entities (such as clearing organizations and foreign boards of trade) for regulated status under the CEA. We additionally anticipate increasing calls on the CFTC to participate in Treasury-organized dialogues with commercially important jurisdictions such as India and China.

To date, OIA has been able, within the limits of its staff resources, to provide international coordination, representation and technical assistance at acceptable levels as approved by the Chairman. Although we anticipate for the near term that these demands can be met by the additional staff resources that were allocated to OIA for FY 2009-2010, the failure to fund these additional resources and provide positions to OIA in further years will make it difficult for OIA to staff the international work-streams referred to above and to provide the staffing that is necessary in order to ensure a coordinated and disciplined messaging internationally and to ensure that Commission resources are appropriately utilized.

Justification of the Existing Programs (Prior to Dodd-Frank)

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 2012, the Office of International Affairs requests a total of 13 FTE, an increase of four FTE over FY 2011.

Consequence of Not Receiving Requested Level of Resources of Existing Programs (Prior to Dodd-Frank)

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 46: International Affairs Request by Subprogram

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
International Affairs	$2,268	9.00	$4,043	13.00	$1,775	4.00
TOTAL	**$2,268**	**9.00**	**$4,043**	**13.00**	**$1,775**	**4.00**

Table 47: Dodd-Frank Included Above in International Affairs Request

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Dodd-Frank	$0	0.00	$975	3.00	$975	3.00
TOTAL	**$0**	**0.00**	**$975**	**3.00**	**$975**	**3.00**

Table 48: International Affairs Request by Goal

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL ONE: Protect the economic functions of the commodity futures, options and swaps 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, options and swaps markets are effectively 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 is responsive to evolving market conditions.	2,268	9.00	4,043	13.00	1,775	4.00
Subtotal Goal Three	**$2,268**	**9.00**	**$4,043**	**13.00**	**$1,775**	**4.00**
TOTAL	**$2,268**	**9.00**	**$4,043**	**13.00**	**$1,775**	**4.00**

Agency Direction

Total Budget: $11,819,000 38 FTE

Total Change: $ 4,000,000 7 FTE

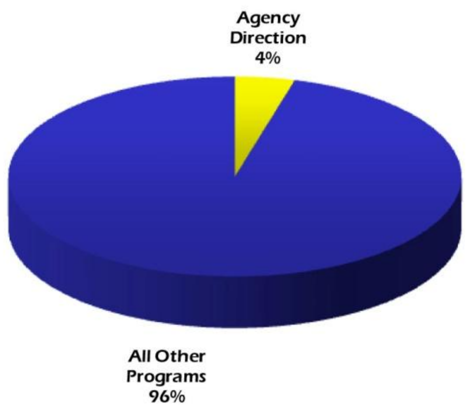


Figure 37: Percentage of Total Budget Dollars

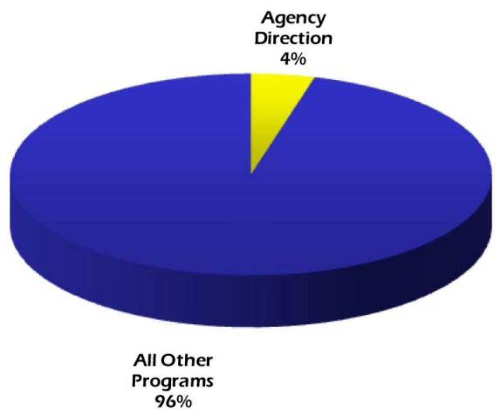


Figure 38: Percentage of Total Budget FTE

The FY 2012 Budget for Agency Direction is $11,819,000 and 38 FTE. No additional resources are requested to implement Dodd-Frank.

Justification of Resources for Dodd-Frank Authorities

The Agency Direction program is requesting no additional resources to implement Dodd-Frank authorities.

Justification of the Existing Program (Prior to Dodd-Frank)

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, and the Dodd-Frank Act. Commission 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 Public Affairs; the Office of Legislative Affairs; the Enterprise Risk Group; the Office of Inspector General; and the Office of Equal Employment Opportunity.

In addition to its new authorities, the Commission has undertaken a number of high priority programmatic initiative with resource implications for FY 2012, these include: 1) improving regulatory coordination with other agencies such as the SEC and FERC; 2) publishing quarterly and eventually monthly reports on commodity index trading; 3) 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; 4) implementing improvements to the Commission's Web site— *http://www.cftc.gov*; 5) increasing the frequency of reviews and audits of Commission registrants, and; 6) improving resource utilization through technology modernization, improved resource justification and improve program performance.

In FY 2012, the Agency Direction program requests a total of 38 FTE, an increase seven over the FY 2011 level. The four of the seven positions are required to ensure that each Commissioner's office has a minimum staff of four including the position of the Commissioner. The increase of four FTE for FY 2012 represents the difference in actual FTE usage in FY 2011, under a yearlong Continuing Resolution, and the number of FTE required in FY 2012. This increase does not represent new growth for the Offices of the Commissioners but a restoration to historical FTE levels.

Three new FTE are allocated for the establishment of the Enterprise Risk Group. The Enterprise Risk Group 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.

Table 49: Agency Direction Request by Subprogram

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Agency Direction[21]	$7,819	31.00	$11,819	38.00	$4,000	7.00
TOTAL	**$7,819**	**31.00**	**$11,819**	**38.00**	**$4,000**	**7.00**

21) Agency Direction includes the Office of the Inspector General. See Appendix 6 for more detail.

FY 2011		FY 2012		Change	
$000	FTE	$000	FTE	$000	FTE
$1,105	4.00	$1,322	4.00	$217	0.00

Table 50: Dodd-Frank Included Above in Agency Direction Request

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Dodd-Frank[22]	$0	0.00	$0	0.00	$0	0.00
TOTAL	**$0**	**0.00**	**$0**	**0.00**	**$0**	**0.00**

22) Dodd-Frank includes the Office of the Inspector General. See Appendix 6 for more detail.

FY 2011		FY 2012		Change	
$000	FTE	$000	FTE	$000	FTE
$0	0.00	$0	0.00	$0	0.00

Table 51: Agency Direction Request by Goal

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL ONE: Protect the economic functions of the commodity futures, options and swaps 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 Commission's mission is fulfilled and goals are achieved through sound management and organizational excellence provided by executive leadership.	7,819	31.00	11,819	38.00	4,000	7.00
Subtotal Goal Four	**7,819**	**31.00**	**11,819**	**38.00**	**4,000**	**7.00**
TOTAL	**$7,819**	**31.00**	**$11,819**	**38.00**	**$4,000**	**7.00**

Administrative Management & Support

Total Budget: $51,209,000 165 FTE

Total Change: $19,774,000 40 FTE

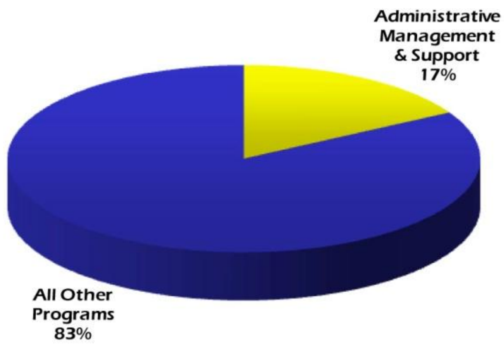


Figure 39: Percentage of Total Budget Dollars

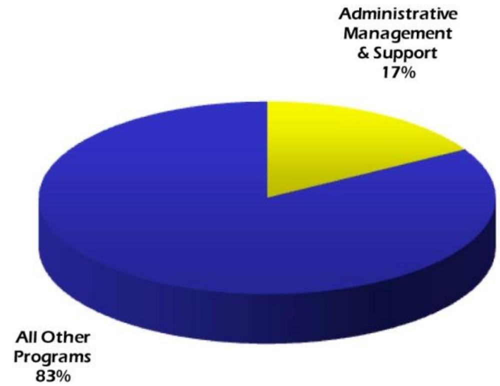


Figure 40: Percentage of Total Budget FTE

Justification of the FY 2012 President's Budget & Performance Plan

The FY 2012 Budget for Administrative Management and Support is $51,209,000 and 165 FTE, of which $11,372,000 and 35 FTE relate to Dodd-Frank. The 35 FTE increase are allocated to the following subprograms: Information Technology (30), Management Operations (3), and Human Resources (2).

In FY 2012, the Administrative Management and Support subprogram requests a total of 165 FTE, an increase of 40 FTE over the FY 2011 level. These resources respond to several needs. First, the agency staff will grow 62 percent between the FY 2010 actual FTE of 605 and the FY 2012 budget request of 983. Services provided by OED must expand to support that growth. Second, the Dodd-Frank legislation places new requirements on the agency, and staff members are needed, especially in the technology area, to ensure that the agency can meet those requirements. Finally, some areas of administration and management support have been either not staffed or understaffed in previous years as the agency choose to apply its limited resources to program rather than administrative functions. A number of those areas, such as planning and business management, are now trying to catch up.

The 40 FTE requested for the Administrative Management and Support subprogram includes five (5) FTE to support an increase in responsibilities for existing authorities and 35 FTE to support new responsibilities under Dodd-Frank. The resources requested are as follows:

- 30 FTE for information technology support for Dodd-Frank and one (1) FTE to support existing authorities
- Two (2) FTE to support existing human resources needs and two (2) to support growth under Dodd-Frank
- Two (2) FTE for management operations to support existing authorities and three (3) staff to support an increase in activities under Dodd-Frank.

Although this is an increase over the previous year, it represents a shrinking percentage of the agency total. In FY 2010, non-IT administrative resources were 10.6 percent of total FTE. Administrative support represents 9.6 percent and 7.4 percent of FTE respectively for FY 2011 and FY 2012. In FY 2010, IT administrative resources were 9.6 percent of total FTE. Administrative support represents 9.1 percent and 9.4 percent of FTE respectively for FY 2011 and FY 2012.

The Commission's $66 million IT budget includes the following:

- $10 million for investments in CFTC SDR data aggregation, order data collection and standardization, and advanced computing platforms for high-frequency, algorithmic trading surveillance and enforcement. In FY 2012, based on the current analysis of high frequency, algorithmic trading, the CFTC must invest in advanced massively parallel computing systems to mine large volumes of unstructured and structured data for effective market surveillance and enforcement;
- $9 million for systems integration of existing large trader and trade systems with swaps data, for systems enhancements such as aggregated position limit surveillance, and significant upgrades to the FILAC system for SEFs and SDRs;
- $14 million for equipment and software. Staff increases require additional personal computers and communications devices, as well as increases in secure mobile storage devices, software licenses, and service usage fees;
- $5 million for telecommunication services. Additional IT resources will be required to provide increased communication capacity and bandwidth increases, data storage, and server computing capacity. The CFTC also anticipates a substantial increase in teleconferencing and Webcasting to support the collaboration required to implement Dodd-Frank authorities;$24 million for financial and legal information services, operations and maintenance, systems analysis for ISS, TSS, eLaw, as well as other mission supporting systems and general operational support; and
- $4 million 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.

Exchange-traded futures products are mature from a product-development standpoint and are supported by a consistent set of processes and systems. OTC products vary significantly not only by asset class, but also by maturity and by supporting business process and system. While industry can target IT investments toward mature products to achieve economies of scale, regulators must be able to evaluate a variety of structured and unstructured data from a variety of automated, partially-automated, and manual systems. In FY 2012, CFTC will continue developing and maintaining systems to correlate data across several OTC asset classes with data from exchange traded futures. Though regulators are to have direct access to SDRs, there will be an increase in the amount and frequency of data exchanges between different regulators which will result in the development of new standards, systems interfaces, and new system development.

Justification of Resources for Dodd-Frank Authorities

Information Technology. A total of 30 FTE are requested for technology related to staff growth and additional responsibilities that flow from Dodd-Frank. These additional FTE will be used in the following manner:

- Sixteen (16) FTE will support systems and services associated with implementing new responsibilities under Dodd-Frank. Fourteen (14) of those 16 FTE will implement new software technology solutions and address information management requirements and two (2) of those 16 FTE will increase data transparency through the CFTC intranet and Internet.
- Two (2) FTE will enhance information security and IT planning to ensure that CFTC systems are secure and well-managed.
- Twelve (12) FTE will provide the infrastructure support required by staff growth in the regions and headquarters. Of those 12 FTE, six (6) will provide desktop services, three (3) will support telecommunications services, and three (3) will support network services and production operations, including network security.

Of the $66 million above, approximately $25 million will be required to implement the Dodd-Frank Act. Dodd-Frank adds participants, facilities, and data repositories for each of the current OTC asset classes: interest rates, equity indexes, currency, commodities, and credit default. While the industry can target certain IT investments toward a particular asset class in order to reduce and share implementation costs, regulators must be able to assimilate, correlate, and aggregate information across all asset classes and exchange-traded products and participants. CFTC must build new technology solutions to support expanded responsibilities, as follows:

- Develop robust, mission-oriented systems for automated surveillance and the comprehensive analysis solutions that are essential to the transparency objectives of Dodd-Frank;
- Deploy IT systems to support new business requirements, integrate and expand existing systems, and develop new systems;
- Identify and adopt industry data standards to increase the reliability, accuracy, and transparency of collected information, including order data for disruptive trade practice analysis;
- Conduct extensive business and industry analysis to support regulation of the complex and diverse new instruments, including integration with current systems;
- Support increased collaboration and data sharing with other Federal, state, and foreign regulators;
- Increase public transparency of information through the agency's public Web site;
- Integrate oversight of OTC and exchange traded futures to ensure robust financial risk surveillance, market surveillance, and economic analysis. Associating OTC data with futures data will be essential to understanding a market participant's financial exposure and market position across the futures and OTC marketplaces; and
- Develop and maintain capabilities to retain OTC swap information not reported to an SDR.

Office of Human Resources. The Commission must recruit develop, compensate, and retain an engaged, high-performing workforce as the agency grows and changes. Unless our employees remain equal to the constantly-evolving challenges involved in protecting the integrity of the swaps, futures and option markets, the Commission will lack assurance it can meet its mission goals. As the agency grows and adds new responsibilities under Dodd-Frank, it must establish a strong training and professional development program to strengthen and expand both the technical and managerial skills of its workforce. The addition of two (2) FTE for the training program will expand this function from three (3) FTE to a total of five (5) FTE.

Office of Management Operations. The Office of Management Operations will be directly affected by the substantial growth in staff resulting from the new regulatory authorities. It will require two additional staff in the regional offices and one in headquarters to support the acquisition and construction of the agency's critical space management needs, to ensure adequate contingency planning, and to provide for the increase of responsibility in the area of personnel security for background investigations and issuance of the HSPD-12 credential for all staff. With the projected significant increase in staff, additional support in the New York and Kansas City regional offices is critical. At this time there is only one staff person in Kansas City and staff is projected to increase from 26 to 70 employees, and in New York there are currently two staff persons supporting 86 staff, with a projected increase to 121.

Consequence of Not Receiving Requested Level of Resources for Dodd-Frank Authorities

As the CFTC undergoes the substantial expansion of its regulatory authority, it will require an appropriate level of growth in program and administrative support. If the requested level of resources is not received the Commission will be substantially thwarted in its mission with regard to: recruiting, hiring, training/cross-training and integrating new staff — most with highly specialized expertise; addressing personnel security requirements and managing the agency's facilities; and ensuring that immediate tasks and challenges do not displace the need for sound strategic and annual planning to ensure resources are wisely invested and not squandered.

In addition, consequences 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. Specifically, the following investments begun in FY 2011 would be curtailed:

- Collecting OTC information not reported to an SDR;
- Aggregating information in a commodity data warehouse to correlate data across several OTC asset classes;
- Associating OTC data with data from exchange traded futures; and
- Implementing advanced computing platforms for monitoring and surveillance of high frequency, algorithmic trading.

It should be noted that even at the level of resources requested, a number of significant programs remain unstaffed or understaffed. For example, the budget request does not include resources to support the consumer education functions required under Dodd-Frank and conducted by all other Federal financial agencies.

Justification of the Existing Programs (Prior to Dodd-Frank)

The fulfillment of the Commission's mission and the achievement of its goals depend on a foundation of sound management, organizational excellence and engaged and productive staff. 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.

Staff in the Administrative Management and Support subprogram ensure Commission compliance with Federal laws, regulations and requirements enacted by Congress and imposed by the 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; Secretariat; and the Library. In addition, the Executive Director has administrative responsibility for the Office of Proceedings, the Commission's adjudicative office.

OED staff:

- Formulate budget and resource authorization strategies;
- Formulate, justify and execute the Commission's annual budget;
- 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.

The five 5 FTE request for the Administrative Management and Support subprogram supporting the existing authorities are allocated as follows:

- One (1) FTE for information technology;
- Two (2) FTE for human resources; and
- Two (2) FTE for management operations.

Information Technology. The requested one (1) FTE for information technology will focus on systems and services for market and financial risk monitoring and oversight, leading increased integration of CFTC systems and processes for monitoring registered entities, market and financial risk, market integrity, and trade practice as well as systems and processes for enforcement and economic analysis.

Office of Human Resources. Currently, the agency has no compensation specialist. As the agency grows by 62 percent between FY 2010 and FY 2012, it needs a specialist to oversee the agency's compensation strategy, not only to attract and retain the staff the agency requires, but also to help the agency manage the authority to set its own pay levels with reference to other Federal financial regulatory agencies. Another FTE will expand the employee relations staff by 33 percent, a reasonable increase as the agency grows substantially. These staff members provide information and support to managers and to individual employees to ensure that staff members are well-managed and that concerns are addressed promptly.

Office of Management Operations. The Office of Management Operations will require two additional staff in headquarters to support the building operations and space management assignments, as well as management of its physical assets, and the provision of adequate physical security for all staff.

Consequence of Not Receiving Requested Level of Resources of Existing Program (Prior to Dodd-Frank)

The Office of the Executive Director is already performing the expansive list of functions above with extremely tight resources. Without the level of resources for these existing programs, the Administrative Management and Support program would be hard pressed to continue to meet its goal of ensuring that the agency has a highly-qualified, high-performing workforce with the tools and resources staff members need to meet the agency's mission.

In addition, resources requested for Office of Information and Technology Services directly support the Commission's ability to fulfill its mission, which continues to depend heavily on the collection, storage, accessibility, manipulation and analysis of voluminous amounts of data from futures market participants. The continuing increase in the volume and complexity of the data collected requires constant 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. The Commission must continue to leverage highly competent skilled IT resources to employ 21st century technology in protecting the American people.

Even at the level of resources requested, a number of significant programs remain unstaffed or understaffed. For example, the agency has expanded the resources devoted to strategic and annual planning to three (3) FTE, but could only do so by reducing the resources allocated to other administrative support functions. Other functions, including the agency's budget office, records and privacy program, and regional management remain understaffed.

Table 52: Administrative Management & Support Request by Subprogram

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Admin. Mgmt. & Supp.	$15,942	64.00	$22,358	73.00	$6,416	9.00
Information Technology	$15,493	61.00	$28,851	92.00	$13,358	31.00
TOTAL	**$31,435**	**125.00**	**$51,209**	**165.00**	**$19,774**	**40.00**

Table 53: Dodd-Frank Included Above in Administrative Management & Support Request

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
Dodd-Frank – Admin. Mgmt & Supp.	$0	0.00	$1,625	5.00	$1,625	5.00
Dodd-Frank – Information Technology	$0	0.00	$9,747	30.00	$9,747	30.00
TOTAL	**$0**	**0.00**	**$11,372**	**35.00**	**$11,372**	**35.00**

Table 54: Administrative Management & Support Request by Goal

	FY 2011		FY 2012		Change	
	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE
GOAL ONE: Protect the economic functions of the commodity futures, options and swaps markets.						
Outcomes						
1.1 Futures, options and swaps markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	$1,097	4.36	$2,002	6.45	$905	2.09
1.2 Oversee markets which can be used effectively by producers, processors, financial institutions, and other firms for the purposes of price discovery and risk shifting.	1,784	7.09	6,083	19.60	4,299	12.51
Subtotal Goal One	**$2,881**	**11.45**	**$8,085**	**26.05**	**$5,204**	**14.60**
GOALTWO: Protect market users and the public.						
Outcomes						
2.1 Violations of Federal commodities and swaps laws are detected and prevented.	$2,156	8.57	$2,870	9.25	$714	0.68
2.3 Customer complaints against persons or firms falling within the jurisdiction of the Commodity Exchange Act are handled effectively and expeditiously.	548	2.18	1,009	3.25	461	1.07
Subtotal Goal Two	**$2,704**	**10.75**	**$3,879**	**12.50**	**$1,175**	**1.75**
GOAL THREE: Foster open, competitive, and financially sound markets.						
Outcomes						
3.1 Clearing organizations and firms holding customer funds have sound financial practices.	$229	0.91	$1,506	4.85	$1,277	3.94
3.3 Markets are free of trade practice abuses.	175	0.70	2,110	6.80	1,935	6.10
Subtotal Goal Three	**$404**	**1.61**	**$3,616**	**11.65**	**$3,212**	**10.04**
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.	$4,025	16.00	$6,207	20.00	$2,182	4.00
4.2 A modern and secure information system that reflect the strategic priorities of the Commission. [20]	9,858	39.19	13,594	43.80	3,736	4.61
4.3 An organizational infrastructure that efficiently and effectively responds to and anticipates both the routine and emergency business needs of the Commission.	3,773	15.00	6,207	20.00	2,434	5.00
4.4 Financial resources are allocated, managed and accounted for in accordance with the strategic priorities of the Commission.	4,025	16.00	4,966	16.00	941	0.00
4.5 Commission's mission is fulfilled and goals are achieved through sound management and organizational excellence provided by executive leadership.	3,765	15.00	4,655	15.00	890	0.00
Subtotal Goal Four	**25,446**	**101.19**	**35,629**	**114.80**	**10,183**	**13.61**
TOTAL	**$31,435**	**125.00**	**$51,209**	**165.00**	**$19,774**	**40.00**

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

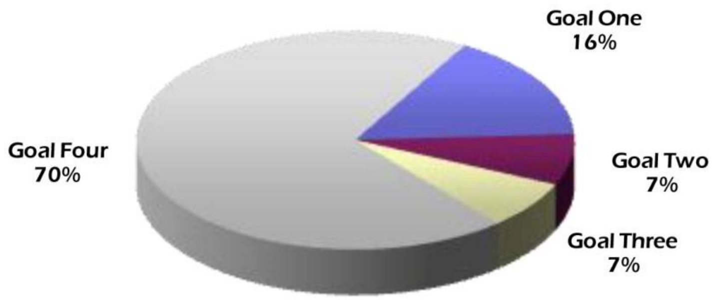


Figure 41: Administrative Management & Support FY 2012 Budget by Goal

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, and was confirmed by the United States Senate on October 8, 2009.

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

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

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

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

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

Bart Chilton, Commissioner

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

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

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

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

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

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

Scott O'Malia, Commissioner

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

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

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

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

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

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

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 CEA are handled effectively and	1. Manage reparations program 2. Resolve appeals 3. Represent Commission in litigation or other disputes

expeditiously.	

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	1. Plan for and manage the security and infrastructure needs and resources of the Commission

needs 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

Dodd-Frank Rulemaking

In complying with the requirements of the Dodd-Frank Act, the CFTC released on July 21, 2010, a list of 30 areas of rulemaking. Teams of staff within the agency were assigned to each rulemaking area and will see the process through, from analyzing the statute's requirements, seeking broad consultation, recommending proposed rulemakings, soliciting and considering comments, to publishing final rules. The CFTC now anticipates there will be at least 55 separate rules. The CFTC is required to complete these rules generally in 360 days (some have deadlines of 90, 180 or 270 days).

Through January 2011, the Commission held 11 public meetings issuing one final rule and 43 proposed rules. Within the next month, the Commission expects to issue two more final rules and eight more proposed rules.

The rulemaking areas are
divided into eight groups: Comprehensive Regulation of Swap Dealers & Major Swap Participants; Clearing; Trading; Data; Particular Products; Enforcement; Position Limits; and Other Titles.

The Commission requested input from the public on each of the rulemaking areas as well as established a defined comment period for each proposed rule.

Below is a listing of the Groupings and associated rules:

Comprehensive Regulation of Swap Dealers & Major Swap Participants:

I. Registration
II. Definitions, such as Swap Dealer, Major Swap Participant, Security-Based Swap Dealer and Major Security-Based Swap Participant, to be Written Jointly with SEC
III. Business Conduct Standards with Counterparties
IV. Internal Business Conduct Standards
V. Capital & Margin for Non-banks
VI. Segregation and Bankruptcy for both Cleared and Uncleared Swaps

Clearing:

VII. DCO Core Principle Rulemaking, Interpretation & Guidance
VIII. Process for Review of Swaps for Mandatory Clearing
IX. Governance & Possible Limits on Ownership & Control
X. Systemically Important DCO Rules Authorized Under Title VIII
XI. End-user Exception

Trading:

XII. DCM Core Principle Rulemaking, Interpretation & Guidance
XIII. SEF Registration Requirements and Core Principle Rulemaking, Interpretation & Guidance
XIV. New Registration Requirements for Foreign Boards of Trade
XV. Rule Certification & Approval Procedures (applicable to DCMs, DCOs, SEFs)

Data:

XVI. Swap Data Repositories Registration Standards and Core Principle Rulemaking, Interpretation and Guidance
XVII. Data Record-keeping and Reporting Requirements
XVIII. Real-Time Reporting

Particular Products:

XIX. Agricultural Swaps
XX. Foreign Currency (Retail Off-Exchange)
XXI. Joint Rules with SEC, such as "Swap" and "Security-Based Swap"
XXII. Portfolio Margining Procedures

Enforcement:

XXIII. Anti-Manipulation
XXIV. Disruptive Trading Practices
XXV. Whistleblowers

Position Limits:

XXVI. Position Limits, including Large Trader Reporting, Bona Fide Hedging Definition and Aggregate Limits

Other Titles:

XXVII. Investment Adviser Reporting
XXVIII. Volcker Rule
XXIX. Reliance on Credit Ratings
XXX. Fair Credit Reporting Act and Disclosure of Nonpublic Personal Information

APPENDIX 4

Investment in Technology

The Commission plans an investment of approximately $66 million FY 2012. Broadly summarized, an investment in Information Technology at the CFTC is an investment in:

- New Technology Initiatives:
  - OTC SDR for Swaps not Accepted for Reporting by an Industry SDR
  - SDR Data Aggregation across Asset Classes
  - Standardization and Collection of Order Data for Disruptive Trade Practice Analysis
  - Advanced Computing Platforms for High-Frequency, Algorithmic Trading Surveillance and Enforcement
  - Real-time Reporting Support and Surveillance
  - Improved Market Data Transparency
  - Integrate ISS and TSS Capabilities with New Swaps Data
  - Reengineer FILAC to Collect SEF and SDR Applications and Other Industry Filings
  - Implement Aggregated Position Limits Surveillance
  - Trade Pattern Modeling/Detection Support for TSS
  - CFTC.gov Enhancements
  - Open Interest Reengineering
  - 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
  - Automated Employee Recruitment

- 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

More specifically this investment is:

- $10 million to continue investments in CFTC SDR data aggregation, Order Data Collection and Standardization, Implement Advanced Computing Platforms for High-Frequency, Algorithmic Trading Surveillance and Enforcement;
- $9 million for systems integration of existing large trader and trade systems with swaps data, for systems enhancements such as aggregated position limit surveillance, and significant upgrades to the FILAC system for SEFs and SDRs;
- $14 million to provide for Capital Equipment and Software Purchases;
- $5 million to provide for Telecommunication Services;
- $24 million to provide for support services such as financial and legal information services, operations and maintenance, systems analysis for ISS, TSS, eLaw, as well as other smaller mission supporting systems and general operational support; and
- $4 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

Acquisition of Additional Office Space

Over the last two years the CFTC has worked diligently to increase its seating capacity and redesign its work space to accommodate new technology. Over 230 more employees are on the payroll than at the end of FY 2007. A significant uptick in contract staff in the information technology area, visiting academics, interns, and student volunteers also need to be housed.

The CFTC has reworked its leases in Washington, DC, Chicago, Kansas City, and New York to expand the size of its space, extend the terms of the leases, and renegotiate pricing in its favor. Additionally, CFTC has sought to leverage its space configuration to enhance its operational capabilities. e.g., market watch rooms, productivity and technology hub, hearing room with webcasting capability, and video conferencing.

The result of this work has been to bring down leasing costs as a percentage of the annual budget, while increasing the total space footprint from 249,964 to 406,771 square feet. For example, in FY 2007 leasing costs were 12 percent of the budget while in FY 2010 they consumed 7 percent of the budget.

How Much Does Space Cost and How Much Space is CFTC Leasing?

The display below depicts the CFTC Budget for space lease costs. The FY 2012 budget request is for $308 million and supports an FTE level of 983 and approximately 289 contractors, the majority of which would support information technology.

Space Lease Cost (Including Pass-Through and Utilities Where Applicable)

	FY 2010 Actual $ (000)	FY 2011 $ (000)	FY 2012 Request $ (000)
Washington DC	$8,370	$11,571	$14,718
Chicago	$1,660	$1,155	$2,372
New York	$2,331	$1,293	$2,605
Kansas City	$188	$188	$721
Coop Site	$83	$90	$91
Total	$12,632	$14,297	$20,507

Rentable Square Feet Data

	FY 2010 Actual	FY 2011	FY 2012 Request
Washington DC	161,785	274,568	288,395
Chicago	40,750	60,412	60,412
New York	39,363	39,363	60,000
Kansas City	8,066	32,428	32,428
Total	249,964	406,771	441,235

APPENDIX 6

Inspector General

In accordance with the Inspector General Act, as amended:

The following amounts were included in the FY 2012 President's Budget:

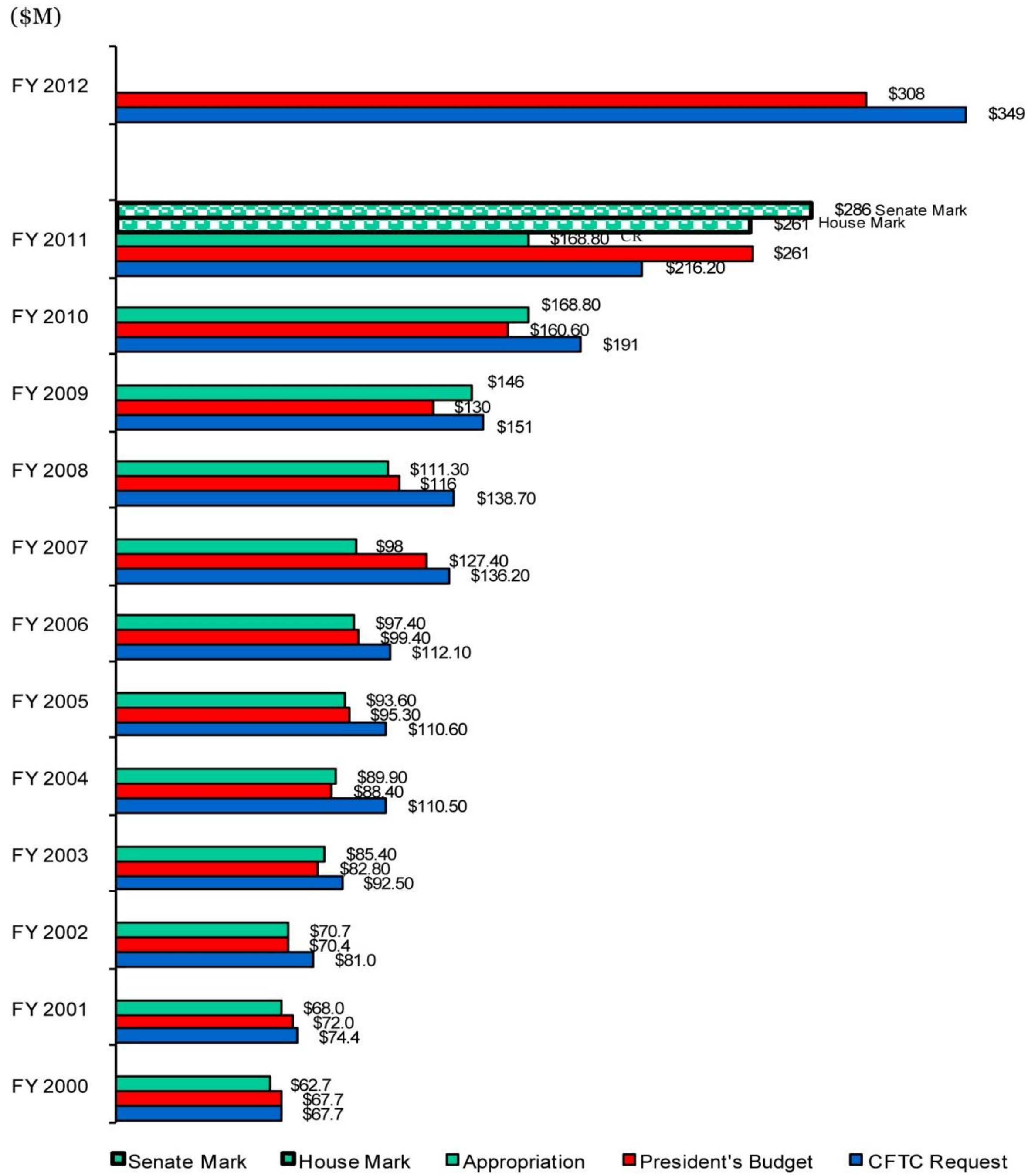
FY 2011	Total Budget[21]	Training Budget Estimate	FTE
	$1,105,000	$4,900	4

FY 2012	Total Budget	Training Budget Estimate	FTE
	$1,322,000	$5,000	4

[21] 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 $2,873 and $3,437 in FY 2011 and FY 2012 respectively to support the Council of the Inspectors General on Integrity and Efficiency. The Inspector General's initial budget request for FY 2012 was five (5) FTE and $1,617,000, including $5,000 for training.

APPENDIX 7

Summary of OMB and Congressional Action on Appropriations FY 2000 – FY 2012



APPENDIX 8

Privacy Policy for the CFTC Web Site

Privacy & SECURITY

The privacy of visitors to our Web site is of the utmost importance to the CFTC. You are not required to give us any personal information to visit our Web site. While we automatically collect certain data for statistical purposes, that data does not include your name, mailing or email address.

Information Collected and Stored Automatically

If you visit the CFTC Web site to read or download information, such as press releases or publications, we will collect and store certain technical information about your visit. We do not collect your name, email, mailing address or similar identifying information. We only collect the following:

- On your end, the name of the domain (the machine or Web site) from which you access the Internet (for example, *http://www.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 IP address is a series of numbers that identifies a server or computer connected to the Internet);
- The name and version of the Web browser used to access a CFTC Web page (for example, Microsoft Explorer or Firefox);
- On our side, the name and IP address of the CFTC server that received and logged the request;
- The date and time the request was received, and
- The information you are accessing (for example, which page or image you choose to read or download).

We use this information to measure the number of visitors to the different sections of our Web site, assess system performance and to help us make the Web site more useful to our visitors. In the event of a computer security incident, such data may be manually analyzed to allow computer security specialists to identify Internet service providers and, in extreme cases, to attempt to identify the specific computer and individual involved in an attack on the CFTC's site. The information below on "Intrusion Detection Monitoring" further explains this.

"Cookies"

The information being collected automatically, as explained above, is collected through the use of "session cookies" set through Google Analytics. "Session cookies" are small bits of text placed on a user's hard drive for the duration of a Web session, *i.e.*, for as long as your browser is accessing the CFTC Web site at one time. As soon as you close the CFTC Web site, the cookie [expires/is deleted].

The CFTC does not use "persistent cookies," which are small bits of text saved on a user's hard drive in order to identify that user, or information about that user, the next time the user logs on the a Web site. However, for some videos that are visible on *http://www.cftc.gov* or available on YouTube, a "persistent cookie" may be set by the third party providers when you click to play the video.

If You Choose to Send Us Personal Information

You may choose to send us information which personally identifies you. For example, you may complete an on-line form, send a complaint concerning a regulated person or entity, report suspicious activity, send a comment or input on a proposed rule, or email the CFTC through the Web site. Such information is used to respond to your request and to help us get you the information you have requested. We also use the information for the specific purposes identified on each form or on the Web page requesting information.

For example, if you send us a comment letter on a proposed rule, that letter becomes part of the CFTC's comment file and generally 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 use 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 or other Federal agencies when appropriate.

Sharing of Your Information

The personal information you choose to provide to us will be shared with CFTC employees and contractors who need to know the information in the course of their official duties. Such employees and contractors are subject to confidentiality restrictions to protect your personal information. The information may also be shared by the CFTC with third parties to advance the purpose for which you provide the information, including other federal or state government agencies. For example, if you report suspicious activity that suggests a violation of the CEA, the information you have provided may be shared with other Federal or state authorities. In this situation, the primary use of your personally identifiable information would be to enable the government to contact you in the event we have questions regarding the information you have reported.

Under certain circumstances, the CFTC may be required by law to disclose information you submit to other authorities for official purposes, for example, to respond to a Congressional inquiry or subpoena.

When you choose to send e-mail to the CFTC, you are consenting to the CFTC using the information provided therein, including personally identifiable information, in accordance with this notice, unless you expressly state in the email your objection to any use.

Linking to Other Web sites

We provide links to Federal and non-Federal Web sites if we think they may be useful to our visitors or necessary for the performance of agency functions. This includes commercial Web sites such as Facebook, Twitter, Flickr and YouTube.

When you follow a link to a non-CFTC Web site, you will first be directed to a Web page that reminds you that you are leaving *http://www.cftc.gov* and that the Web site you are about to visit is not endorsed by the CFTC. These other Web sites are not within the CFTC's control. The CFTC does not guarantee the accuracy or completeness of any information on these sites. Be aware that the privacy protection provided to you on *http://www.cftc.gov* may not be available at the external link. Once you link to another site, you are subject to the policies of that site.

Use of Social Media Sites

The CFTC uses Twitter, Facebook, Flickr and YouTube as additional ways to provide information to the public. Flickr and YouTube allow the CFTC to post pictures and videos that may be of interest to the public. Facebook allows the Commission to reach out to a different audience, those who may not seek out *http://www.cftc.gov*. Twitter allows us to post microblogs known as "tweets," *i.e.,* text-based posts of up to 140 characters. The tweets allow our Office of Public Affairs to quickly notify reporters, the public and other "followers" of a new press release, upcoming event or other information of interest.

Using these media, the CFTC generally will not collect, maintain, or disseminate personally identifiable information ("PII") about individuals who "follow," "like" or comment upon the CFTC's information.

However, in unusual circumstances (such as a threat against Commission staff or a tweet suggesting a violation of the CEA), the CFTC may collect, maintain or disseminate an individual's PII for purposes of investigation. In such a situation, the information collected would be that information the individual had voluntarily made available to the CFTC because of actions he or she took on our social media page, such as following the CFTC's tweets or commenting on our profile page. (The CFTC would use a subpoena or other appropriate legal process to obtain any information that the individual had not made available to the CFTC or widely made available to other social media users.) PII collected and maintained for investigations would be added to the CFTC's investigative systems, the uses, purposes, disclosures and retention of which are described in Privacy Act System of Record Notice CFTC-10, Investigatory Records (Exempted), at *Federal Register* 66 Fed. Reg. 41842 (2001), as it may be amended.

A few other specific exceptions may apply, as explained in our Privacy Impact Assessments. For example, with Twitter, other than investigations, the only PII that would be collected would be for internal news clips; we may quote a "tweet" in our news clips, adding the name of the reporter to give him or her credit.

To mitigate the risk of unauthorized access to any PII through the use of social media, only specifically designated Office of Public Affairs staff or other staff authorized by the Chief Privacy Officer and/or Chief Information Officer generally will have access to the CFTC social media sites. In the rare situation where an investigation is needed, only a select number of staff with a true "need to know" the information to perform their job duties would be allowed to access information in our investigative systems, and as further explained in System of Record Notice CFTC-10, Investigatory Records (Exempted). Such staff receive special training concerning the sensitive nature of investigatory information.

Security

Personal information collected and maintained by the CFTC are protected from unauthorized access and misuse through comprehensive administrative, technical and physical security measures. Administrative measures include a privacy governance structure, mandatory annual privacy and security training for all CFTC employees, internal policies and controls over data handling practices, and regular auditing of systems. Technical security measures within CFTC include restrictions on computer access to authorized individuals, required use of strong passwords that are frequently changed, use of encryption for certain data types and transfers, and regular review of security procedures and best practices to enhance security. Physical measures include restrictions on building access to authorized individuals only and maintaining records in lockable offices and filing cabinets.

Intrusion Detection Monitoring

The CFTC uses software programs to monitor this Web site for security purposes to ensure it remains available to all users and to protect information in the system. By accessing this Web site, you are expressly consenting to these monitoring activities. Unauthorized attempts to defeat or circumvent security features; to use the system for other than intended purposes; to deny service to authorized users; to access, obtain, alter, damage, or to destroy information; or otherwise to interfere with the system or its operation are prohibited. Evidence of such acts may be disclosed to law enforcement authorities and result in criminal prosecution under the Computer Fraud and Abuse Act of 1986 and the National Information Infrastructure Protection Act of 1996, 18 USC 1030, or other applicable criminal laws. Except for authorized law enforcement investigations, no other attempts are made to identify individual users or their usage habits.

Other Privacy Information: Systems of Records Notices and Privacy Impact Assessments

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.

CFTC Privacy Impact Assessments

Questions About Privacy

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

Chief Privacy Officer
Commodity Futures Trading Commission
1155 21st St., N.W.
Washington DC 20581
Phone: 202-418-5000
Fax: 202-418-5532

APPENDIX 9

Government-Wide Initiatives

Acquisition Improvements.

Having the right people with the right skills is critical to ensuring the CFTC receives the best value for the 35-45 percent of appropriated dollars it spends each year for goods and services. A highly qualified team of contracting officers has been hired, and over the last two years they began renegotiating our largest contracts and leases for lower prices, engaged in strategic sourcing to procure a total technology infrastructure replacement, and sought to gain other efficiencies through the use of performance contracts.

Program staff, contracting officer technical representatives (COTRs), continue to struggle with clearly defining acquisition requirements. Improvements can be made in overseeing an ever increasing blended workforce entrusted with implementing Federal financial regulatory reform. CFTC has established policies and procedures for effective management and training of our acquisition workforce. However, more work needs to done to ensure that contracting officer's technical representatives have the necessary skills to effectively monitor contractor performance, and ensure that requirements are met, especially when the scale, scope, and complexity of our contracts for services have grown substantially.

Acquisition Workforce.

With the addition of a fifth Contract Specialist to the CFTC Procurement team in the last quarter of FY 2009, the CFTC Procurement team has been able to meet the exceptional workloads occasioned by the Commission's need to house and otherwise support its rapidly expanding headcount. With the Supervisory Contract Specialist reporting directly to the Chief Financial Officer, the Commission has met its goals to plan and manage both immediate and strategic efforts to support the agency mission with a sound, effective procurement program. The Procurement team has both seasoned senior staff and employees at the mid-career level. The Commission plans to add one acquisition professional during FY 2012.

IT Infrastructure.

The CFTC is continuing General Support System (GSS) infrastructure technology refreshment and consolidation that was begun in FY 2009 as a result of increased appropriations provided based on the recognition that the futures industry was rapidly transitioning from physical, localized trading venues with moderate trading volumes to electronic, global, inter-connected venues with significantly higher trading volume, products, product complexity, number of participants, and data volume.

CFTC goals for server room consolidation, relocation, and migration to infrastructure as a service (Iaas), platform as a service (PaaS), and software as a service (SaaS) are aligned with the agency strategic goal to provide a modern and secure information system that reflects the strategic priorities of the Commission. Our objectives within that goal are to:

- Reduce operational risk
- Lower total cost of operations
- Increase agility by implementing scalable infrastructure, services, and acquisition vehicles.

From the outset, this refreshment and consolidation has focused on server virtualization, centralized storage, and reducing server-room footprint in regional offices (Chicago, Kansas City, and New York). We have also adopted an evolutionary approach to address change management and information security risks, with basic prioritization being 1) address critical need by upgrading the headquarters server room and communications infrastructure; 2) improve disaster recovery time and recovery point performance by supplementing the headquarters server room with a hot site; and 3) leveraging infrastructure as a service (IaaS) maturity gained through hot site implementation and platform as a service (PaaS) maturity gained through outsourcing Web site hosting to transfer all core computing offsite with an optimum set of IaaS, Paas, and SaaS.

We have ostensibly completed virtualization and storage centralization. We are establishing a hot site for the headquarters server room and implementing full-function, scalable offsite PaaS for Web site and Web services in FY 2011. In FY 2011 and FY 2012 we will plan and architect our migration to offsite IaaS/PaaS/SaaS. We plan to begin migration in FY 2012.

We have adopted this approach to mitigate information security and change management risks.

IT Project Management.

In order to effectively manage a significantly increased number of IT projects, the CFTC has developed and implemented a Project Management Life Cycle (PMLC) program. The PMLC requires the use of a document management and collaboration Web site for each major project where project initiation, planning, requirements, design and development, implementation, operations and maintenance, and retirement phase documents and resources are maintained. Metrics are maintained and risk is managed for each project and is planned to be reported on an executive management site to provide ongoing review and monitoring of schedule and risk. Currently the Commission has no high risk IT projects.

Cyber Security.

The CFTC has decided on the 'Twenty Critical Controls for Effective Cyber Defense: Consensus Audit' (Version 2.1: August 10, 2009) as the target state for our General Support System (the CFTC Network) automated control set.

The 'Twenty Critical Controls for Effective Cyber Defense: Consensus Audit' (Version 2.1: August 10, 2009), *http://www.sans.org/critical-security-controls/*, are a subset of NIST Special Publication 800-53 Revision 3 Controls. The automation of these Top 20 Controls will lower the cost of security while improving its effectiveness.

Though some of the recommended 146 sub-controls have already been implemented, manually implemented, or partially implemented for the CFTC Network, the Commission is currently developing a detailed project plan for full automated implementation. That implementation will include addressing continuous monitoring requirements as well as alignment with the Federal Enterprise Architecture Security and Privacy Profile v3.0 (FEA-SPP v3.0).

Improving Employee Engagement.

Per the July 15, 2010, memorandum from Director Berry of the U.S. Office of Personnel Management (OPM), this overview summarizes the ongoing CFTC Employee Engagement initiatives.

The following summary results of the all-employee CFTC Employee Viewpoint Survey of 2010 demonstrate the very considerable success of agency efforts to date to improve employee engagement and satisfaction with the CFTC workplace:

- Well over half (46) of the 78 survey items received over 65 percent positive responses, a score indicating an area of agency strength
- None of the 78 items received over 35 percent negative responses, a score that would indicate an area needing particular attention.
- Of the 58 items included in previous years' surveys, 46 (79 percent) received increased positive responses compared to the last time we asked.
- CFTC employees' positive responses exceeded the government-wide average for all but 15 (19 percent) of the 78 items.

- Statistically significant changes (by OPM standards, up or down at least five percent) occurred for 34 items, with 30 (88 percent) of those representing positive changes and only four representing negative changes compared to the most recent survey for the item.
- Overall satisfaction with our jobs, pay, and agency remains high at an average of nearly 77 percent positive, up nearly one percent from 2008.

These improvements result in part from the steps taken over the past year under the Action Plan of September 2009:

- Leadership and Knowledge Management Index: Completed program adjustments in the area of professional development and succession management.
- Results-Oriented Performance Culture Index: Completed initial pilot revision of on-boarding process to better support earliest possible acculturation and performance by new hires.
- Talent Management Index: Completed enhancements to online desktop training resources available to all employees, supporting technical and managerial skills.
- Job Satisfaction Index: Completed implementation of the first CFTC program of regular and recurring telework, resulting in an improvement from 16 percent to 61 percent in positive employee survey responses regarding this program since the last survey.

Based on the 2010 Employee Viewpoint Survey results, CFTC will continue agency efforts affecting all aspects of the work environment, but with special emphasis on these two major objectives:

- Meeting our high expectations for building and supporting a diverse workforce:

    - Action: Continue coordination across agency in targeted recruitment to meet diversity goals for new hires.
    - Metric: Meet CFTC Performance and Accountability Report (PAR) goal that new hires reflect diversity of the Nation's workforce.
    - Tracking: Continue inclusion of this metric in PAR reporting; improve positive responses to Employee Viewpoint Survey item 34.

- Support enhanced communication with employees on agency goals and results:

    - Action: Complete the scheduled mandatory supervisory training conferences scheduled for September and October 2010, to build managers' skills at setting and communicating goals and results.
    - Metric: Improve CFTC scores on Employee Viewpoint Survey items 56 through 59 regarding communication, so that they at least meet the government-wide average.
    - Tracking: Continue to highlight this issue in agency analysis of Employee Viewpoint Survey annual results posted on the CFTC Web site.

The CFTC Office of Human Resources has lead responsibility for this action plan, which it will share with its OPM Human Capital Officer and with our employees, starting with the CFTC Web site posting of the complete 2010 survey results that includes year-over-year trends and detailed analysis.

Wellness.

Per OPM's July 15, 2010, guidance on wellness submissions, the request to submit a wellness implementation plan, complete the WellCheck online tool, and respond to the questionnaire does not apply to our agency because we are not a CHCO designated agency. CFTC does, however, consider worksite wellness to be a vital piece of our worklife plan and promotes healthy lifestyles for our employees by providing access to health services, an Employee Assistance Program, onsite fitness facilities, healthy choices in the vending machines, and a telework program. In FY 2011, we will continue to evaluate our worksite wellness programs in order to develop initiatives to encourage health living among our employees.

APPENDIX 10

Table of Acronyms

AE Clearinghouse	The Actuarials Exchange, LLC
Agora-X	Agora-X, LLC
ALJ	Administrative Law Judge
AP	Associated Persons
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
COTS	Commitments of Traders
CPO	Commodity Pool Operator
CRA	CFTC Reauthorization Act of 2008
CTA	Commodity Trading Advisor
CTRMTCH	Countermatch
CX	Cantor Futures Exchange, LP
DCIO	Division of Clearing, Swap Dealer and Intermediary Oversight (CFTC)
DCM	Designated Contract Market
DCO	Derivatives Clearing Organization
DFOX	DFOX
Derivatives Bridge	Derivatives Bridge, LLC
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
DOJ	Department of Justice
EBOT	Exempt Boards of Trade
ECM	Exempt Commercial Markets
ELX	ELX Futures, L.P.
EnergyCross.com	EnergyCross.com
EOXLIVE	Energy Options Exchange, LLC
ERIS	ERIS Exchange, LLC
FB	Floor Broker
FBI	Federal Bureau of Investigation
FBOT	Foreign Boards of Trade
FCA	Farm Credit Administration
FCM	Futures Commission Merchant
FCRM	FCRM Electronics Markets, LLC
FERC	Federal Energy Regulatory Commission
FinCEN	U.S. Treasury's Financial Crimes Enforcement Network
FISMA	Federal Information Security Management Act
Flett	Flett Exchange
FSOC	Financial Stability Oversight Council

FSRIA	Farm Security and Rural Investment Act
FMHA	Farmers Home Administration
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
GPRA	Government Performance and Results Act
GREENEX	Green Exchange, LLC
GSA	General Services Administration
HSE	HoustonStreet Exchange, Inc.
HSPD	Homeland Security Presidential Directives
IB	Introducing Broker
ICAP	ICAP Commodity and Commodity Derivatives Trading System
ICAPture	ICAP Electronic Trading Community
ICAP Shipping	ICAP Shipping Trading System
ICAP Truequote	ICAP Truequote Multilateral Trading Facility
ICE	IntercontinentalExchange, Inc.
ICE Clear Europe	ICE Clear Europe Limited
ICE Clear US	ICE Clear US, formerly HedgeStreet, Inc.
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
IP	Internet Protocol
IRESE	IRESE, Inc.
ISDA	International Swaps and Derivatives Association
ISS	Integrated Surviellance System
IT	Information Technology
JO	Judgment Officer
KCBT	Kansas City Board of Trade Clearing Corporation
LCH	London Clearing House Clearnet Ltd
LIQPAR	Liquidity Partners, LP
LIQUIDITYPORT	LiquidityPort, LLC
Longitude	Longitude, LLC
M2	M2 Trading Partners, LLC
MATCHBOXX ATS	MATCHBOXX ATS
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.
NIST	National Institute of Standards and Technology
NODAL	Nodal Exchange, LLC
NQLX	NQLX LLC Futures Exchange
NTP	NetThruPut
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)
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
PII	Personally Identifiable Information
RER	Rule Enforcement Review
RFED	Retail Foreign Exchange Dealers
RWG	Registration Working Group
SDR	Swap Data Repository
SEC	Securities and Exchange Commission
SEF	Swap Execution Facility
SL	Spectron Live.com Limited
SRO	Self-Regulatory Organization
Storm	Storm Exchange, Inc.
SURFEX	SurfaceExchange
Swapstream	Swapstream Operating Services, Ltd.
TACE	The American Civics Exchange
TCX	TradeCapture Exchange
TFSWEATHER	TFSWeather.com
tpENERGYTRADE	tpENERGYTRADE
Trading Optx	Trading OptX, LLC
TRENDEX	The Trend Exchange, Inc.
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.