

# COMMODITY FUTURES TRADING COMMISSION



## SUMMARY OF PERFORMANCE AND FINANCIAL INFORMATION



FISCAL YEAR

2011



## COMMODITY FUTURES TRADING COMMISSION

Gary Gensler  
*Chairman*

Tony Thompson  
*Executive Director*

Mark Carney  
*Chief Financial Officer*

February 2012

This report is in the public domain. Authorization to reproduce it in whole or in part is granted. While permission to reprint this publication is not necessary, the citation should be: Commodity Futures Trading Commission, FY 2011 Summary of Performance and Financial Information, Washington, D.C., 20581.

All photographs in this document are proprietary and prior permission from the photographer is required for any use or reproduction of the photographs.

The Best Places to Work  
IN THE FEDERAL GOVERNMENT 2011



COMMODITY FUTURES TRADING COMMISSION  
SUMMARY OF PERFORMANCE  
AND FINANCIAL INFORMATION



F I S C A L Y E A R

2 0 1 1



*In the Tradition of Quality Reporting, the Commodity  
Futures Trading Commission Proudly Presents the  
FY 2011 Summary of Performance and Financial Information*



# TABLE OF CONTENTS

A Message from the Chairman . . . . .	3
FY 2011 Commissioners. . . . .	7
Commission at a Glance . . . . .	16
Performance Highlights . . . . .	33
A Message from the Chief Financial Officer . . . . .	43
Summary of Audit and Management Assurances . . . . .	44
Financial Highlights. . . . .	45

## FISCAL YEAR 2011 COMMISSIONERS



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



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

(Photo by Mark Wilson/Getty Images)



## A MESSAGE FROM THE CHAIRMAN

I am pleased to present the Agency Financial Report for Fiscal Year 2011. It chronicles a critical time in the history of the Commodity Futures Trading Commission (CFTC) as the agency works to implement the historic Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

Three years ago, the financial system failed, and the financial regulatory system failed as well. We are still feeling the aftershocks of these twin failures.

There are many lessons to be learned from the crisis. Foremost, when financial institutions fail, real people's lives are affected. More than eight million jobs were lost, and the unemployment rate remains stubbornly high. Millions of Americans lost their homes. Millions more live in homes that are worth less than their mortgages. And millions of Americans continue struggling each day to make ends meet.

Secondly, it is only with the backing of the public sector that many financial institutions survived the 2008 crisis. A perverse outcome of the crisis may be that people in the markets believe that a handful of large financial firms will – if in trouble – have the backing of taxpayers. But when challenges to firms arise, it is critical that taxpayers are not forced to pick up the bill – financial institutions should be free to fail.

Third, the financial system is very interconnected – both here at home and globally. When one financial institution

fails or comes under significant stress in the markets, other financial institutions and our economy also are put at risk.

Lastly, while the crisis had many causes, it is evident that swaps played a central role. Swaps added leverage to the financial system with more risk being backed by less capital. They contributed, particularly through credit default swaps, to the bubble in the housing market. They contributed to a system where large financial institutions were thought to be not only too big to fail, but too interconnected to fail. Swaps – developed to help manage and lower risk for end-users – also concentrated and heightened risk in the financial system and to the public.

## Dodd-Frank Reform

In 2010, Congress and the President came together to pass the Dodd-Frank Act. The law gave the Commodity Futures Trading Commission (CFTC) oversight of the \$300 trillion domestic swaps market, a market so big there are now more than \$22 of swaps for every dollar of goods and services produced in the U.S. economy. At such size and complexity, it is essential that these markets work for the benefit of the

American public; that they are transparent, open and competitive; and that they do not allow risk to spread through the economy.

The CFTC has substantially completed the proposal phase of the rule-writing process required by the Dodd-Frank Act. We held 20 public meetings and issued more than 50 proposed rules on the many important areas of reform called for by the new law, including transparency, clearing, market integrity and regulating swap dealers.

The CFTC has benefited from significant public input throughout this process. We have received more than 25,000 comment letters. CFTC staff and Commissioners have met more than 1,100 times with market participants and members of the public to discuss the rules, and have held more than 600 meetings with domestic and foreign regulators. We also have conducted 14 public roundtables on Dodd-Frank.

This summer, the agency turned the corner and began finalizing rules to make the swaps marketplace more open and transparent for participants and safer for taxpayers. To date, we have finished 18 rules, and we have a full schedule of public meetings into next year.



WASHINGTON - JULY 18: (2nd L-R) Chairman of the U.S. Commodity Futures Trading Commission Gary Gensler, Chairman of Federal Reserve Board Ben Bernanke, and U.S. Secretary of the Treasury Timothy Geithner chat at the end of the open session of the Financial Stability Oversight Council (FSOC) meeting July 18, 2011 at the Treasury Department in Washington, DC. The meeting was focused on the one-year anniversary of the Dodd-Frank Wall Street Reform and Consumer Protection Act. (Photo by Alex Wong/Getty Images)

## Promoting Transparency

The Dodd-Frank Act will bring needed transparency to the swaps markets. The more transparent a marketplace is, the more liquid it is, and the more competitive it is. When markets are open and transparent, price competition is facilitated, and costs are lowered for companies and their customers. Transparency shifts information from derivatives dealers to the public, which helps promote economic activity throughout the entire economy.

To promote transparency, we have completed rules that, for the first time, give regulators and the public specific information on the derivatives market's scale and risk. These rules will require large traders to give the CFTC data about their swaps activities and establish swap data repositories, which will gather information on all swaps transactions. By

contrast, in the fall of 2008, there was no required reporting about swaps trading.

Moving forward, we are working to finish rules relating to the specific data that will have to be reported to regulators. These reforms will provide a window into the risks posed by the system so regulators can effectively police the markets for fraud, manipulation, and other abuses. We are also looking to finalize real-time reporting rules, which will give the public critical information on transactions – similar to what has been working for decades in the securities and futures markets. In addition, we are working on final regulations for trading platforms, such as Designated Contract Markets, Swap Execution Facilities, and Foreign Boards of Trade – all of which will help make the swaps market more open and transparent.

## Lowering Risk Through Clearing

Another significant Dodd-Frank reform is lowering risk to the economy by mandating central clearing of standardized swaps. Centralized clearing protects banks and their customers from the risk of the bank failing. Clearinghouses reduce the interconnectedness between financial entities. They have lowered risk for the public in the futures markets since the late 19th century. Last month, we finalized a rule establishing risk management and other regulatory requirements for derivatives clearing organizations.

I am hoping to soon finish a rule that will enhance customer protections regarding where clearinghouses and futures commission merchants can invest their funds. The market events of the last three years have underscored the importance of maximizing protection of customer funds.

We also are looking to finalize rules on segregation for cleared swaps. Segregation of funds is the core foundation of customer protection.

In addition, after the first of the year, we hope to finish rules on client clearing documentation, straight-through processing, and the end-user exemption.



*Scott O'Malia and Jill Sommers, commissioners of the U.S. Commodity Futures Trading Commission, left, to right, and Gary Gensler, chairman of the U.S. Commodity Futures Trading Commission, listen to Don Heitman, special counsel of market oversight division with the CFTC, speak during a meeting at the CFTC in Washington, D.C., U.S., on Tuesday, Oct. 19, 2010. The top U.S. commodities regulator today approved a rule that will require traders to report over-the-counter swaps based on raw materials including oil and corn, a prelude to trading limits.*

*(Andrew Harrer/Bloomberg via Getty Images)*

## Market Integrity

To enhance market integrity, we finished a rule giving the Commission more authority to effectively prosecute wrongdoers who recklessly manipulate the markets. We also finalized a rule to reward whistleblowers for their help in catching fraud, manipulation, and other misconduct in the financial markets.

We recently completed speculative position limit rules that, for the first time, limit aggregate positions in the futures and economically equivalent swaps market.

To further support market integrity, we are looking to finalize guidance on disruptive trading practices as well as regulations for trading platforms.

## Regulating Dealers

It is also crucial that swap dealers are comprehensively regulated to protect their customers and lower risk to taxpayers. The CFTC is working closely with the Securities and Exchange



Commission and other regulators to finalize a rule further defining the term swap dealer. We are also looking to soon consider final external business conduct rules to establish and enforce robust sales practices in the swaps markets, as well as internal business conduct rules, which will lower the risk that dealers pose to the economy. In addition, the agency has been working closely with other regulators, both domestic and international, on capital and margin.

### Agency Reorganization

With an expanded mission due to the Dodd-Frank mandate, the CFTC's new responsibilities called for an agency restructuring, which was implemented on October 9, 2011.

The Commission created a new group for oversight of swap dealers and intermediaries. The Division of Swap Dealer and Intermediary Oversight will facilitate standing up the new regulatory regime for the swaps marketplace.

In addition, technology will play a critical role as the CFTC executes its expanded oversight and surveillance responsibilities. The Commission reorganized its technology programs by establishing a new group, the Office of Data and Technology, which reports to the Chairman's office. The office will focus the Commission's needs and functions, integrate existing analytical capabilities, and facilitate a comprehensive approach to developing advanced technology investments, automation of regulatory functions and improved analysis.

### Resources

As the CFTC finalizes these Dodd-Frank rules, the agency needs additional resources consistent with the CFTC's significantly expanded mission and scope. The swaps market is seven times the size of the futures market that we currently oversee. With seven times the population to police, greater resources are needed for the public's protection. Without sufficient funding for the agency, the nation cannot be

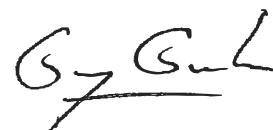
assured of effective enforcement of new swaps market oversight rules that will promote transparency, lower risk, and protect against another crisis.

With increased funding comes the need for heightened accountability to show results and manage costs. The CFTC places a strong emphasis on being an effective steward of its operating funds. I am pleased that for the seventh consecutive year, the Commission has received an unqualified opinion on its financial statements. For the fifth consecutive year, the auditors disclosed no material instances of noncompliance with laws and regulations. I can also report that the CFTC had no material internal control weaknesses and that the financial and performance data in this report are reliable and complete under Office of Management and Budget guidance.

### Conclusion

The current debt crisis in Europe is but a stark reminder of the financial market's interconnectedness. Furthermore, it is precisely during times of heightened market uncertainty that transparency is even more essential. While European leaders are working to avert a deepening crisis, it is critical that we implement the Dodd-Frank Act to protect the American public and strengthen our economy.

We must never forget the eight million lost jobs – the majority of which were lost by people who never used derivatives. We must never forget what the nation went through three years ago, and we continue to recover today. We must never forget the risks are still out there.

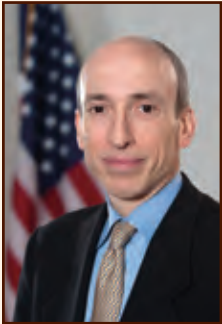


Gary Gensler

November 14, 2011

# FY 2011 COMMISSIONERS

## Gary Gensler, Chairman



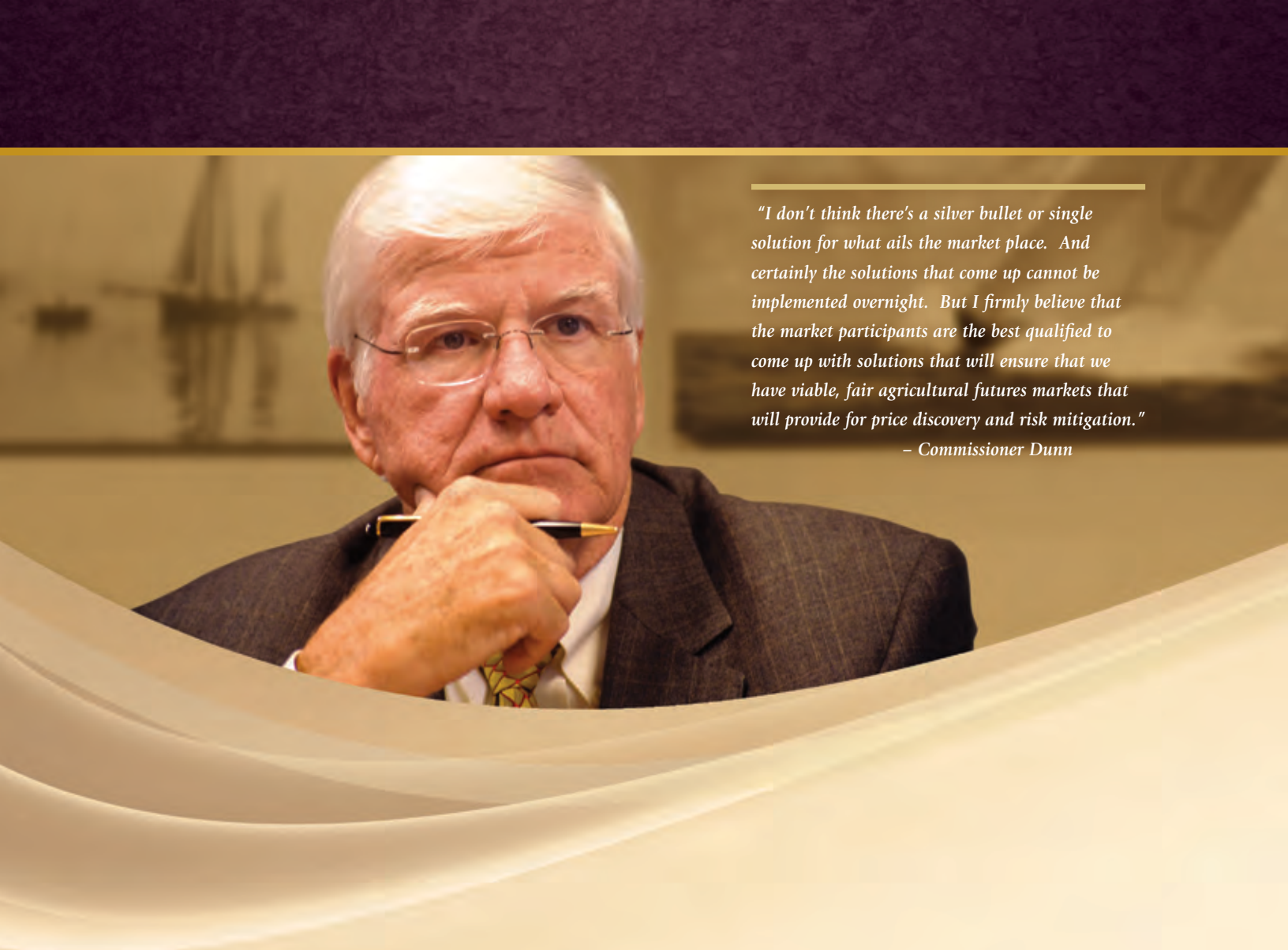
**G**ary Gensler was sworn in as the Chairman of the Commodity Futures Trading Commission on May 26, 2009. Chairman Gensler previously served at the U.S. Department of the Treasury as Under Secretary of Domestic Finance (1999-2001) and as Assistant Secretary of Financial Markets (1997-1999). He subsequently 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 Wharton School's graduate division in 1979. He lives with his three daughters outside of Baltimore, Maryland.



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

*– Commissioner Dunn*

## AGRICULTURAL ADVISORY COMMITTEE

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

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

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

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



**Michael V. Dunn, Commissioner**



**M**ichael 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 on 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. This marked the sixth time Mr. Dunn had been nominated by a President and confirmed by the Senate for public 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.

Prior to joining the CFTC, Mr. Dunn served as Director of the Office of Policy and Analysis at the Farm Credit Administration (FCA). Prior to this position, Mr. Dunn served 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 and Community Development, and as Administrator of the Farmers Home Administration (FmHA) at the 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 Agriculture Committee, specializing in agricultural credit. At the USDA, Mr. Dunn also served as a member of the Commodity Credit Corporation Board of Directors and President of the 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. Mr. Dunn and his wife Brook, have four sons and two grandsons.



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

*– Commissioner Sommers*

## GLOBAL MARKETS ADVISORY COMMITTEE

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

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

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

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

**Jill E. Sommers, Commissioner**



Jill E. Sommers was sworn in as a Commissioner of the Commodity Futures Trading Commission on August 8, 2007 to a term that expired April 13, 2009. On July 20, 2009 she was nominated 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, market 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.

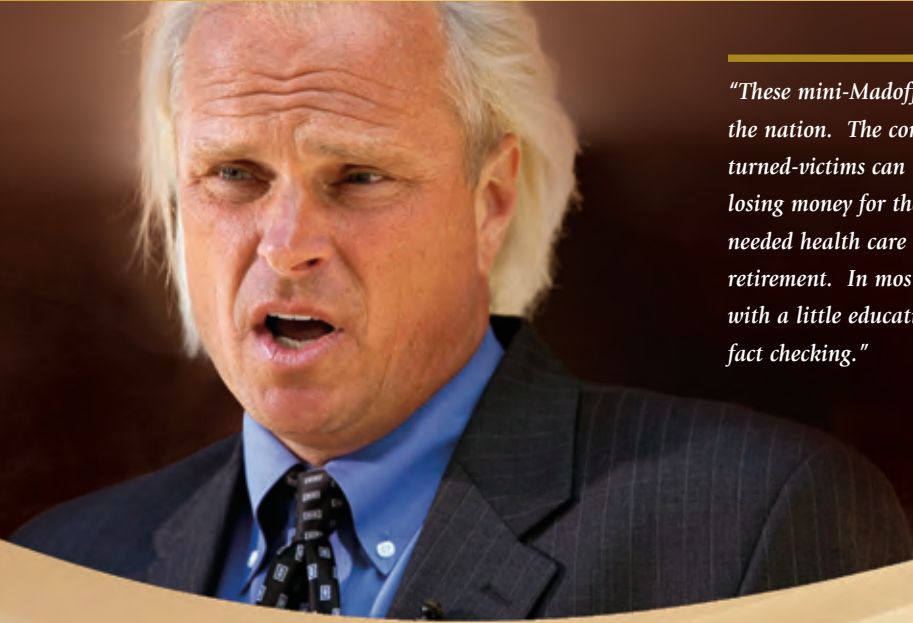
Commissioner Sommers has worked in the commodity futures and options industry in a variety of capacities throughout her career. In 2005 she was the Policy Director and Head of Government Affairs for the International

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 9, 8, and 7.





*“These mini-Madoff scams took place all across the nation. The consequences for the investors-turned-victims can be pretty horrific—people losing money for their kids’ college funds, for needed health care expenses, or for their own retirement. In most instances it is preventable with a little education and some due diligence fact checking.”*

*– Commissioner Chilton*

## CUSTOMER EDUCATION INITIATIVES – PONZIMONIUM

**New book by Commissioner Chilton:** *Ponzimonium—How Scam Artists are Ripping Off America*

Financial scam artists are ripping off Americans more and more according to recent government figures. “We thought all the frauds and Ponzi scams were horrific in the wake of the Madoff scandal, but it is even worse now,” says Commissioner Bart Chilton. While Federal, state and local law enforcement are going after the con artists more than ever before, there are basic precautions consumers should take before they part with their hard-earned money.

Commissioner Chilton lays it all out in a new book. In *Ponzimonium—How Scam Artists are Ripping Off America*, he tells the fascinating stories of ten such Ponzi scams that took place in 2009. “These are real cases, real fraudsters, with unfortunately, very real victims,” Mr. Chilton writes. The book also captures, in words and pictures, a behind-the-scenes look at the lifestyles of the schemers.

One con artist purchased a fleet of luxury vehicles in colors like lime green and “blue & cream,” including multiple Ferraris, Lamborghinis, Porsches, a Bentley, a Maserati, a Lincoln Limousine, and a metallic burnt orange Hummer golf cart. “This guy took hard-working peoples’ money and used it for a mansion, nearly 20 plasma televisions, sports and rock and roll memorabilia, and a contingent of body guards,” Mr. Chilton said. Another fraudster bought

a 269-acre ranch, a fleet of classic sports cars, two airplanes and massive diamonds for ladies he was wooing in New York, Toronto and St. Louis.

“These mini-Madoff scams took place all across the nation,” Mr. Chilton notes. “The consequences for the investors-turned-victims can be pretty horrific—people losing money for their kids’ college funds, for needed health care expenses, or for their own retirement.” “In most instances it is preventable with a little education and some due diligence fact checking.”

Designed and written as a consumer education tool, *Ponzimonium* includes a chapter containing the “Red Flags of Fraud” to help people avoid being scammed. The Red Flags are tips like checking to make sure a company is legitimately registered and other due diligence “to do” items before an investment is made. *Ponzimonium* also includes an “Investor Checklist” designed to help citizens ask the right questions prior to investing.

*Ponzimonium* is a CFTC publication available for sale by the Government Printing Office online at <http://bookstore.gpo.gov>. It may also be purchased online at <http://www.barnesandnoble.com> and <http://www.amazon.com>. Neither Mr. Chilton nor the CFTC, make any profit from the sale.

### Bart Chilton, Commissioner



**B**art Chilton was nominated by President Bush and confirmed by the U.S. Senate in 2007. In 2009, he was re-nominated by President Obama and reconfirmed by the Senate. He has served as the Chairman of the CFTC's Energy and Environmental Markets Advisory Committee (EEMAC). His career spans 25 years in government service—working on Capitol Hill in the House of Representatives, in the Senate, and serving in 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 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 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 U.S. Secretary of Agriculture Dan Glickman.

In this role, Mr. Chilton became a member of the Senior Executive Service (SES)—government executives selected for their leadership qualifications to serve in the key positions just below the most senior Presidential appointees. As an SES member, Mr. Chilton served as a liaison between Secretary Glickman and the Federal work force at USDA.

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

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

Mr. Chilton was born in Delaware and spent his youth in Indiana, where he attended Purdue University (1979—1982). He studied political science and communications and was a collegiate leader of several organizations. Mr. Chilton and his wife, Sherry Daggett Chilton, split their time between Washington, D. C. and Arkansas.





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

*– Commissioner O'Malia*

## TECHNOLOGY ADVISORY COMMITTEE

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

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

Under the direction of Commissioner O'Malia, the TAC convened for the first time in five years, and met on July 14, 2010 and October 12, 2010. In its first meeting, "Technological Trading in the Markets," the TAC discussed regulation of high frequency and algorithmic trading, including adoption of risk management and best practices standards. The TAC second meeting, "Technology: Achieving the Statutory Goals and Regulatory Objectives of the Dodd-Frank Act," included panels on disruptive trading practices and the Commission's new anti-manipulation rulemaking authority, discussion of the May 6th "Flash Crash," swap execution facility models, and characteristics of swap data repositories. Key topics examined by the TAC include pre- and post-trade transparency in light of computerized trading strategies, swap oversight and data collection, and the use of technology in surveillance and compliance activities to manage risk. The TAC continues to study these and other issues in order to ensure that the Commission remains able to adapt to technology-driven evolution in the markets.



### Scott O'Malia, Commissioner



Scott O'Malia was confirmed by the U.S. Senate on October 8, 2009, as Commissioner of the Commodity Futures Trading Commission, and was sworn in on October 16, 2009. He is currently serving a five-year term that expires in 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 (CFTC), he brings both his agricultural background and experience in energy markets, where he has 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-N.M.), as Senior Policy

Advisor on oil, coal and gas issues. From 1992 to 2001, he served as Senior Legislative Assistant to U.S. Sen. 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 is seeking the reestablishment of 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 his Bachelor's Degree from the University of Michigan. He and his wife, Marissa, currently live in Northern Virginia with their three daughters.



## COMMISSION AT A GLANCE

### Mission Statement

**T**O PROTECT MARKET USERS AND THE PUBLIC FROM FRAUD, MANIPULATION, ABUSIVE PRACTICES AND SYSTEMIC RISK RELATED TO FUTURES, OPTIONS AND SWAPS AND TO FOSTER OPEN, COMPETITIVE, AND FINANCIALLY SOUND MARKETS.

### **Evolving Mission and Responsibilities**

Congress established the CFTC as an independent agency in 1974, after its predecessor operated within the Department of Agriculture. Its mandate was renewed and/or expanded in 1978, 1982, 1986, 1992, 1995, 2000, 2008 and 2010. The CFTC and its predecessor agencies were established to protect market users and the public from fraud, manipulation and other abusive practices in the commodity futures and option markets. After the 2008 financial crises and the subsequent enactment of the Dodd-Frank Act, the CFTC's mission expanded to include oversight of the swaps marketplace.

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

regulatory structure to oversee the volatile futures trading complex.

On July 21, 2010, President Obama signed the Dodd-Frank Act. The Dodd-Frank Act amended the CEA to establish a comprehensive new regulatory framework for swaps, as well as enhanced authorities over historically regulated entities. Title VII of the Dodd-Frank Act, which relates to swaps, was enacted to reduce systemic risk, increase transparency, and promote market integrity within the financial system by, among other things:

- Providing for the registration and comprehensive regulation of swap dealers and major swap participants;
- Imposing clearing and trade execution requirements on standardized derivatives products;
- Creating robust recordkeeping and real-time reporting regimes; and

- Enhancing the Commission’s rulemaking and enforcement authorities with respect to, among others, all registered entities and intermediaries subject to the Commission’s oversight.

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 U.S. swaps and futures markets are estimated to have activity approximating \$300 trillion and \$40 trillion, respectively—that is more than \$22 of derivatives for every dollar of goods and services produced in the U.S. economy. That is why it is essential that the Commission ensure that these markets work for the benefit of the American public; that they are transparent, open and competitive; and that they do not allow risk to spread through the economy.

The Dodd-Frank Act gives the CFTC flexibility to set effective dates and a schedule for compliance with rules implementing Title VII of the Act, consistent with the overall deadlines in the Act. The order in which the Commission finalizes the rules does not determine the order of the rules’ effective dates or applicable compliance dates. Phasing the effective dates of the Dodd-Frank Act’s provisions will give market participants time to develop policies, procedures, systems and the infrastructure needed to comply with the new regulatory requirements.

The focused rule writing efforts required by the Dodd-Frank Act are not being treated as a “Strategic Goal”, but as a tactical goal that has an Objective, Strategy, and Performance Measure. The CFTC believes developing and implementing the Dodd-Frank Act rules is one of the most important and difficult efforts it has ever undertaken. The Dodd-Frank Act set a timeframe of 360 days (or less in a few instances) for completion of the rules, but the agency was unable to comply with this for several reasons:

- The Commission operated under a Continuing Resolution for most of FY 2011 and was unable to hire needed staff and apply its critical effort and skills to the completion of this effort;

- To ensure development and implementation of rules that are well balanced between risk mitigation and cost to the industry and public, significant and open interaction with Congress, industry, and the public was necessary and appropriate; and

- While some rules are fairly straight forward, many are intricate and raise interrelated and complex issues. Staff requires appropriate time to analyze, summarize, and consider all comments and aspects of a proposed rule, present and discuss the proposed rule, and considerations with the Commissioners, gain feedback and develop draft final rules for deliberation by the Commission.

The comment and consideration aspects of the rule-making process take an enormous amount of time and the Commission will continue to ensure all appropriate thought is given to rule development. At this point the CFTC anticipates completion of the vast majority of the rules within 24 months of enactment of the Dodd-Frank Act.

The Commission is committed to transparency in the rule-making process. As such, the Commission is posting a list of all of its meetings relating to the implementation of the Dodd-Frank Act, as well as the participants, issues discussed and all materials provided to the Commission, on its website at: <http://www.cftc.gov/LawRegulation/DoddFrankAct/ExternalMeetings/index.htm>.

In February 2011, the Commission published a new strategic plan, *CFTC FY 2011-2015 Strategic Plan*, integrating the expanded responsibilities under the Dodd-Frank Act with its existing mission and goals. The goals of the CFTC largely remain the same with the regulation of swaps being incorporated within the regulatory structure currently applied to the futures and option markets. The CFTC’s primary focus will be to write the rules to regulate the swaps markets, implement those rules, test and adjust those rules, and write new rules as necessary to bring effective regulation to all derivatives markets over the next five years.



## How the CFTC is Organized and Functions

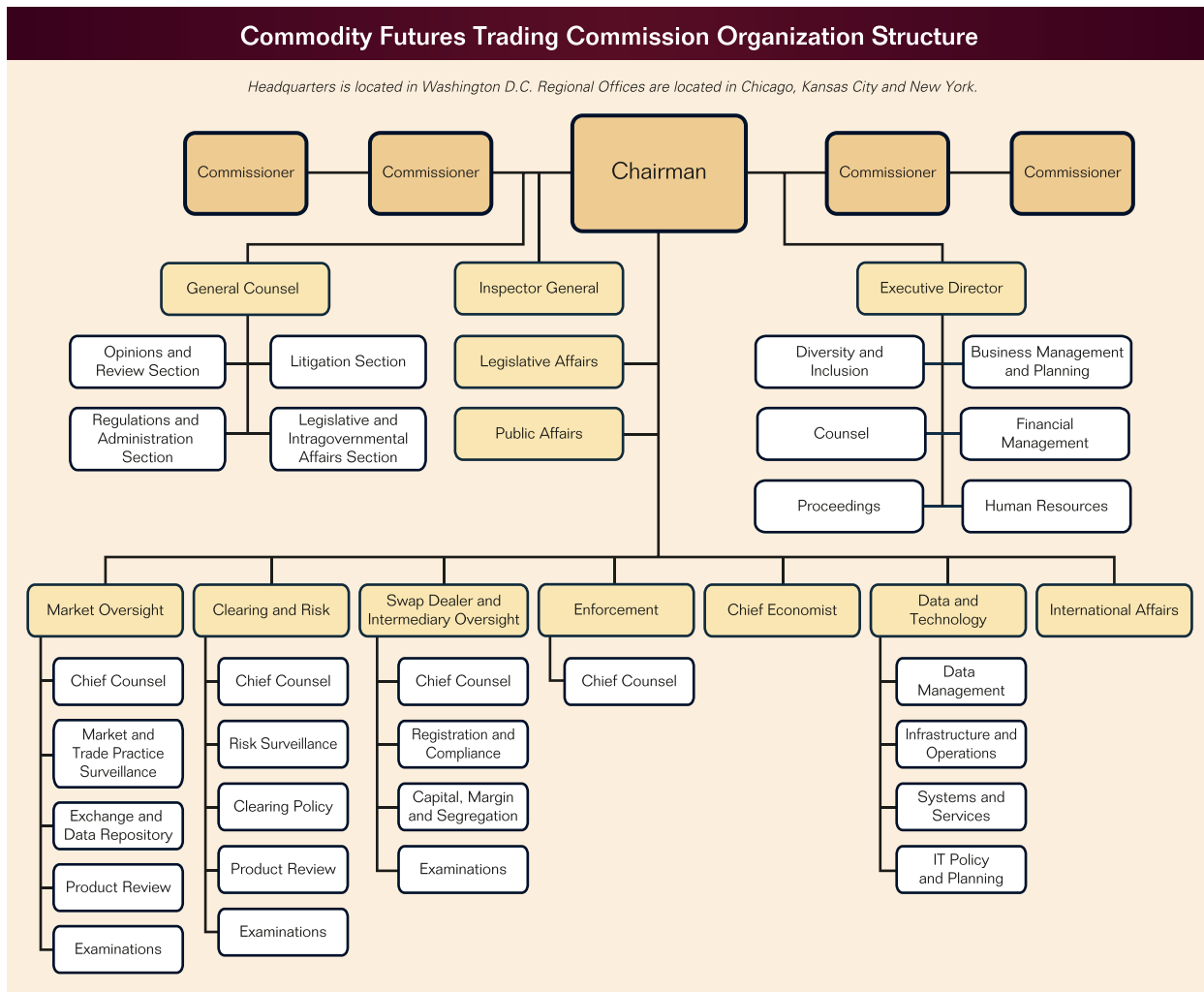
The Commission consists of five Commissioners. The President appoints and the Senate confirms the CFTC Commissioners to serve staggered five-year terms. No more than three sitting Commissioners may be from the same political party. With the advice and consent of the Senate, the President designates one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

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

The Commission is organized largely along programmatic and functional lines. The four programmatic divisions—the Division of Clearing and Risk (DCR), Division of

Enforcement (DOE), Division of Market Oversight (DMO), and the Division of Swap Dealer and Intermediary Oversight (DSIO)—are partnered with, and supported by, a number of offices, including the Office of the Chief Economist (OCE), Office of Data and Technology (ODT), Office of the Executive Direction (OED), Office of the General Counsel (OGC), and the Office of International Affairs (OIA). The Office of the Inspector General (OIG) is an independent office of the Commission.

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



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

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

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

The CFTC is headquartered in Washington, D.C., with regional offices in Chicago, Kansas City, and New York. The organization structure on the previous page was implemented October 9, 2011.

## CFTC Organizational Programs

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

### ■ The Commission

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

### ■ Division of Clearing and Risk

The DCR program oversees derivatives clearing organizations (DCOs) and other market participants that may pose risk to the clearing process including futures commission merchants, swap dealers, major swap participants and large traders, and the clearing of futures, options on futures, and swaps by DCOs. The DCR staff prepare proposed regulations, orders, guidelines, and other regulatory work products on issues pertaining to DCOs; review DCO applications and rule submissions and make recommendations to the Commission; make determinations and recommendations to the Commission to which types of swaps should be cleared; make determinations and recommendations to the Commission as to the initial eligibility or continuing qualification of a DCO to clear swaps; assess compliance by DCOs with the CEA and Commission regulations, including examining systemically important DCOs at least once a year; and conduct risk assessment and financial surveillance through the use of risk assessment tools, including automated systems to gather and analyze financial information, to identify, quantify, and monitor the risks posed by DCOs, clearing members, and market participants and its financial impact.

### ■ Division of Enforcement

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

### ■ Division of Market Oversight

The DMO program fosters markets that accurately reflect the forces of supply and demand for the underlying commodities and are free of disruptive activity. To achieve this goal, program staff oversees trade execution facilities, performs market and trade practice surveillance, reviews new exchange applications and examines existing exchanges to ensure their compliance with the applicable core principles. Other important work includes evaluating new products to ensure they are not susceptible to manipulation, and reviewing

exchange rules and actions to ensure compliance with the CEA and CFTC regulations.

■ **Division of Swap Dealer and Intermediary Oversight**

The DSIO program oversees the registration and compliance activities of intermediaries and the futures industry self-regulatory organizations (SROs), which include the U.S. derivatives exchanges and the National Futures Association (NFA). Program staff develops regulations concerning registration, fitness, financial adequacy, sales practices, protection of customer funds, cross-border transactions, and anti-money laundering programs, as well as policies for coordination with foreign market authorities and emergency procedures to address market-related events that impact intermediaries. With the passage of the Dodd-Frank Act, DSIO also will be responsible for the development of, or monitoring for compliance with, regulations addressing registration requirements, business conduct standards, capital adequacy, and margin requirements for swap dealers and major swap participants.

■ **Office of the Chief Economist**

The OCE provides economic support and advice to the Commission, conducts research on policy issues facing the Commission, and educates and trains Commission staff. The OCE plays an integral role in the implementation of new financial market regulations by providing economic expertise and cost-benefit considerations underlying those regulations.

■ **Office of Data and Technology**

The ODT is led by the Chief Information Officer. ODT delivers services to CFTC mission divisions and mission support offices through three components: Systems and Services, Data Management, and Infrastructure and Operations. In order to partner effectively with Commission divisions and offices, Systems and Services focuses on several areas: market and financial oversight and surveillance; enforcement and legal support; documents, records, and knowledge management; CFTC-wide enterprise services; and management and administration. In order to manage data as an enterprise asset and apply a data-centric approach to service delivery, Data Management focuses on data analysis activities

that support data acquisition, management, reuse, and transparency reporting and also provides data operations support. Infrastructure and Operations organizes delivery of services around network infrastructure and operations, telecommunications, and desktop and customer services. These three service delivery components are unified by an enterprise-wide approach that is driven by the Commission's strategic goals and objectives and incorporates information security, enterprise architecture, and project management.

■ **Office of the Executive Director**

The Commission's ability to achieve its mission of protecting the public, derivative market participants, U.S. economy and the U.S. position in global markets is driven by well-informed and reasoned executive direction, strong and focused management, and an efficiently-resourced, dedicated, and productive workforce. These attributes of an effective organization combine to lead and support the critical work of the Commission to provide sound regulatory oversight and enforcement programs for the U.S. public. The Executive Director ensures the Commission's continued success, continuity of operations, and adaptation to the ever-changing markets it is charged with regulating, directs the effective and efficient allocation of CFTC resources, develops and implements management and administrative policy, and ensures program performance is measured and tracked Commission-wide. The OED includes the following programs: Business Management and Planning, Counsel to the Executive Director, Diversity and Inclusion, Financial Management, Human Resources, Logistics and Operations, Privacy, Records, Proceedings (reparations), Secretariat and the Library.

■ **Office of the General Counsel**

The OGC provides legal services and support to the Commission and all of its programs. These services include: 1) engaging in defensive, appellate, and amicus curiae litigation; 2) assisting the Commission in the performance of its adjudicatory functions; 3) providing legal advice and support for Commission programs; 4) drafting and assisting other program areas in preparing Commission regulations; 5) interpreting the CEA; and 6) providing advice on legislative and regulatory issues.



## ■ Office of International Affairs

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

## ■ Office of the Inspector General

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

## Commodity Futures Industry

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

Over the years, however, the derivatives industry has become increasingly diversified. The agriculture sector continues to use the futures markets as actively as ever to effectively lock in prices for crops and livestock months before they enter the marketplace. However, highly complex financial contracts based on interest rates, foreign currencies, Treasury bonds, securities indexes and other products have

far outgrown agricultural contracts in trading volume. Latest statistics show that approximately nine percent of on-exchange commodity futures and option trading activity occurs in the agricultural sector. Financial commodity futures and option contracts<sup>1</sup> make up approximately 76 percent. Other contracts, such as those on metals and energy products, make up about 15 percent.

The increase in trading activity, the number of participants and complexity, and the number of contracts traded transformed the futures marketplace into a \$40 trillion industry in notional amount. The rapid evolution in trading technologies, cross-border activities, product innovation and competition have made the futures markets a significant part of the global economy.

In addition to the rapid growth of the futures marketplace, the global economy saw the development of an over-the-counter (OTC) derivatives market. The first swap transaction took place in 1981. The Office of the Comptroller of the Currency estimates that, as of the second quarter of 2011, swaps entered into by U.S. commercial banks have a notional amount of \$300 trillion. Parts of this market were responsible for the global financial crises when existing risk controls for the OTC market proved inadequate in the 2008 global financial meltdown.

## Dodd-Frank Reforms

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

---

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

## Regulation of Swap Dealers and Major Swap Participants

The Dodd-Frank Act provides for the registration and comprehensive regulation of swap dealers and major swap participants. The regulatory requirements are set forth in new Section 4s of the CEA.

- The Dodd-Frank Act generally prohibits any person from acting as a swap dealer or a major swap participant unless the person is registered with the Commission. A primary purpose of registration is to screen an applicant's fitness to engage as a swap dealer or major swap participant. The applicant for registrant would initiate the registration process by submitting appropriate forms by means of the NFA's online registration system. The NFA would conduct a background check to assess whether the applicant's principals were unfit for registration or subject to a statutory disqualification from registration.
- The Dodd-Frank Act directs the Commission to adopt regulations governing the business conduct standards for swap dealers and major swap participants. Such regulations would require swap dealers and major swap participants to conform with regulations relating to timely and accurate confirmation, processing, netting, documentation, and valuation of all swaps. Swap dealers and major swap participants also would be required to: monitor their trading in swaps to prevent violations of applicable position limits; establish robust and professional risk management systems; designate a chief compliance officer; and implement conflict of interest systems and procedures.
- The Commission also is required to adopt regulations that would require swap dealers and major swap participants to: 1) verify the eligibility of their counterparties; 2) disclose to their counterparties material information about swaps, including material risks, characteristics, incentives and conflicts of interests; and 3) provide counterparties with information concerning the daily mark for swaps. Swap dealers and major swap participants also would be subject to a duty to communicate in a fair and balanced manner based on principles of fair dealing and good faith.

- The Dodd-Frank Act also directs the Commission to adopt regulations imposing capital and margin requirements for all registered swap dealers and major swap participants that are not banks, including non-bank subsidiaries of bank holding companies regulated by the Federal Reserve Board. The Commission is further directed to adopt regulations imposing financial reporting requirements on all swap dealers and major swap participants.

## Mandatory Clearing of Standardized Swaps through CFTC registered Derivatives Clearing Organizations

The Dodd-Frank Act requires that standardized swaps be cleared through CFTC-registered DCOs. Clearing has lowered risk in the futures marketplace since the 1890s, and DCOs play an important role in mitigating risk in the markets that the CFTC regulates.

- The Commission on an ongoing basis is required to review each swap, or any group, category, type or class of swaps (collectively, "swaps") to make a determination as to whether the swaps should be required to be cleared, *i.e.*, mandatory clearing, as well as to make a determination as to the eligibility or continuing qualification of a DCO to clear a swap. DCOs that clear swaps must submit the contracts to the CFTC, which must then make a decision as to whether the swaps are subject to the Dodd-Frank Act's clearing requirement. The CFTC has 90 days after the submission, including a 30-day comment period, to make such determinations. Though the CFTC does not yet know the total number of contracts that will be submitted for clearing, and the Commission may be able to group many by class, the largest swaps clearinghouse clears nearly one million unique contracts at any point in time.
- The CEA requires that an entity that seeks to provide clearing services with respect to futures contracts, options on futures contracts, or swaps must first obtain registration as a DCO. A DCO's registration is predicated on its demonstration of compliance with the CEA and Commission regulations pertaining to core principles augmented by the Dodd-Frank Act. The Commission likely will see an increase in the number of DCOs seeking registration, including entities that

are located outside the United States. In addition, 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 concerning payment, clearing and settlement supervision, and the Commission will be required to examine systemically important DCOs at least yearly. DCOs play a vital role in the proper functioning of the financial markets and are increasingly important given the mandated central clearing of standardized swaps.

- The additional clearinghouses that will register as DCOs and those DCOs which are designated as systemically important likely will clear many more products that will require Commission review and determinations concerning mandatory clearing. The risk profile of these cleared products will be more complex than traditional futures and options on futures. At the same time, it will require an increase in the Commission's financial and risk oversight of entities that pose a risk to the clearing process. Existing financial and risk surveillance tools and systems will have to be enhanced and modified to identify, monitor and assess the risks posed by DCOs, clearing members, and market participants to enable the Commission to continue to effectively discharge its statutory duty to reduce systemic risk.

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

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

- The Commission currently oversees 16 designated contract markets (DCMs). Based on industry comments, there could be at least 30-40 entities that will apply to become SEFs. This estimate is based on the number of 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 listed only futures will start listing swaps.

- Each SEF must comply with a total of 15 core principles, as adopted by the Dodd-Frank Act, as a condition of obtaining and maintaining registration as a SEF. The SEF also must be in compliance with all implementing regulations and other applicable provisions of the CEA. This will require thorough evaluation by staff before making registration determinations. Registered SEFs will be subject to CFTC examinations for ongoing compliance.

### **Position Limits**

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

### **Swap Data Repositories and Real Time Reporting of Swaps Data**

The Dodd-Frank Act establishes a new registration category for swap data repositories (SDRs). The Dodd-Frank Act requires registrants—including swap dealers, major swap participants, SEF and DCMs—to have robust record-keeping and reporting, including an audit trail, for swaps. Under the Dodd-Frank Act, to register and maintain registration with the Commission, SDRs are required to comply with specific duties and three core principles as well as other requirements that the Commission may prescribe by rule. The CFTC recently adopted rules in this area, effective October 31, 2011, to require SDRs to perform their core function of collecting and maintaining swaps data and making it directly and electronically available to regulators. Initial estimates are that the Commission will receive at least two or three SDR applications upon the general effective date of the rules and some international SDRs intend to register as well. That number could grow significantly to the extent that any DCMs, SEFs or DCOs seek to establish in-house SDRs to facilitate their swap business. In addition, the Commission, as required by the Dodd-Frank Act, anticipates issuing rules that will provide for the real time dissemination of price and other information about swaps trading to promote transparency.



## CFTC Surveillance in an Evolving Industry

Surveillance has become dependent on the ability to review large volumes of data and the development of sophisticated analytics to identify trends and/or outlying events that warrant further investigation. To the extent possible, the CFTC is seeking to leverage applications and analytics across the organization through the use of industry standardized data sets. It is anticipated that through the collection of standardized data sets, the Commission will have the unique and essential ability to aggregate data received by all market participants, allowing a more encompassing view of futures, options and swaps transactions. This aggregated data will allow the Commission to conduct market-level surveillance and perform financial risk analyses of market participants. This capability is particularly important with the expansion of the Commission's mandate in the disaggregated swaps markets, as market participants may have swaps data residing in multiple SDRs, multiple DCMs, and multiple SEFs. The Commission's ability to view aggregated data across this industry landscape is essential.

## Regulating Foreign Boards of Trade

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

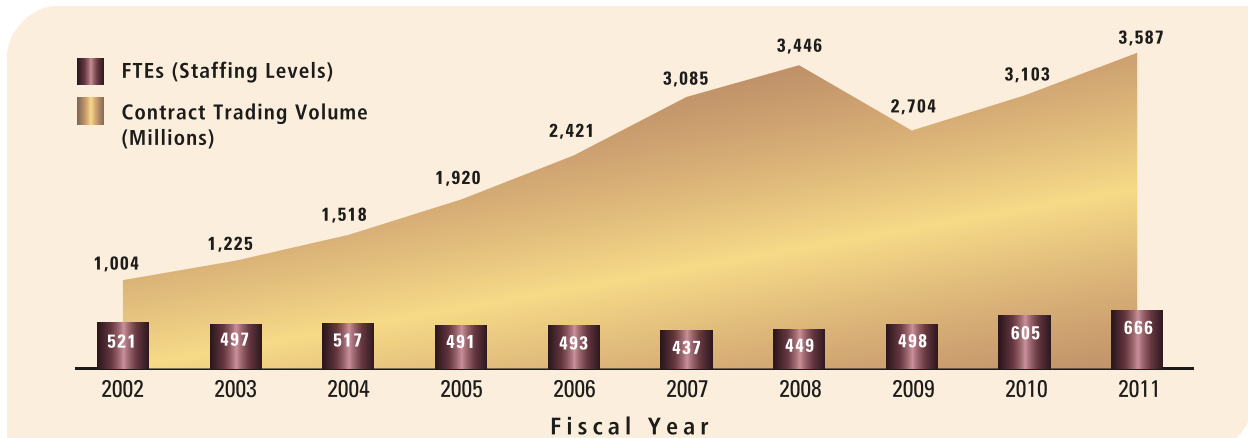
## CFTC and Industry Trends

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

- Industry growth versus staff growth;
- Estimated Annual Swap Volume;
- Growth in actively traded futures and option contracts;
- Notional value of futures/option open contracts;
- Notional value of exchange-traded and OTC contracts;
- Amount of customer funds held at futures commission merchants;
- Aggregate sum of house origin margin on deposit;
- Number of registrants;
- Contract markets designated by the CFTC;
- Number of derivatives clearing organizations registered with the CFTC;
- Exempt commercial markets; and
- Exempt boards of trade.

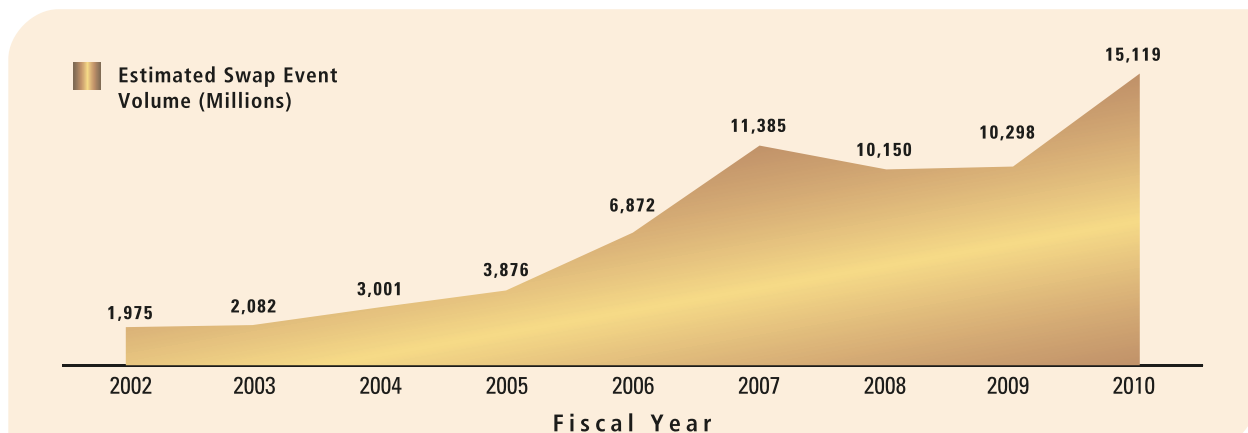
## Growth in Volume of Futures & Option Contracts Traded versus CFTC Full-Time Equivalents

This budget assumes continued growth at the rate seen from 2009-2011. Increased activity of high-frequency traders contributed to the increase in volume with commensurate required increase in technology and staff resources for surveillance.



## Estimated Annual Swap Event Volume

Events<sup>2</sup> include new trades, innovations and terminations, but exclude intro-company trades and tear-ups. Products include: interest rate derivatives, credit derivatives, equity derivatives, currency options and commodity derivatives.<sup>3</sup>

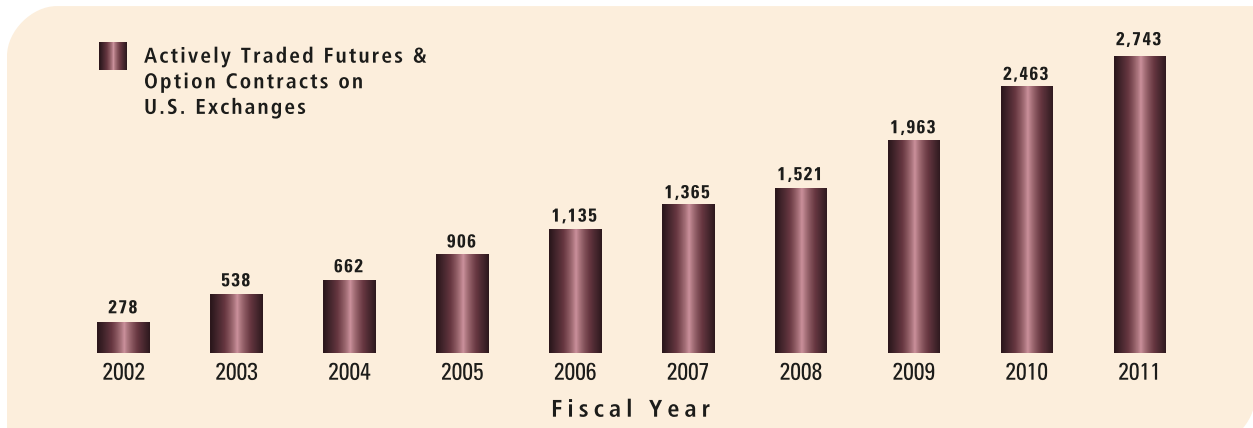


<sup>2</sup> Swap event volume data for FY 2011 will be available in April 2012.

<sup>3</sup> Reported participant monthly average multiplied by 12 months per year, multiplied by the number of participants in the relevant survey year, and divided by two to account for potential double counting for swap transactions between survey participants.

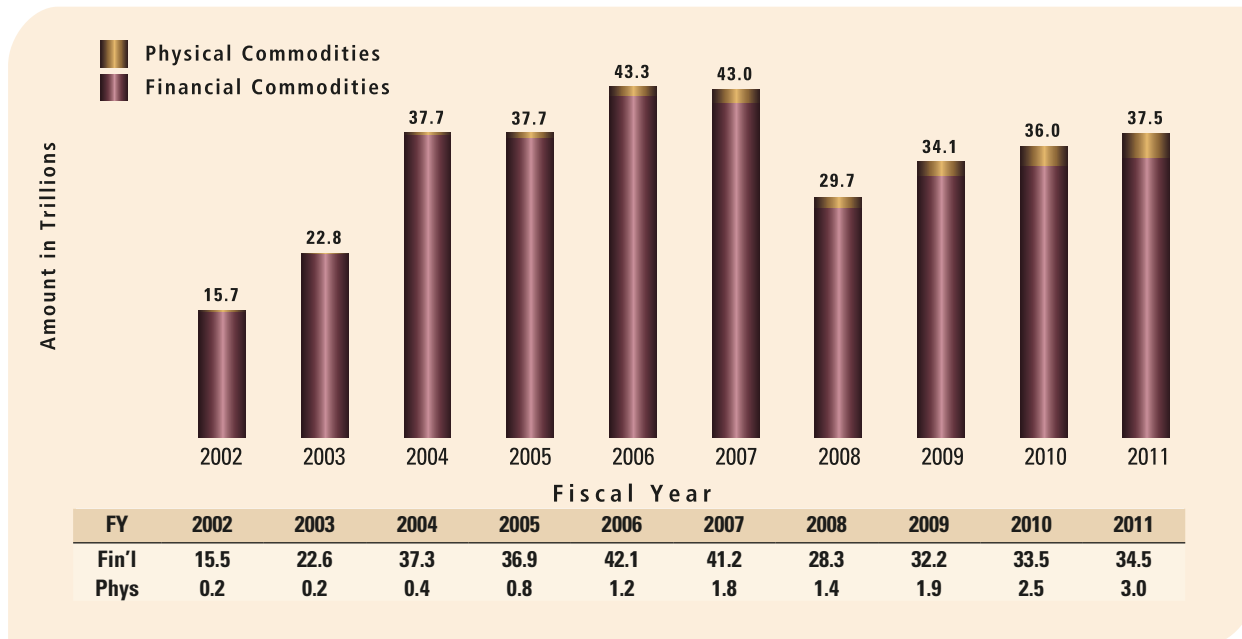
## Actively Traded Futures & Option Contracts

The number of actively traded contracts on U.S. exchanges has increased almost ten-fold in the last decade.



## Notional Value of Futures/Option Open Contracts

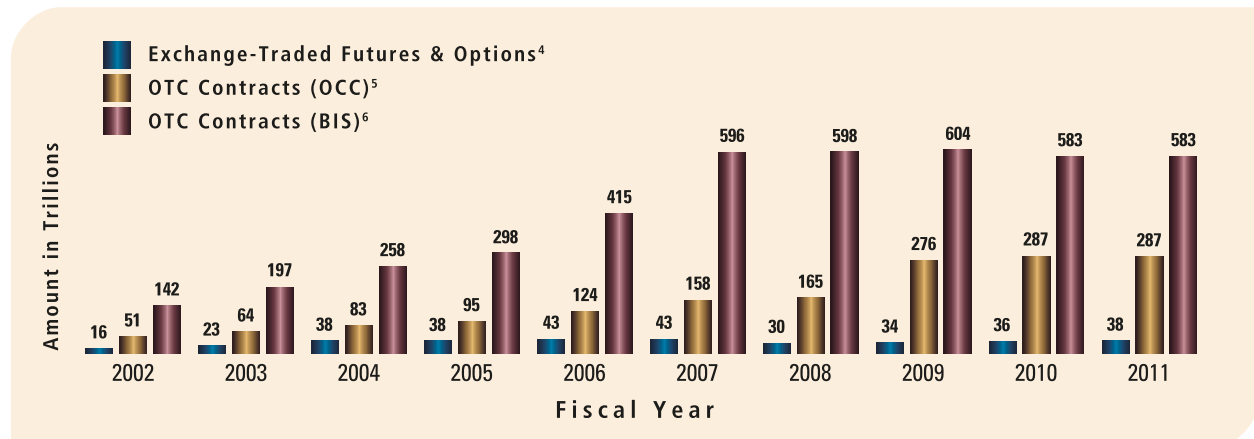
To date physical commodities has experienced price increases that would justify a higher percentage increase in notional value than for financial commodities.





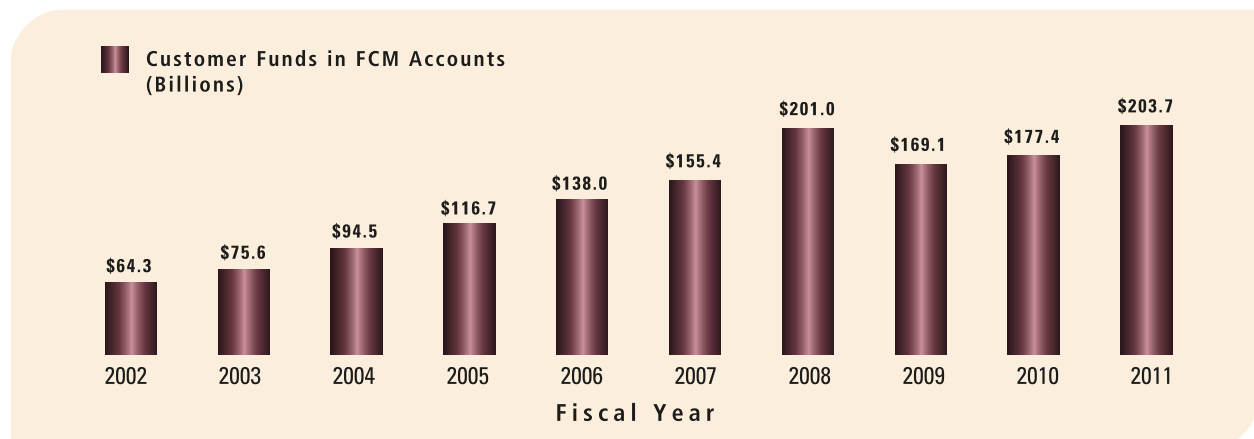
## Notional Value of Exchange-Traded and Over the Counter (OTC) Contracts

Currently, the Commission receives swap data on special price discovery contracts (SPDC) under provisions of the Food, Conservation and Energy Act of 2008 (Farm Bill). The estimated annual volume for SPDC in 2011 is about 244 million contracts with an estimated notional value of \$147 billion on May 2, 2011. The contracts declared SPDCs are a fraction of the commodity swaps market which had an outstanding notional value of \$2.9 trillion at the end of first half of 2010 according to the Bank for International Settlements (BIS). Furthermore, the commodity swaps market is the smallest sector of the overall swaps market comprising only 0.4 percent of the \$583 trillion total notional value.



## Amount of Customer Funds in Futures Commission Merchant Accounts

The amount of customer funds held at futures commission merchants (FCMs) has increased 342 percent since FY 2001, and the \$203 billion held by FCMs at September 2011 exceeds the pre-market disruption levels of approximately \$201 billion at September 2008.



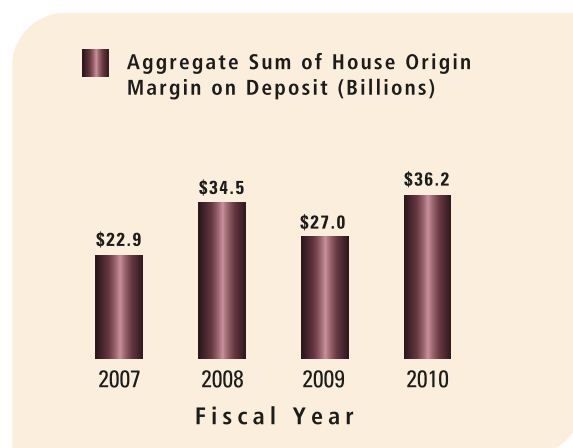
<sup>4</sup> Exchange-Traded Futures/Options are those traded on CFTC Designated Contract Markets.

<sup>5</sup> Office of the Comptroller of the Currency (OCC) data is for the top 25 bank holding companies with the most derivative contracts and "OTC" includes: Forwards, Swaps, Options, and Credit Derivatives.

<sup>6</sup> Bank for International Settlements (BIS) OTC data includes "Foreign Exchange", "Interest Rates", "Equity-linked", "Commodity", "Credit Default Swaps", and "Unallocated" contracts.

## Aggregate Sum of House Origin Margin on Deposit

Origin Margin (also referred to as Original or Initial Margin) is the initial deposit of margin money each clearing member firm is required to make according to clearing organization rules based upon positions carried, determined separately for customer and proprietary positions.<sup>7</sup>



## Number of Registrants

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

The Commission regulates the activities of 65,370 registrants.

Registration Category <sup>8,9</sup>	Number as of September 30, 2011
Associated Persons (APs) (Salespersons)	52,369
Commodity Pool Operators (CPOs)	1,183
Commodity Trading Advisors (CTAs)	2,530
Floor Brokers (FBs)	6,316
Floor Traders (FTs)	1,286
Futures Commission Merchants (FCMs)	137
Retail Foreign Exchange Dealers (RFEDs)	14
Introducing Brokers (IBs)	1,535
Swap Dealers (SDs) <sup>10</sup>	0
Major Swap Participants (MSPs) <sup>11</sup>	0
<b>TOTAL</b>	<b>65,370</b>

<sup>7</sup> Source: Margin on Deposit amounts obtained at month-end from DCOs.

<sup>8</sup> A person who is registered in more than one registration category is counted in each category.

<sup>9</sup> Source: NFA's Monthly Membership and Registration Report to CFTC as of September 30, 2011.

<sup>10</sup> New registration category proposed by the Commission for certain entities engaged in swap transactions at 75 Fed. Reg. 71379 (November 23, 2010).

<sup>11</sup> New registration category proposed by the Commission for certain entities engaged in swap transactions at 75 Fed. Reg. 71379 (November 23, 2010).

## Contract Markets Designated by the CFTC

The following DCMs are boards of trade or exchanges that meet the criteria and core principles for trading futures or options by both institutional and retail participants. Currently, 16 DCM participants meet criteria and core principles for trading futures, options and swaps.

Designated Contract Markets	Abbreviation	2006	2007	2008	2009	2010	2011
Cantor Futures Exchange, L.P.	CX					●	●
Board of Trade of the City of Chicago	CBOT	●	●	●	●	●	●
Chicago Climate Futures Exchange, LLC	CCFE	●	●	●	●	●	●
CBOE Futures Exchange, Inc.	CFE	●	●	●	●	●	●
Chicago Mercantile Exchange, L.P.	CME	●	●	●	●	●	●
ELX Futures, L.P.	ELX				●	●	●
Green Exchange, LLC	GREENEX					●	●
ICE Futures US, Inc. <sup>12</sup>	ICE US	●	●	●	●	●	●
Kansas City Board of Trade	KCBT	●	●	●	●	●	●
Minneapolis Grain Exchange, Inc.	MGE	●	●	●	●	●	●
North American Derivatives Exchange, Inc. <sup>13</sup>	NADEX	●	●	●	●	●	●
NASDAQ OMX Futures Exchange, Inc. <sup>14</sup>	NFX/PBOT	●	●	●	●	●	●
New York Mercantile Exchange, Inc. / Commodity Exchange, Inc.	NYMEX (Incl. COMEX Inc.)	●	●	●	●	●	●
NYSE Liffe US, LLC	NYSE LIFFE			●	●	●	●
OneChicago LLC Futures Exchange	OCX	●	●	●	●	●	●
The Trend Exchange	TRENDEX					●	●
US Futures Exchange, LLC	USFE	●	●	●	●		
<b>TOTAL</b>		<b>12</b>	<b>12</b>	<b>13</b>	<b>14</b>	<b>16</b>	<b>16</b>

## Number of Derivatives Clearing Organizations Registered with the CFTC

A clearinghouse that seeks to provide clearing services with respect to futures contracts, options on futures contracts, or swaps must register with the CFTC as a DCO. In FY 2011, 17 DCOs were registered with the CFTC.

Derivatives Clearing Organizations	Abbreviation	2006	2007	2008	2009	2010	2011
The Actuarials Exchange, LLC	AE Clearing-house	●	●				
Cantor Clearinghouse L.P.	Cantor Clearinghouse					●	●
Chicago Board of Trade	CBOT	●	●	●	●	●	●
Clearing Corporation	CCorp	●	●	●	●	●	●

(continued on next page)

<sup>12</sup> Formerly, New York Board of Trade.

<sup>13</sup> Formerly, HedgeStreet Inc.

<sup>14</sup> Formerly, Philadelphia Board of Trade.



<b>Derivatives Clearing Organizations</b> <i>(cont.)</i>	<b>Abbreviation</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Chicago Mercantile Exchange Clearing House	CME Clearing House	●	●	●	●	●	●
Chicago Mercantile Exchange Europe Limited	CME Clearing Europe						●
ICE Clear Credit	ICE Clear Credit						●
ICE Clear Europe Ltd	ICE Clear Europe					●	●
ICE Clear US, Inc. <sup>15</sup>	ICE Clear US	●	●	●	●	●	●
International Derivatives Clearinghouse, LLC	IDC				●	●	●
Kansas City Board of Trade Clearing Corp	KCBT	●	●	●	●	●	●
London Clearing House Clearnet Ltd	LCH.Clearnet	●	●	●	●	●	●
Minneapolis Grain Exchange Clearing House	MGE Clearing House	●	●	●	●	●	●
Natural Gas Exchange Inc.	NGX				●	●	●
New York Portfolio Clearing, LLC	NYPC						●
North American Derivatives Exchange, Inc. <sup>16</sup>	NADEX	●	●	●	●	●	●
NYMEX Clearing House	NYMEX	●	●	●	●	●	●
Options Clearing Corporation	OCC	●	●	●	●	●	●
<b>TOTAL</b>		<b>11</b>	<b>11</b>	<b>10</b>	<b>12</b>	<b>14</b>	<b>17</b>

## Exempt Commercial Markets

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 37 ECMs have filed notices with the Commission. In FY 2011, 21 ECMs were in business for at least part of the year; one, however, withdrew its ECM notification during the fiscal year.

<b>Exempt Commercial Markets</b>	<b>Abbreviation</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Agora-X, LLC	Agora-X				●	●	
Chicago Climate Exchange, Inc.	CCX	●	●	●	●	●	●
Commodities Derivative Exchange, Inc.	CDXchange	●					
ChemConnect, Inc.	ChemConnect	●	●				
CME ECM Inc.	CME ECM						●
DFOX	DFOX				●		
EnergyCross.com	EnergyCross.com				●	●	●

*(continued on next page)*

<sup>15</sup> Formerly, HedgeStreet, Inc.

<sup>16</sup> Formerly, New York Clearing Cooperation.

<b>Exempt Commercial Markets (cont.)</b>	<b>Abbreviation</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
EOX Holdings, LLC	EOXLIVE			●	●	●	●
Evolution Markets	Evolution Markets					●	
FCRM Electronic Markets LLC	FCRM				●	●	●
Flett Exchange	Flett		●	●	●		
GFI Group Inc., EnergyMatch	GFI		●	●	●	●	●
Houston Mercantile Exchange	HMX						●
Houston Street Exchange, Inc.	HSE	●	●	●	●	●	●
ICAP Commodity and Commodity Derivatives Trading System	ICAP	●	●	●	●	●	●
ICAP Electronic Trading Community	ICAPture	●	●	●	●	●	●
ICAP Shipping Trading System	ICAP Shipping	●	●	●	●	●	●
ICAP Truequote Multilateral Trading Facility	ICAP Truequote					●	●
IntercontinentalExchange, Inc.	ICE	●	●	●	●	●	●
International Maritime Exchange	IMAREX	●	●	●	●	●	
Liquidity Partners, LP	Liquidity Partners					●	●
LiquidityPort, LLC	LiquidityPort		●	●	●	●	
Natural Gas Exchange, Inc.	NGX	●	●	●	●	●	●
Nodal Exchange, LLC	Nodal		●	●	●	●	●
NetThruPut	NTP	●	●	●	●		
OILX (TFSOIL)	OILX				●	●	●
Optionable, Inc.	OPEX	●	●	●	●		
Parity Energy, Inc.	Parity			●	●	●	●
Spectron Live.com Limited	SL	●	●				
The TradeCapture Exchange (TFSE)	TCX	●	●	●	●		
TFSWeather.com	TFSWeather	●	●	●	●	●	●
tpENERGYTRADE	tpENERGYTRADE				●		
TraditionCoal.Com	TraditionCoal.com			●	●	●	●
Trading OptX LLC	Trading Optx				●	●	
TradeSpark, LP	TS	●					
WorldPulp.com	WORLDPULP	●	●	●	●	●	●
<b>TOTAL</b>		<b>17</b>	<b>19</b>	<b>20</b>	<b>27</b>	<b>24</b>	<b>21</b>

## Exempt Boards of Trade

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, 29 EBOTs filed notices with the Commission. In FY 2011, 21 EBOTs were in business during the fiscal year.

Exempt Boards of Trade	Abbreviation	2006	2007	2008	2009	2010	2011
The Actuarials Exchange, LLC	AE	●	●	●	●		
CME Alternative Marketplace, Inc.	CME AM	●	●	●	●	●	●
Concredex LLC	Concredex						●
Countermatch	CTRMATCH					●	● <sup>17</sup>
Currenex, Inc.	Currenex						●
Derivatives Bridge, LLC	Derivatives Bridge			●	●	●	●
ERIS Exchange, LLC	ERIS					●	●
FENICS	FENICS					●	●
FX Alliance	FXAll						●
FX Connect	FX Connect						●
GFI Group, Inc. - ForexMatch	GFI ForexMatch		●	●	●	●	●
Intrade Board of Trade	Intrade	●	●	●	●	●	●
IRESE, Inc.	IRESE			●	●	●	●
LiquidityPort, LLC	LiquidityPort		●	●			
Longitude, LLC	Longitude		●	●	●	●	●
M2 Trading Partners, LLC	M2					●	●
MarketAxess Corporation	MarketAxess						●
MATCHBOX ATTS	MATCHBOX ATTS	●					
ODEX Group, Inc.	ODEX						●
Storm Exchange, Inc.	Storm	●	●	●	●	● <sup>18</sup>	
SurfaceExchange	SURFEX					●	●
Swapstream Operating Services, Ltd.	Swapstream	●	●	●	●	●	●
Tera (Spring Trading)	Tera						●
The American Civics Exchange	TACE				●	●	●
trueBOT Inc.	trueBOT						●
Weather Board of Trade, LLC	WBOT	●	●				
WeatherXchange Limited	WXL	●	●				
YellowJacket Software, Inc.	Yellow Jacket			●			
<b>TOTAL</b>		<b>8</b>	<b>10</b>	<b>11</b>	<b>10</b>	<b>14</b>	<b>21</b>

<sup>17</sup> This EBOT withdrew its EBOT notification during FY 2011.

<sup>18</sup> This EBOT withdrew its EBOT notification during FY 2010.



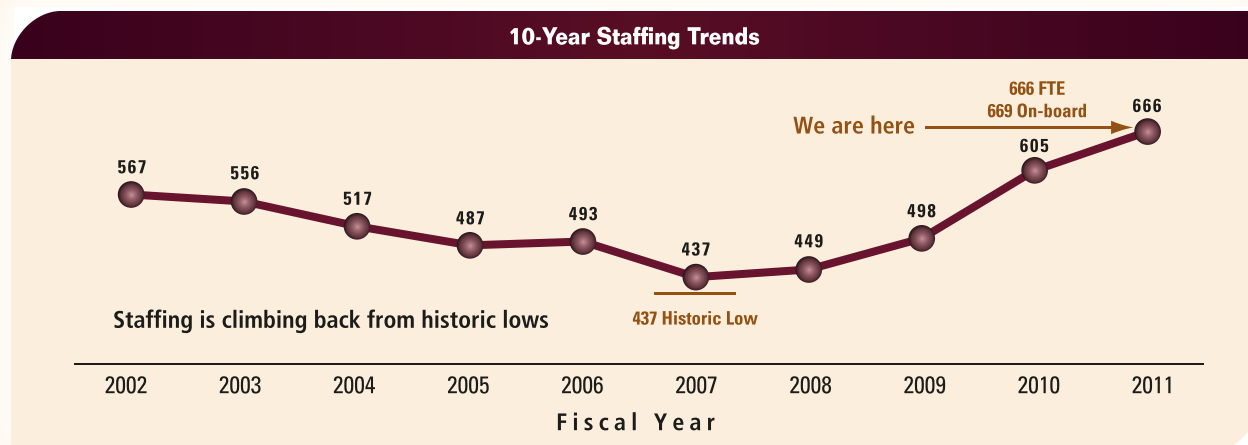


# PERFORMANCE HIGHLIGHTS BY STRATEGIC GOAL

## Resources at a Glance

Fiscal Year	Outcomes
2011	\$193 Million Actual Obligations Increased Staff by 61
2010	\$168 Million Actual Obligations Increased Staff by 107
2009	\$146 Million Actual Obligations Increased Staff by 49
2008	\$111 Million Actual Obligations Increased Staff by 12
2007	\$98 Million Actual Obligations Decreased Staff by 56

## CFTC Staffing



## Strategic Plan Overview

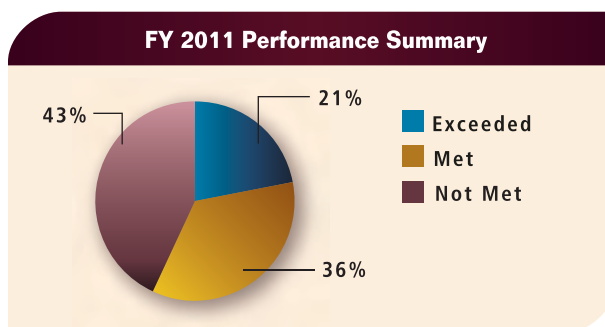
The FY 2011 - 2015 Strategic Plan, released in February, 2011, incorporated enactment of the Dodd-Frank Act. Congress gave this swaps oversight responsibility to the CFTC because of its strengths in regulating the futures and options markets. While the swaps marketplace has only been around since the 1980s, the futures marketplace has existed since the 1860s has been regulated by the CFTC and its predecessor agencies since the 1920s.

The goals of the CFTC largely remain consistent with prior years with the regulation of swaps being incorporated within the current regulatory structure applied to the futures and options markets.

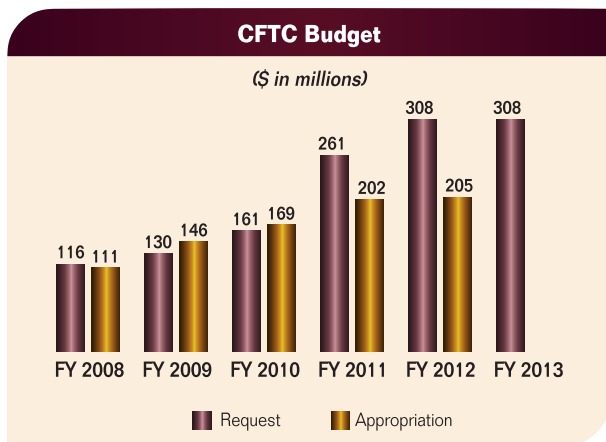
FY 2011 – 2015 Strategic Goals	
<b>Goal 1</b>	Protect the public and market participants by ensuring market integrity, promoting transparency, competition and fairness and lowering risk in the system.
<b>Goal 2</b>	Protect the public and market participants by ensuring the financial integrity of derivatives transactions, mitigation of systemic risk, and the fitness and soundness of intermediaries and other registrants.
<b>Goal 3</b>	Protect the public and market participants through a robust enforcement program.
<b>Goal 4</b>	Enhance integrity of U.S. markets by engaging in cross-border cooperation, promoting strong international regulatory standards, and encouraging ongoing convergence of laws and regulation worldwide.
<b>Goal 5</b>	Promote Commission excellence through executive direction and leadership, organizational and individual performance management, and effective management of resources.

## Introduction

The following section includes high-level discussion of each of the five strategic goals and the tactical goal for Dodd-Frank rule making, as well as a detailed analysis and review of each performance measure (shortfalls and successes). The accomplishments demonstrate significant progress made in FY 2011 toward the achievement of the Commission’s mission and strategic goals. However, in some areas progress was hampered by a significant number of staffing resources that were reallocated from existing authorities to implementing the new authorities under the Dodd-Frank Act. The law gave the CFTC and Securities and Exchange Commission (SEC) oversight of the more than \$300 trillion swaps market. The Commission and SEC are working hard to write new rules to make the swaps market more transparent and safer for the American public.



Budget constraints arising out of a continuing resolution lasting throughout a large portion of FY 2011 only added to the performance challenges faced by the Commission with its expansive role. You will find in the chart below a trend comparing the request vs. appropriation dollars for the CFTC budget between FY 2008 – FY 2012. Continued budget constraints on the agency over a time of expanding responsibility has resulted in having to reallocate staff resources to new and high risk areas on an ongoing basis, preventing the Commission from achieving a number of performance targets related to existing authorities. The Commission’s Annual Performance Report (APR) reflects this resource challenge as staff diligently work towards finalizing each Dodd-Frank rule and executing legacy responsibilities.



As Commission efforts continue to focus on finalizing rules related to the Dodd-Frank Act, there will be some performance measures described in the Strategic Plan dependent upon their completion. As a result, 6 of the 54 performance measures were considered “Not Applicable” during the FY 2011 reporting period and were removed from the detailed analysis and review section of the annual report. An additional measure was also categorized as “Not Applicable”, remaining in development from the onset of the Strategic Plan newly implemented in FY 2011. An update is provided for this measure. As the Commission completes work on rulemaking and data become available for these measures, they will be published along with relevant analysis and review narrative in subsequent Annual Performance Reports. The following identifies the specific performance measures considered “Not Applicable”:

- 1.1.1.1 Implement automated position limit alerts for futures, option and swaps markets.
- 1.3.1.1 Publish reports for swaps markets activity.
- 2.1.4.1 Reviews of swaps submitted to the Commission are completed within statutory and regulatory deadlines.
- 2.2.1.1 Conduct direct examinations of SDs and MSPs, identify deficiencies and confirm that all deficiencies identified are corrected within specified period of time.

2.4.1.2 Program design to cover new data collection requirements to monitor systemic risk posed by CPOs and CIAs advising private funds, and new registration of swap dealers. Percentage of system redesign accomplished.

3.1.1.2 The CFTC will bring claims in due recognition of the broadened enforcement mandate provided by the Dodd Frank Act, and will seek proportionate remedies, including civil monetary penalties, undertakings and restitution, that have the highest impact on and greatest deterrent effect against potential future violations.

4.1.1.2 Regular issuance of outgoing international requests for enforcement assistance and referrals made by the CFTC to foreign regulators pertaining to matters involving their jurisdictions.

The performance measures in the annual report are rated as: Exceeded, Met, or Not Met. Overall results for the Commission’s performance measures are depicted in the following table:

	# of Measures <sup>19</sup>	Exceeded	Met	Not Met
All Goals	47	10	17	20
% of Total		21%	36%	43%
		← 57% →		

### Looking Ahead

The Commission anticipates continuing performance challenges as its FY 2012 appropriation is significantly below the requested budget, as illustrated in the “CFTC Budget” table above. The CFTC, therefore, remains severely inhibited in its ability to acquire the staff and technology necessary to fulfill the Commission’s post Dodd-Frank mission and make substantial performance gains. In light of ongoing resource constraints, Commission staff is reviewing its performance targets to determine if adjustments are warranted.

<sup>19</sup> Excludes 7 performance measures categorized as “Not Applicable” for FY 2011.

In addition to budgetary constraints, another significant factor that is straining staff resources in FY 2012 is the ongoing bankruptcy proceedings and investigation of MF Global, Inc. (MF Global). On Monday, October 31, 2011, MF Global reported to the Commission a “material shortfall” of hundreds of millions of dollars in segregated customer funds. Earlier that same day MF Global filed for Chapter 7 bankruptcy.

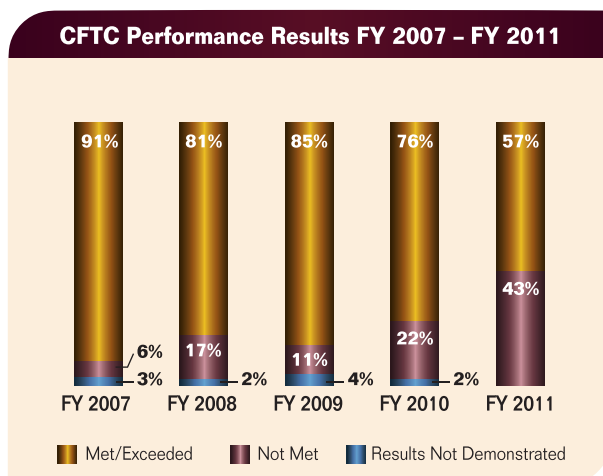
The CFTC’s focus with respect to MF Global is two-fold: 1) returning as much money as possible to MF Global customers and determining what went wrong with segregated funds and 2) pursuing the investigation, identifying possible violations of the Commodity Exchange Act or Commission Regulations and taking appropriate action.<sup>20</sup> Dozens of staff members (including auditors, attorneys, and investigators) in New York, Chicago, and Washington, D.C. are committed to these actions. The information the Commission learns during this work may be relevant to the Commission as it considers appropriate policy responses or regulatory changes. Commission staff is coordinating its MF Global investigation with other regulators both domestically and overseas, and is working closely with the SIPA Trustee to provide whatever support he needs to resolve issues with commodity customer accounts.

The Commission’s Annual Performance Report (APR), issued in February 2012 as part of its Congressional Budget Justification in conjunction with the President’s Budget, presents a more detailed analysis of performance results for FY 2011.

### Objective 0.1 Financial Reform Legislation

The focused rule writing efforts required by the Dodd-Frank Act are not being treated as a “Strategic Goal”, but as a tactical goal that has an Objective, Strategy and Performance Measure. Approximately 20 to 30 percent of the CFTC staff was diverted from their usual functions to work on Dodd-Frank Act related activities throughout FY 2011.

The CFTC began preparing for the task of writing rules for the swaps marketplace by identifying 30 areas of rulemaking to implement the Dodd-Frank Act (Appendix C in the Strategic Plan lists the 30 areas). It was found that some of these areas only required one rule, while others required more. Teams have been assigned to each rule grouping. Where proposed and interim final rules have been issued, the Commission is affording as much opportunity as practicable for public comment both through written submissions and public meetings. The Commission fully considers the comments and continues to offer this opportunity as additional proposed rules are developed. The CFTC has and will continue to work with the SEC and other regulators to maximize consistency and minimize overlap or duplication. All information will be considered in developing the best possible final rule.



### Objective 0.1 Key Results

The Dodd-Frank Act set a timeframe of 360 days (or less in a few instances) for completion of the rules, but the Commission was unable to accomplish this for several reasons. Primarily, the delay was a matter of capacity for rule consideration. With all rules, the CFTC has taken and

<sup>20</sup> On November 8, 2011, Chairman Gensler signed a statement of non-participation in enforcement and various other matters involving MF Global. On November 9, 2011, the Commission voted to designate Commissioner Jill Sommers the Senior Commissioner with respect to the MF Global investigation, pending bankruptcy cases, and other actions to locate or recover customer funds or determine the reasons for shortfalls in customer accounts. The information in this paragraph is summarized by Commission staff based upon Commissioner Sommers’ testimony on December 8, 2011, before the U.S. House of Representatives, Committee on Agriculture, Washington, DC. The statements regarding MF Global contained in this paragraph were prepared by Commission staff; Chairman Gensler did not participate in the drafting or review of any statement regarding MF Global.



will take a thoughtful and balanced approach – the clock will not be the driver. The Commission actively seeks and takes into full consideration public comments regarding the costs, benefits, and economic effects of proposed rules. Other activities and events contributing to the delay include:

- The Commission operated under a Continuing Resolution for most of FY 2011 and was unable to acquire needed staff resources to ensure the completion of this objective on time;
- To ensure development and implementation of rules that are well balanced between risk mitigation and cost to the industry and public, additional meetings and opportunities for public input with Congress, industry, and the public was necessary and appropriate; and
- While some rules are fairly straight forward, many are intricate and raise interrelated and complex issues. Staff requires appropriate time to analyze, summarize, and consider the additional public input that has been sought, and develop draft final rules for deliberation by the Commission.

Despite the above limitations, the Commission was able to accomplish the following Dodd-Frank Act related rulemaking tasks through September 30, 2011:

- Issued 52 proposed rules and issued 15 final rules,
- Received, reviewed and analyzed approximately 28,000 comments, and
- Held 14 technical conferences.

As of this writing, the CFTC anticipates completion of the vast majority of the rules by March 2012 and essentially all rules by July 2012 - within 24 months of enactment of the Dodd-Frank Act. The Commission was able to accomplish the following tasks during the first quarter of FY 2012:

- Issued 1 proposed rule and 7 final rules, and
- Received, reviewed and analyzed approximately 400 comments.

# STRATEGIC GOAL ONE

## Strategic Goal One

Protect the public and market participants by ensuring market integrity, promoting transparency, competition and fairness and lowering risk in the system.



### FY 2011 INVESTMENT

Net Cost: \$48.4 Million

Staffing: 172 FTE

Derivatives markets are designed to provide a means for market users to offset price risks inherent in their businesses and to act as a public price discovery platform from which prices are broadly disseminated for public use. For derivatives markets to fulfill their role in the national and global economy, they must operate efficiently and fairly, and serve the needs of market users. The markets best fulfill this role when they are open, competitive and free from fraud, manipulation and other abuses such that the prices discovered on the markets reflect the forces of supply and demand.

The Commission strives to assure that Goal One is effectively met through the combined use of four oversight strategies: 1) review of new contracts and rules, and changes to existing contracts and rules; 2) continual surveillance of trading activity in the futures and swaps markets; 3) review of regulated exchanges, DCMs and SEFs, to ensure that they are fulfilling their self-regulatory obligations; and, 4) adoption of policies and strategies to promote market transparency.

Accomplishments related to progress in achieving this goal include:

- Completed reviews of 57 new product certifications, nine exempt market filings, 317 rule filings and one FBOT no-action request.
- Drafted two significant IOSCO reports: the Report on OTC Derivatives Data Reporting and Aggregation Requirements, and the Report on Trading of OTC Derivatives.
- Created three new automated alerts, three new reports, and enhanced four trade practice alerts, providing for a more effective market and trade surveillance program.

Goal One performance measure results are depicted in the following table:

	# of Measures <sup>21</sup>	Exceeded	Met	Not Met
Goal One	11	0	1	10
% of Total		0%	9%	91%

← 9% →

<sup>21</sup> Excludes 2 performance measures categorized as "Not Applicable" for FY 2011.

# STRATEGIC GOAL TWO

## Strategic Goal Two

Protect the public and market participants by ensuring the financial integrity of derivatives transactions, mitigation of systemic risk, and the fitness and soundness of intermediaries and other registrants.



### FY 2011 INVESTMENT

Net Cost: \$43.7 Million

Staffing: 155 FTE

In fostering financially sound markets, the Commission's main priorities are to avoid disruptions to the system for clearing and settling contract obligations and to protect the funds that customers entrust to FCMs. Clearing organizations and FCMs are integral to the financial integrity of derivatives transactions – together, they protect against the financial difficulties of one trader becoming a systemic problem.

Several aspects of the regulatory framework that contribute to the Commission achieving Goal Two are: 1) requiring that market participants post margin to secure their ability to fulfill financial obligations; 2) requiring participants on the losing side of trades to meet their obligations, in cash, through daily (sometimes intraday) margin calls; 3) requiring FCMs to maintain minimum levels of operating capital; and, 4) requiring FCMs to segregate customer funds from their own funds.

Accomplishments related to progress in achieving this goal include:

- Refined and extended automated surveillance systems to improve staff's ability to conduct market, trade practice, and financial and risk oversight.
- Enhanced the financial oversight systems to increase usability and to process bank and mutual fund data, variation margin data, and credit default swap data for currently-registered DCOs.
- Performed risk analysis and stress-testing on 500,000 large trader and clearing member positions to ascertain those with significant risk and confirm that such risks are being appropriately managed.

Goal Two performance measure results are depicted in the following table:

	# of Measures <sup>22</sup>	Exceeded	Met	Not Met
Goal Two	15	3	7	5
% of Total		20%	47%	33%

← 67% →

<sup>22</sup> Excludes 3 performance measures categorized as "Not Applicable" for FY 2011.

# STRATEGIC GOAL THREE

## Strategic Goal Three

Protect the public and market participants through a robust enforcement program.



### FY 2011 INVESTMENT

Net Cost: \$61.1 Million

Staffing: 217 FTE

This third strategic goal is to ensure that firms and individuals who come to the marketplace to fulfill their business and trading needs are in compliance with applicable laws and regulations. In addition, market users and others must be protected from possible wrongdoing that may affect or tend to affect the integrity of the markets. The derivatives markets provide a great benefit to the U.S. economy; preserving the integrity of the markets ensures their continued vibrancy and promotes public confidence. Continuing IT investment in the eLaw program will support all Goal Three objectives by improving staff productivity, providing staff with a level IT playing field with those it investigates and effective tools to collaborate internally with oversight and clearing staff as well as with other regulators, and facilitating the use of information to identify high impact enforcement actions. Accomplishments include:

- 99 enforcement actions, the highest in the agency's history and a 74 percent increase over the prior fiscal year. The Commission also opened more than 450 investigations.

- A notable fraud case, CFTC vs. Walsh, et al, where the Court ordered an initial distribution and return of approximately \$792 million to commodity pool investors.
- 23 actions enforcing new regulations that resulted from the Dodd-Frank Act and that require foreign exchange dealers and introducing brokers to register with the Commission.
- More than 70 indictments and convictions were obtained in criminal cases related to CFTC enforcement actions.

Goal Three performance measure results are depicted in the following table:

	# of Measures <sup>23</sup>	Exceeded	Met	Not Met
Goal Three	2	2	0	0
% of Total		100%	0%	0%

← 100% →

<sup>23</sup> Excludes 1 performance measure categorized as "Not Applicable" for FY 2011.



# STRATEGIC GOAL FOUR

## Strategic Goal Four

Enhance integrity of U.S. markets by engaging in cross-border cooperation, promoting strong international regulatory standards, and encouraging ongoing convergence of laws and regulation worldwide.



### FY 2011 INVESTMENT

Net Cost: \$8.4 Million

Staffing: 30 FTE

Effective regulation requires international coordination and necessitates that the Commission cooperate with foreign market authorities to supervise U.S. markets and protect U.S. customers. Additionally, the Commission works closely with relevant international organizations to promote high-quality derivatives regulation worldwide and convergence where possible. The CFTC also provides technical assistance to emerging and recently-emerged markets to help these jurisdictions in establishing and implementing laws and regulations that foster global market integrity. Accomplishments include:

- Coordinating an engagement with the European Commission and Parliament, encouraging harmonization of European regulatory development with Dodd-Frank policies, and organizing a joint CFTC-SEC roundtable on the cross-border application of the Dodd-Frank Act.
- Technical level working groups on OTC derivatives with the European Commission, European Securities Markets Authority (ESMA), and regulatory authorities in Japan, Singapore, and Hong Kong.

- Coordinated a review of cross-border arrangements that will be needed under the Dodd-Frank Act and developed draft Memorandum of Understanding (MOU) on the supervision of dually regulated cross-border clearinghouses.
- Handled over 530 international requests and referrals, an approximate 20 percent increase over prior fiscal year.
- Held the annual international regulatory conference at Boca Raton, Florida and the annual symposium for foreign regulators in Chicago.

Goal Four performance measure results are depicted in the following table:

	# of Measures <sup>24</sup>	Exceeded	Met	Not Met
Goal Four	3	3	0	0
% of Total		100%	0%	0%

← 100% →

<sup>24</sup> Excludes 1 performance measure categorized as "Not Applicable" for FY 2011.

# STRATEGIC GOAL FIVE

## Strategic Goal Five

Promote Commission excellence through executive direction and leadership, organizational and individual performance management, and effective management of resources.



### FY 2011 INVESTMENT

Cost: \$25.9 Million

Staffing: 92 FTE

Commission excellence reflected in the achievement of the agency's strategic mission and goals depends on clear executive direction, strong and focused management, and a well-resourced, dedicated and productive workforce. These attributes of a high-performing organization combine to support and drive the critical work of the Commission to provide a sound regulatory oversight and enforcement program for the American people. To ensure the Commission's continued success, continuity of operations and adaptation to the ever changing markets it is charged with regulating, the Commission must maintain a well-qualified workforce supported by a modern information technology infrastructure and working environment.

- Approved and adopted the reorganization, which established DCR, DSIO, and ODT, in order to ensure that the Commission is structured, aligned and streamlined to successfully carry out its mission while remaining adaptable to changes and resource availability.
- Development of a new Strategic Plan with the aide of interdivisional leadership forums; released February 2011.

- Began implementation of a Management Framework Approach and developed a Planning Process manual, a resource management program designed to support the optimal operation and maintenance of the growing agency (scope and staff) with the capability and tools to achieve its mission.
- Development of a CFTC-wide learning strategy to ensure all staff receives training and development opportunities throughout the employee life-cycle.
- The CFTC designed, developed, and implemented a Budget Process Activity Code repository to better manage and report the Commission's financial and human resources.

Goal Five performance measure results are depicted in the following table:

	# of Measures	Exceeded	Met	Not Met
Goal Five	15	2	9	4
% of Total		13%	60%	27%
		↔ 73% ↔		



## A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

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

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

The CFTC leverages a financial management systems platform operated by the U.S. Department of Transportation's (DOT) Enterprise Service Center, an Office of Management and Budget (OMB) designated financial

management service provider. As a consequence, the CFTC is able to accumulate, analyze, and present reliable financial information, or provide reliable, timely information for managing current operations and timely reporting of financial information to central agencies. Furthermore, our system is in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996 (although CFTC is not required to comply with FFMIA, it has elected to do so).

A handwritten signature in cursive script that reads "Mark Carney".

Mark Carney  
Chief Financial Officer  
November 14, 2011





## SUMMARY OF AUDIT AND MANAGEMENT ASSURANCES

### Summary of FY 2011 Financial Statement Audit

Audit Opinion:	Unqualified				
Restatement:	No				
<b>MATERIAL WEAKNESS</b>	<b>BEGINNING BALANCE</b>	<b>NEW</b>	<b>RESOLVED</b>	<b>CONSOLIDATED</b>	<b>ENDING BALANCE</b>
	0	0			0

### Summary of Management Assurances

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)						
Statement of Assurance:	Unqualified					
<b>MATERIAL WEAKNESS</b>	<b>BEGINNING BALANCE</b>	<b>NEW</b>	<b>RESOLVED</b>	<b>CONSOLIDATED</b>	<b>REASSESSED</b>	<b>ENDING BALANCE</b>
	0	0				0
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)						
Statement of Assurance:	Unqualified					
<b>MATERIAL WEAKNESS</b>	<b>BEGINNING BALANCE</b>	<b>NEW</b>	<b>RESOLVED</b>	<b>CONSOLIDATED</b>	<b>REASSESSED</b>	<b>ENDING BALANCE</b>
	0	0				0
CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA § 4)						
Statement of Assurance:	Systems conform to financial management system requirements					
<b>NON-CONFORMANCE</b>	<b>BEGINNING BALANCE</b>	<b>NEW</b>	<b>RESOLVED</b>	<b>CONSOLIDATED</b>	<b>REASSESSED</b>	<b>ENDING BALANCE</b>
	0	0				0
COMPLIANCE WITH FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)						
Overall Substantial Compliance	<b>AGENCY</b>		<b>AUDITOR</b>			
	Yes		Yes			
1. System Requirements			Yes			
2. Accounting Standards			Yes			
3. USSGL at Transaction Level			Yes			





## FINANCIAL HIGHLIGHTS

The following table is an overview of the Commission's financial position, preceding a discussion of the agency's financial highlights for FY 2011:

	2011	2010
<b>CONDENSED BALANCE SHEET DATA</b>		
Fund Balance with Treasury	\$ 81,785,717	\$ 44,321,898
Accounts Receivable	59,226	4,836
Prepayments	1,109,626	641,957
Other (Custodial)	2,574,173	2,319,934
General Property, Plant and Equipment	42,346,895	25,203,787
Deferred Costs	6,254,873	6,303,367
<b>TOTAL ASSETS</b>	<b>\$ 134,130,510</b>	<b>\$ 78,795,779</b>
FECA Liabilities	\$ 528,512	\$ 256,801
Accounts Payable	7,092,349	7,650,033
Payroll, Benefits and Annual Leave	15,464,338	14,460,136
Custodial Liabilities	2,574,173	2,319,934
Deposit Fund Liabilities	57,127	22,226
Deferred Lease Liabilities	21,974,782	12,174,352
Other	19,649	7,226
<b>Total Liabilities</b>	<b>47,710,930</b>	<b>36,890,708</b>
Cumulative Results of Operations - Earmarked	23,755,000	–
Cumulative Results of Operations	17,998,424	11,455,579
Unexpended Appropriations	44,666,156	30,449,492
<b>Total Net Position</b>	<b>86,419,580</b>	<b>41,905,071</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 134,130,510</b>	<b>\$ 78,795,779</b>
<b>CONDENSED STATEMENTS OF NET COST</b>		
Total Cost	\$ 187,648,360	\$ 169,540,777
Net Revenue	(88,720)	(71,840)
<b>TOTAL NET COST OF OPERATIONS</b>	<b>\$ 187,559,640</b>	<b>\$ 169,468,937</b>
<b>NET COST BY STRATEGIC GOAL</b>		
Goal One - Market Integrity	\$ 48,390,387	\$ 43,172,212
Goal Two - Clearing Integrity	43,701,396	39,081,231
Goal Three - Protect Market Users and Public	61,144,442	54,902,851
Goal Four - Cross-Border Cooperation	8,440,184	7,488,832
Goal Five - Organizational and Management Excellence	25,883,231	24,823,811
	<b>\$ 187,559,640</b>	<b>\$ 169,468,937</b>

## Financial Discussion and Analysis

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

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

The financial summary as shown on the preceding page highlights changes in financial position between September 30, 2011 and September 30, 2010. This overview is supplemented with brief descriptions of the nature of each required financial statement and its relevance. Certain significant balances or conditions featured in the graphic presentation are explained in these sections to help clarify their relationship to Commission operations. Readers are encouraged to gain a deeper understanding by reviewing the Commission's financial statements and notes to the accompanying audit report presented in the Financial Section of this report.

## Understanding the Financial Statements

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

## Balance Sheet

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

For the year ended September 30, 2011, the Balance Sheet reflects total assets of \$134.1 million. This is a 70 percent increase from FY 2010. The increase is primarily due to large increases in Commission funds held by the U.S. Department of the Treasury and in the Plant, Property, and Equipment balance.

The CFTC litigates against defendants for alleged violations of the CEA and Commission regulations. Violators may be subject to a variety of sanctions including civil monetary penalties, injunctive orders, trading and registration bars and suspensions, and orders to pay disgorgement and restitution to customers. Section 748 of the Dodd-Frank Act amended the CEA by adding Section 23, entitled "Commodity Whistleblower Incentives and Protection." Among other things, Section 23 establishes a whistleblower program that requires the Commission to pay an award, under regulations prescribed by the Commission and subject to certain limitations, to eligible whistleblowers who voluntarily provide the Commission with original information about a violation of the CEA that leads to the successful enforcement of a covered judicial or administrative action, or a related action. The Commission's whistleblower awards are to equal, in the aggregate amount, at least 10 but not more than 30 percent of the monetary sanctions actually collected in the Commission's action or a related action. To provide funding for the Commission's whistleblower award program, the Dodd-Frank Act established the Commodity Futures Trading Commission Customer Protection Fund. In addition, the Fund can be used to finance customer education initiatives. As of September 30, 2011, the Fund had a balance of \$23.8 million. In FY 2011, the Commission, for the first time, received a two-year appropriation to ensure fiscal certainty in the implementation of the Dodd-Frank Act. The Commission carried over \$9.9 million of its FY 2011 / 2012 appropriation and is using these funds to continue operations during the first quarter of FY 2012.

The Commission's General Property, Plant and Equipment balance was \$17.1 million more in FY 2011 than it was at the end of FY 2010. The increase was attributable to technology modernization and space renovations made in Kansas City, MO. and Washington, D.C.

The Commission enters into commercial leases for its headquarters and regional offices. In FY 2011, the agency entered into a new lease agreement in Kansas City, MO and expanded its Washington, DC lease. These leasing arrangements allowed for monthly rent payments to be deferred until future years as well as provided for landlord contributions to space renovations. These amounts are reflected as a Deferred Lease Liability on the Balance Sheet. Additionally, as should be expected from a small regulatory agency; payroll, benefits, accounts payable and annual leave make up the majority of the remaining CFTC liabilities.

#### **Statement of Net Cost**

This statement is designed to present the components of the Commission's net cost of operations. Net cost is the gross cost incurred less any revenues earned from Commission activities. The Statement of Net Cost is categorized by the Commission's five strategic goals which were revised in FY 2011 to add a new goal: Enhance the integrity of U.S. Markets by engaging in cross-border cooperation to promote strong international regulatory standards. Moreover, for clarity, management realigned most DCR and DSIO work into Strategic Goal Two and most DOE work into Goal Three. The comparative presentation in the financial statements uses an allocation to reclassify FY 2010 to conform to the FY 2011 presentation.

The Commission experienced a 10.7 percent increase in the total net cost of operations during FY 2011.

Strategic Goal One, which tracks activities related to market oversight, continues to require a significant share of Commission resources at 26 percent of net cost of operations in FY 2011. The \$48.4 million reflects a continuation of management's effort to address market volatility.

Strategic Goal Two is representative of efforts to protect market users and the public. In FY 2011, the net cost of operations for this goal was \$43.7 million or 23 percent.

The funding for this goal is primarily to support DOE with new and ongoing investigations in response to market activity. Investigations into crude oil and related derivative contracts, and suspected Ponzi schemes have been extremely resource intensive.

Strategic Goal Three is representative of efforts to ensure market integrity. In FY 2011, the net cost of operations for this goal was \$61.1 million or 33 percent, an increase of eight percent from FY 2010. The increase is reflective of the emphasis necessary to develop concrete measures that will bring transparency, openness and competition to the swaps markets while lowering the risk they pose to the American public.

Strategic Goal Four is representative of efforts to increase cross-border cooperation to promote strong international regulatory standards. The net cost of this work, in prior years was subsumed within Goal Five. In FY 2011, the net cost of operations for this goal was \$8.4 million or four percent. CFTC is dramatically expanding its cross-border presence through cooperative agreements and active participation on international standards setting organization committees.

Strategic Goal Five is representative of efforts to achieve organizational excellence and accountability. Included in this goal are the efforts of the Chairman, Commissioners, and related staff to ensure more transparency in the commodity markets, and lay the groundwork for the future. Additionally, these costs are reflective of the planning and execution of human capital, financial management, and technology initiatives. In FY 2011, the net cost of operations for this goal was \$25.9 million or 14 percent.

#### **Statement of Changes in Net Position**

The Statement of Changes in Net Position presents the agency's cumulative net results of operation and unexpended appropriations for the fiscal year. CFTC's Net Position increased by \$44.5 million, or 106 percent, in FY 2011. The dramatic increase is primarily attributed to cumulative net results of operations which rose by \$30.3 million (the earmarked funds of Consumer Protection Fund accounted for \$23.8 million of that balance) and Total Unexpended Appropriations which

reflects a yearly increase of \$14.2 million in the cumulative amount of Unexpended Appropriations as of September 30, 2011. This is not unexpected as the earmarked funds for the Customer Protection Fund were not deposited until late September. The Commission had also been operating under a continuing resolution for about seven months and obligated most of its non-compensation and benefit budget in the fourth quarter of the fiscal year.

### **Statement of Budgetary Resources**

This statement provides information about the provision of budgetary resources and its status as of the end of the year. Information in this statement is consistent with budget execution information and the information reported in the *Budget of the U.S. Government, FY 2011*.

The \$202.7 million appropriation received in FY 2011 represented a 20 percent increase for the Commission. This permitted the Commission to continue to fund benefits and compensation, lease expenses, printing, services to support systems users, telecommunications, operations, and maintenance of information technology (IT) equipment. In FY 2011, gross outlays were in line with the gross costs of operations due to increased hiring, space renovations, and technology spending.

### **Statement of Custodial Activity**

This statement provides information about the sources and disposition of collections. With the inception of the CFTC Customer Protection Fund, CFTC transfers earmarked funds to it and Non-exchange revenue to the Treasury general fund. Collections are primarily represented by fines, penalties, and forfeitures assessed and levied against businesses and individuals for violations of the CEA or Commission regulations. They also include non-exchange revenues include registration, filing, appeal fees, and general receipts. The Statement of Custodial Activity reflects

total cash collections in the amount of \$13.5 million. Of which \$7.7 million was transferred to Treasury and \$5.8 was transferred into the Customer Protection Fund. This amount represents a decrease of \$62.4 million from FY 2010, when the Commission collected \$75.9 million.

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

### **Limitations of Financial Statements**

Management has prepared the principal financial statements to report the financial position and operational results for the CFTC for FY 2011 and FY 2010 pursuant to the requirements of Title 31 of the U.S. Code, section 3515 (b).

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

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



# COMMODITY FUTURES TRADING COMMISSION



**Best in Class**  
for Analysis of Financial  
Position and Results

*Association of Government Accountants (AGA) Awards the*

## CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING

*In recognition of your outstanding efforts in preparing the  
Commodity Futures Trading Commission Performance and  
Accountability Report for the fiscal year ended September 30, 2010*



*League of American Communications Professionals (LACP) Awards the*

## PLATINUM 2010 VISION AWARD

*In recognition of your outstanding efforts in preparing the Commodity Futures  
Trading Commission Performance and Accountability Report for the fiscal year ended  
September 30, 2010. Awarded PLATINUM in the Government classification, and  
received overall ranking of 82 out of more than 5,000 total entries worldwide.*





## Page Photo Credits

Clark Day Photography; Pages 2, 8, 11, 14, 16, 33, 43, 45, and inside back cover

Mark Regan Photography; Page 7

Corbis Images; Page 40

Getty Images; Pages 3, 4, 5, 10, 12, 38, 39, 42 and 44

USDA; Pages 9, 13, and 15

Other Stock Images; Page 1



## Acknowledgements

This Summary of Performance and Financial Information was produced with the energies and talents of Commission staff. To these individuals, the Office of Financial Management would like to offer our sincerest thanks and acknowledgement.

We would also like to acknowledge the Office of the Inspector General and KPMG LLP for the professional manner in which they conducted the audit of the Fiscal Year 2011 Financial Statements.

We offer our special thanks to The DesignPond, in particular Sheri Beauregard and Michael James, for their outstanding contribution to the design of this report.

The *FY 2011 Summary of Performance and Financial Information* is published by:  
Commodity Futures Trading Commission  
Office of Financial Management

Additional copies of the *FY 2011 Summary of Performance and Financial Information* can be downloaded at: <http://www.cftc.gov/About/CFTCReports/index.htm>

**Office of Financial Management**  
**Commodity Futures Trading Commission**

Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, DC 20581

For comments, suggestions or requests please contact:

**Telephone:** Mark Carney, 202.418.5477 or  
Lisa Malone, 202.418.5184

**Fax:** 202.418.5414

**E-mail:** [mcarney@cftc.gov](mailto:mcarney@cftc.gov) or [lmalone@cftc.gov](mailto:lmalone@cftc.gov)

**Web:** <http://www.cftc.gov/About/CFTCReports/index.htm>

The CFTC's *Strategic Plan*, *FY 2011 Agency Financial Report*, and *FY 2011 Annual Performance Report* are available on the Web at: <http://www.cftc.gov/About/CFTCReports/index.htm>



**COMMODITY FUTURES TRADING COMMISSION**

THREE LAFAYETTE CENTRE • 1155 21ST STREET, N.W. • WASHINGTON, DC 20581

202.418.5000 • [WWW.CFTC.GOV](http://WWW.CFTC.GOV)