



Commodity Futures
Trading Commission

FY 2002 Annual Report

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Transmittal Letter to the U.S. Congress

The Commodity Futures Trading Commission was challenged on many fronts in FY 2002. We spent much of the beginning of the fiscal year responding to the events of September 11, 2001, and later, evaluating the lessons learned from that experience. The CFTC staff, particularly the members of our Eastern Regional Office in New York and the industry members affected by the tragedy, showed tremendous resilience, courage, and tenacity in restoring their operations. In March 2002, we issued a report on the lessons we learned internally and from the industry about our preparedness—a report that has served as the basis of other dialogues and actions. In April 2002, we were able to move our New York staff, previously located at One World Trade Center, into new, permanent office space in downtown Manhattan.

Implementation of the Commodity Futures Modernization Act (CFMA) continued to be a high priority in FY 2002. We continued to issue rules implementing the CFMA and worked diligently with the SEC to develop final rules governing trading in security futures products. The Commission also restructured the agency to reflect changes in the regulatory structure resulting from our implementation of the CFMA and to enable us to more efficiently oversee trading in innovative products and the new platforms made possible under the CFMA. The functions previously performed by the Divisions of Trading & Markets and Economic Analysis are now performed by two new divisions and one office: the Division of Market Oversight, the Division of Clearing and Intermediary Oversight, and the Office of the Chief Economist. In addition, the Office of Public Affairs and the Office of Legislative and Intergovernmental Affairs were combined to form the new Office of External Affairs.

We also faced challenges in responding to crises in the energy markets, including the collapse of Enron. We monitored the futures markets following initial disclosures of Enron's financial difficulties, and throughout the crisis, the markets reacted well, with little or no impact on volatility or liquidity. The market's system of financial controls for exchange-traded energy contracts also worked well: no FCM customer funds were lost, and there were no disruptions to the clearance and settlement system. We continue to investigate whether illegal activity within our jurisdiction occurred and to cooperate with other regulatory authorities pursuing allegations of market manipulation.

In order to attract and retain the type of highly skilled and experienced staff needed to undertake these complex responsibilities, we asked Congress to provide compensation to our employees consistent with the compensation provided by other Federal financial regulators. Congress granted our request in the Farm Security and Rural Investment Act of 2002. We are continuing to work with the House and Senate Appropriations Committees to provide funding for pay parity and were pleased by the inclusion of these funds in the 2003 appropriations bill reported by the Senate Subcommittee on Agriculture, Rural Development, and Related Agencies. We are also working diligently to determine how best to construct a new pay and benefits system for our employees.

This year especially, I am proud of my association with the dedicated staff of the CFTC. I am grateful to my fellow Commissioners, Barbara P. Holum, Thomas J. Erickson, Walter L. Lukken, and Sharon Brown-Hruska, for their invaluable assistance and support. It is with pleasure that I submit this Annual Report of the Commodity Futures Trading Commission to the U.S. Congress.

Sincerely,

James E. Newsome
Chairman

The Commissioners

James E. Newsome, Chairman

James E. Newsome was nominated by President George W. Bush to serve as Chairman of the Commodity Futures Trading Commission. He was confirmed by the U.S. Senate on December 20, 2001, to a term expiring in June 2006. Chairman Newsome has served as a Commissioner of the CFTC since August 10, 1998.

In addition to his responsibilities at the CFTC, Chairman Newsome, along with the Secretary of the Treasury, the Chairman of the Federal Reserve Board, and the Chairman of the Securities and Exchange Commission, serves as a member of the President's Working Group on Financial Markets. The working group serves to facilitate coordination of policies and actions of various government agencies in response to significant new developments and emergencies in financial markets. More recently, Chairman Newsome was appointed to serve on the President's Corporate Fraud Task Force to coordinate corporate fraud actions.

Prior to joining the CFTC, Chairman Newsome served as Executive Vice President of the Mississippi Cattlemen's Association and as Chairman of the Mississippi Agribusiness Council, an organization devoted to the development of domestic and international agribusiness opportunities.

A native of Plant City, Florida, Chairman Newsome received his B.S. degree in Food and Resource Economics from the University of Florida and his M.S. and Ph.D. degrees in Animal Science/Agricultural Economics from Mississippi State University. He is married to the former Mary Margaret Pomeroy of Carmel Valley, California, and they have two daughters, Molly and Riley.

Barbara P. Holum, Commissioner

Barbara Pedersen Holum was nominated to be a Commissioner of the Commodity Futures Trading Commission by President Clinton on November 8, 1993, was confirmed by the Senate on November 19, 1993, and was sworn in on November 28, 1993. On December 23, 1993, she was elected by seriatim order of the Commission to serve as Acting Chairman. Ms. Holum served in this capacity until October 12, 1994. She was appointed Chairman of the Advisory Committee on CFTC-State Cooperation on March 14, 1994, and appointed Chairman of the Global Markets Advisory Committee on March 10, 1998. Commissioner Holum was confirmed by the Senate on July 31, 1998, and sworn in on August 4, 1998, to serve a second term as Commissioner at the CFTC.

Prior to joining the CFTC, Ms. Holum was President of the National Agricultural Lands Center, a non-profit private organization that administers agricultural resource conservation programs and projects. Ms. Holum's government posts include the Director of Congressional Liaison for the Commodity Futures Trading Commission during President Carter's administration and Congressional Liaison Officer for the National Agricultural Lands Study.

Ms. Holum was raised in Boelus, Nebraska. She attended the University of Nebraska and the University of Denver. Ms. Holum and her husband, John, reside in Annapolis, Maryland.

Thomas J. Erickson, Commissioner

Thomas J. Erickson was sworn in as a Commissioner of the Commodity Futures Trading Commission in June 1999. He was nominated by President Clinton and confirmed by the Senate to a term expiring in April 2003. Mr. Erickson currently serves as Chairman of the Commission's Technology Advisory Committee.

Mr. Erickson first joined the Commission in September 1997 as the Director of the Office of Legislative and Intergovernmental Affairs after serving as Assistant to the President/Legal Counsel for the National Grain Trade Council. At the Council, he represented the grain trade and futures markets on matters of agricultural policy, futures trading, international trade, grain quality, and tax issues. Previously, he served as Legislative Assistant to U.S. Senator Thomas A. Daschle.

A native of Sioux Falls, South Dakota, Mr. Erickson received a B.A. degree in Government and International Affairs from Augustana College in 1984 and a Juris Doctor degree from the University of South Dakota School of Law in 1987. He is a member of the State Bar of South Dakota and the District of Columbia Bar.

Mr. Erickson is married to Nancy Erickson of Brandon, South Dakota, and they have two children. The family resides in Washington, D.C.

Walter L. Lukken, Commissioner

Walter L. Lukken was confirmed by the U.S. Senate on August 2, 2002, as a Commissioner of the Commodity Futures Trading Commission. He was sworn in on August 7, 2002, to a term expiring April 13, 2005.

Prior to joining the CFTC, Mr. Lukken served four years on the professional staff of the U.S. Senate Committee on Agriculture, Nutrition, and Forestry under Senator Richard Lugar. While working for the Committee, Mr. Lukken specialized in futures and derivatives markets, agricultural banking, and agricultural tax issues. In this capacity, he served as one of the key Senate staff in the design and passage of the Commodity Futures Modernization Act of 2000.

Before joining the Committee, Mr. Lukken worked for five years in the personal office of Senator Lugar as a legislative assistant specializing in finance and tax matters.

A native of Richmond, Indiana, Mr. Lukken received his B.S. degree with honors from the Kelley School of Business at Indiana University and his Juris Doctor degree from Lewis and Clark Law School in Portland, Oregon. Mr. Lukken is a member of the Illinois Bar. He is married to Dana Bostic Lukken of Morgan City, Louisiana, and they reside in Washington, D.C.

Sharon Brown-Hruska, Commissioner

Sharon Brown-Hruska was confirmed by the U.S. Senate on August 2, 2002, as a Commissioner of the Commodity Futures Trading Commission. She was sworn in August 7, 2002, to a term expiring April 13, 2004.

Prior to joining the CFTC, Dr. Brown-Hruska was an Assistant Professor of Finance in the School of Management at George Mason University. Prior to joining the faculty at George Mason University, she taught at Tulane University and Virginia Polytechnic Institute and State University (Virginia Tech). Courses taught by Professor Brown-Hruska included Risk Management and Financial Innovation, International Finance, Venture Capital and Private Finance, Investments, and Financial Markets.

From 1990 to 1995, Dr. Brown-Hruska was a staff economist in the CFTC's Division of Economic Analysis, where she conducted policy and technical research in the areas of anti-competitive behavior and market microstructure of futures, options, and derivatives markets.

Dr. Brown-Hruska has authored numerous scholarly papers and publications based on her extensive research in the areas of derivatives and market microstructure. In her writings, she has considered how differences in market structure and regulation affect market quality and the competitive environment in derivatives and their underlying asset markets.

A native of Winchester, Virginia, Dr. Brown-Hruska received her B.A. in Economics and International Studies in 1983, her M.A. in Economics in 1988, and her Ph.D. in Economics in 1994 from Virginia Tech in Blacksburg, Virginia.

About the CFTC

CFTC Mission

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

Background

Congress created the CFTC in 1974 as an independent agency with the mandate to regulate commodity futures and option markets in the United States. The agency's mandate was renewed and expanded by legislation enacted in 1978, 1982, 1986, 1992, and 1998. The Commodity Futures Modernization Act of 2000 (CFMA), signed by President Clinton in December 2000, repealed the ban on single stock futures and instituted a regulatory framework for such products to be administered jointly by the CFTC and the Securities and Exchange Commission (SEC); codified the principal provisions of a new regulatory framework adopted earlier by the Commission; brought legal certainty to bilateral and multilateral trading in over-the-counter markets; clarified the CFTC's jurisdiction over the retail, off-exchange foreign currency market; and gave the CFTC authority to regulate clearing organizations. The CFMA also reauthorized the Commission for five years.

Today, the CFTC is responsible for ensuring the economic utility of futures markets by encouraging their competitiveness and efficiency, ensuring their integrity, and protecting market participants against manipulation, abusive trading practices, and fraud. The CFTC, through effective oversight, enables the futures markets to serve their important function in the nation's economy of providing a mechanism for price discovery and a means of offsetting price risk.

Futures contracts for agricultural commodities have been traded in the U.S. for more than 150 years and have been under Federal regulation since the 1920s. In recent years, futures trading has expanded rapidly into many new markets, beyond the domain of traditional physical and agricultural commodities. Futures and option contracts are now offered on a vast array of financial instruments, including foreign currencies, U.S. and foreign government securities, and U.S. and foreign stock indices. During FY 2002, 1,004,066,230 futures and option contracts were traded on U.S. futures exchanges.

Commission Goals and Objectives

The mission of the CFTC is accomplished through three strategic goals, each focusing on a vital area of regulatory responsibility. The CFTC's goals are: (1) to protect the economic functions of the commodity futures and option markets; (2) to protect market users and the public; and (3) to foster open, competitive, and financially sound markets.

The focus of goal one is the marketplace. If the U.S. commodity futures markets are protected from and are free of abusive practices and influences, they will better operate to fulfill their vital role in the

domestic market economy and the global economy, accurately reflecting the forces of supply and demand and serving market users by fulfilling an economic need.

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

The third goal focuses on several important outcomes: effective industry self-regulation; firms and financial intermediaries with sound business, financial, and sales practices; and responsive and flexible regulatory oversight.

Organization

The CFTC's headquarters are in Washington, D.C.; regional offices are maintained in Chicago and New York; and smaller offices are located in Kansas City, Los Angeles, and Minneapolis. The Commission consists of five Commissioners who are appointed by the President to serve staggered five-year terms. The President, with the consent of the Senate, designates one of the Commissioners to serve as Chairman. No more than three Commissioners at any one time may be from the same political party. Additional information about the Commission and its activities can be obtained from the Commission's Office of External Affairs or through its Web site, <http://www.cftc.gov>.

Commission Members

Current and previous Commission members and their terms of office appear below:

James E. Newsome (Chairman)	1998-	Robert R. Davis	1984-1990
Barbara P. Holum	1993-	William E. Seale	1983-1988
Walter L. Lukken	2002-	Fowler C. West	1982-1993
Sharon Brown-Hruska	2002-	Kalo A. Hineman	1982-1991
Thomas J. Erickson	1999-2002	Susan M. Phillips (Chairman)	1981-1987
William J. Rainer (Chairman)	1999-2001	Philip McBride Johnson (Chairman)	1981-1983
David D. Spears	1996-2001	James M. Stone (Chairman)	1979-1983
Brooksley Born (Chairperson)	1996-1999	David G. Gartner	1978-1982
Mary L. Schapiro (Chairman)	1994-1996	Robert L. Martin	1975-1981
John E. Tull, Jr.	1993-1999	John V. Rainbolt (Vice Chairman)	1975-1978
Joseph B. Dial	1991-1997	Read P. Dunn, Jr.	1975-1980
Sheila C. Bair	1991-1995	Gary L. SeEVERS	1975-1979
William P. Albrecht	1988-1993	William T. Bagley (Chairman)	1975-1978
Wendy L. Gramm (Chairman)	1988-1993		

The Year in Review

Regulatory Reform

During FY 2002, the Commission continued to implement the requirements of the Commodity Futures Modernization Act (CFMA), including:

- **Derivatives Clearing Organizations.** The CFMA provides authority for the Commission to regulate certain derivatives clearing organizations (DCOs). Since May 2001, the Commission has proposed and finalized rules to specify the form and provide guidance for the content of applications for DCO registration, as well as the procedures for processing DCO registration applications. The rules assist the Commission in overseeing the operations and activities of DCOs and in enforcing compliance by DCOs with core principles and other provisions of the Commodity Exchange Act (CEA) and Commission regulations.
- **Margin for Security Futures Products.** The CFMA authorizes the Federal Reserve Board (FRB) to prescribe rules governing margin for security futures products to: (1) preserve the financial integrity of markets trading these products; (2) prevent systemic risk; and (3) set margin requirements comparable to those for security options. The FRB, in March 2001, delegated its authority over margin for security futures products jointly to the Commission and the SEC in accordance with the CFMA. In September 2001, the two Commissions jointly proposed, and in August 2002 adopted as final, rules to address these issues.
- **Treatment of Customer Funds and Financial Responsibility Rules Concerning Security Futures Products.** The CFMA directs the Commission and the SEC to issue rules to avoid duplicative or conflicting requirements for firms dually and fully registered as futures commission merchants (FCMs) and securities broker-dealers with respect to their handling of transactions involving security futures products in the areas of treatment of customer funds, minimum financial and related reporting requirements, and record-keeping. The CFTC and the SEC jointly proposed rules to address these issues in accordance with CFMA requirements in September 2001 and adopted final rules in September 2002.
- **Dual Trading.** As required by the CFMA, in July 2001, the Commission proposed rules to restrict dual trading in security futures products by floor brokers (FBs). The proposed rules were adopted in March 2002. The dual trading restriction affects FBs who trade security futures products through open outcry on the trading floor of a designated contract market or registered derivatives transaction execution facilities (DTEF). The rules provide for certain exceptions to the restriction, including provisions for the correction of errors, customer consent, spread transactions, and market emergencies. The rules also provide an exception based on unique or special characteristics of an agreement, contract, or transaction or of the designated contract market or registered DTEF.
- **Advisories on Foreign Currency.** In February 2001, the Commission issued an advisory clarifying that the CEA and Commission jurisdiction apply to foreign currency futures and option trading involving retail customers and that such trading is legal only if the counterparty is a regulated financial entity enumerated in the CEA (as amended by the CFMA). FCMs and their affiliates are included in the enumerated categories. The Commission issued a subsequent advisory in March 2002 that incorporated previous advisories and addressed issues of: (1) entities introducing retail customers to registered FCMs that act as counterparties to these customers for

purposes of trading off-exchange foreign currency futures or option contracts; (2) the managing of retail off-exchange foreign currency futures or option accounts; and (3) the operation of pools trading exclusively in off-exchange futures or option contracts involving foreign currency.

- **Study of the CEA and the Rules Thereunder.** The CFMA required the Commission to study provisions of the CEA and Commission rules and orders that govern the conduct of persons required to be registered under the CEA and to submit a report to the Senate and House Agriculture Committees identifying: (1) core principles the Commission has adopted or intends to adopt to replace Commission rules; (2) rules that the Commission decides to retain and the reasons therefor; and (3) the regulatory functions that the Commission performs that can be delegated to a registered futures association (RFA) and the functions that the Commission has determined must be retained and the reasons therefor. Information was collected from interviews with representatives of Commission registrants and industry associations, and on June 6, 2002, the Commission held a public hearing at which it heard further testimony. In June 2002, the Commission delivered to Congress a report on its study of potential regulatory relief for the FCMs, introducing brokers (IBs), commodity pool operators (CPOs), commodity trading advisors (CTAs), and FBs who serve as intermediaries in the commodity futures and option markets. In the report, the Commission noted that study participants indicated a desire for the Commission to provide additional flexibility to registrants in meeting their obligations under the Act. None of the participants advocated that existing Commission rules be deleted wholesale and replaced by a defined set of core principles. Instead, participants focused on specific rules or sets of rules within the existing framework that they believed should be modified or eliminated, such as Commission Rule 1.35, regarding bunched orders, or expanded, such as the exemptions from the CPO registration requirements.
- **NOS Clearing ASA^{3/4}Multilateral Clearing of OTC Derivative Instruments.** In January 2002, the Commission issued an order pursuant to Section 409(b)(3) of the Federal Deposit Insurance Corporation Improvement Act, as amended by the CFMA, finding that the supervision by the Norwegian Banking, Insurance and Securities Commission of NOS Clearing ASA (a Norwegian clearinghouse) satisfies appropriate standards for multilateral clearing of over-the-counter (OTC) derivative instruments. The Commission's order permits NOS to clear and settle trades by U.S. persons on the International Maritime Exchange (IMAREX).
- **Approval of Designated Contract Market Applications.** Commission staff participated in intra-agency teams responsible for reviewing contract market applications. The Commission's reviews focused on compliance with the CFTC's designation criteria and core principles, addressing, among other things, member and governance fitness standards, the enforcement of rules, and the financial integrity of transactions. The Commission has approved the applications for OneChicago, LLC and Island Futures Exchange, LLC.
- **Online Registration System.** In May 2002, the Commission adopted amendments to Part 3 of its rules, which governs the registration of intermediaries in the futures industry. These amendments were adopted to facilitate the implementation of an online registration system. The amendments permit: 1) FBs with temporary licenses to act as fully registered FBs; and 2) an applicant for associated person (AP) registration to receive a temporary license upon filing the Form 8-R and sponsor's certification before fingerprints are submitted. The online registration system should provide applicants with a more streamlined process for registering, resulting in less redundancy and quicker processing of applications by the National Futures Association (NFA). Through the online registration system, registrants and applicants should be able to provide NFA with required

information more quickly and easily and enable NFA to process this information more efficiently, while maintaining most of the features of the previous paper-based system. Additionally, information on registrants should be more readily accessible by the Commission, NFA, and the public.

Pay Parity

During FY 2002, Congress authorized pay parity for the Commission in Section 10702 of the Farm Security and Rural Investment Act of 2002, the Nation's new farm bill. This provision authorizes the CFTC, as a member of the President's Working Group, to compensate its employees at a level comparable to other Federal financial regulatory agencies. As a result, the Commission may provide additional compensation and benefits to employees of the Commission if the same type of compensation or benefits are provided by any agency referred to in Section 1206(a) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1833b(a)).

The pay parity provision of the farm bill had bipartisan support in recognition of the need to address the Commission's staffing crisis in a meaningful manner. The Commission has suffered excessive staff turnover rates in recent years, particularly among skilled professionals. The need to attract and retain experienced, talented, and dedicated employees is critical to the agency's statutory responsibility to oversee the Nation's futures and option markets. The Commission will continue to work with the Administration and the Congress to obtain funding as it develops its plans for pay parity implementation.

Terrorist Attack of September 11, 2001

The Commission's New York Regional Office in the World Trade Center was destroyed on September 11, 2001; fortunately, all Commission staff escaped without serious injury. Commission staff devoted significant resources to attending to the needs of New York staff and locating temporary and long-term space for the office in the immediate aftermath of September 11.

- **Immediate Response.** The Commission's New York offices were on the 37th floor of One World Trade Center (WTC). When staff became aware of the attack on the WTC and the Pentagon, the Office of the Executive Director (OED) team began to respond to these events. Simultaneous with the evacuation of the D.C. office, OED set up a command center in the headquarters office. Staff worked to contact New York employees and were able to verify that all employees survived the attack. OED worked with the agency's Employee Assistance Program (EAP) provider to establish immediate counseling services for employees and their families, with a particular focus on New York. On September 20, 2001, the Commission and the EAP counselors provided New York employees with an opportunity to share their experiences with each other and also provided staff with emergency supplies, including cell phones, phone cards, and employee assistance information.

OED staff also ensured that the payroll for New York staff continued, that New York staff received new PIN numbers for travel and purchase cards, and that employees received information on reimbursement for personal items, travel, workers compensation, administrative leave, and other administrative matters. OED staff also ensured the continuation of computer network support, updated information on the CFTC Web site, and configured all available laptops for temporary use by New York staff.

In addition, OED staff began an immediate search for temporary and permanent office space, successfully locating interim space in lower Manhattan. Mail was rerouted to the new location and arrangements were made for necessary supplies. OED also submitted a supplemental appropriations request to the Office of Management and Budget (OMB) to reestablish the New York office and enhance the security of CFTC operations.

Efforts on all administrative fronts have continued in FY 2002, and New York staff moved into new permanent space in April 2002.

- **Temporary Regulatory Relief.** On September 19, 2001, the Commission issued a policy statement advising registrants that, as a result of the financial market disruptions caused by the terrorist attacks on September 11, 2001, the Commission had determined to provide temporary relief from compliance by registrants with certain regulatory requirements, including certain required computations, filing deadlines, and record-keeping requirements. The Commission recognized that circumstances could make additional relief appropriate in certain cases and encouraged affected registrants to contact the NFA, their designated self-regulatory organization, or Commission staff in that regard.
- **Supplemental Funding.** Congress appropriated \$200,000 in FY 2001 and \$16,900,000 in FY 2002, to be made available until expended, to provide for the immediate response and recovery from the terrorist attacks and to prepare for and mitigate future attacks or like disasters.

Investigation of Alleged Misconduct in the Energy Markets

The Enforcement program launched a massive investigation of Enron's trading activity during the calendar year 2002 amid allegations that Enron had engaged in manipulative trading practices in energy-related markets. The investigation has been expanded to include additional energy trading firms alleged to have engaged in "round tripping," a risk-free trading practice that produces wash results. The claims of misconduct arose out of disclosures about questionable accounting practices by the energy companies aimed at enhancing their balance sheets. The investigations are focused on determining whether the alleged abusive trading constituted manipulation, false reporting, or fraud in particular commodity markets during specific periods of time.

While it is not customary for the Commission to acknowledge an ongoing investigation, the Commission determined to confirm the existence of its energy market investigations because of the intense public interest in the allegations and the disclosure of related investigations by other Federal agencies. The Enforcement program expects its investigations to continue into FY 2003 given the size of the markets involved and the complexity of the trading strategies employed by the market participants.

Enforcement

The primary goal of the Enforcement program is to police futures and options markets for conduct that violates the CEA or Commission regulations. Such misconduct undermines the integrity of the markets and the confidence of market participants. The following matters are examples of significant developments during the past year:

- **Aiding and Abetting Investor Fraud.** In December 2001, the Commission simultaneously filed and settled an administrative enforcement action against Republic New York Securities Corp., a registered FCM, for aiding and abetting its customer, Martin Armstrong, in defrauding investors around the world. Customer losses exceeded \$700 million. *In re Republic New York Securities Corp.*, CFTC Docket No. 02-03 (CFTC filed December 17, 2001). Republic neither admitted nor denied the findings in the Commission's order. This is one of the largest investor frauds ever prosecuted by the Commission. The Commission filed a civil injunctive action against Armstrong in September 1999, which remains pending, charging him (and two related entities) with hiding significant trading losses from investors and operating a Ponzi scheme¹. *CFTC v. Martin A. Armstrong, et al.*, No. 99-Civ 9669 (RO) (S.D.N.Y. filed September 13, 1999).

The Commission's order against Republic found that Republic's primary assistance to the scheme was its issuance of over 200 false "net asset value" (NAV) letters to Armstrong. According to the order, Republic knew that Armstrong forwarded the NAV letters to the investors and that the majority of the letters materially overstated balances allegedly available in the accounts. The Commission's order against Republic also found that Republic engaged in serious supervisory and regulatory failures and improperly allocated winning trades from certain investor accounts to a third-party account.

The Commission's order against Republic underscores the obligation of registrants handling customer business to act to stop conduct that has every appearance of being part of a fraudulent scheme. The order makes clear that failure to act can result in charges of aiding and abetting fraud.

The Commission's action was filed in coordination with an action filed by the U.S. Attorney's Office for the Southern District of New York in which Republic was directed to make restitution payments in excess of approximately \$606 million to defrauded investors.

- **Foreign Currency.** The Commission continued its initiative to battle retail foreign currency fraud by unregistered bucket shops. While much foreign currency trading is legitimate, various forms have been touted in recent years to defraud members of the public. Under the CFMA, it is unlawful to offer foreign currency futures or options contracts to retail customers unless the offeror is a regulated financial entity, including an FCM (or an affiliate of such an entity). Currency trading scams often attract customers through advertisements in local newspapers, radio promotions, or attractive Internet Web sites. These advertisements may boast purportedly high-returns, low-risk investment opportunities in foreign currency trading, or even highly paid currency-trading employment opportunities.

In FY 2002, the Commission has filed seven enforcement actions against 30 firms and individuals selling illegal foreign currency futures and options, bringing the total of such actions to 14 since enactment of the CFMA. This year's actions reflect the increasing sophistication of forex scam artists. In some cases, the defendants continuously moved the locus of their operation to try to stay one step ahead of the authorities; in other cases, the defendants attempted to evade the Commission's jurisdiction by claiming they were dealing with regulated counterparties (some in foreign locations) or that the contracts were spot (and not futures) transactions. The Enforcement program was successful in obtaining orders to stop the misconduct in all of these cases. Fighting

¹A Ponzi scheme is a type of fraud that requires an ever increasing stream of investors in order to fund obligations to the earlier investors, with a resulting pyramiding of the liabilities of the enterprise.

forex fraud continues to be a priority for the Enforcement program. Among the cases filed in FY 2002 are: *CFTC v. Offshore Financial Consultants, et al.*, No. 02-60769 (S.D. Fla. filed June 4, 2002); *CFTC and the State of Utah v. 4Nexchange, et al.*, No. 2-02CV-432 (D. Utah filed May 2, 2002); *CFTC v. Rego Gainer Financial, Inc., et al.*, No. 02-01417-DT (C.D. Cal. filed Feb. 19, 2002); *CFTC v. MAS FX LLC, et al.* No. SACV02-173 (C.D. Cal. filed Feb. 20, 2002); *In re Global Capital Investment LLC, et al.*, CFTC Docket No. 02-07 (CFTC filed Feb. 27, 2002); *CFTC v. Myers, Arnold, Davidson, Inc., et al.*, No. 02-60239 (S.D. Fla. filed Feb. 19, 2002).

- **Unregistered Commodity Pool Operator & Commodity Trading Advisor Fraud.** Retail investors continue to fall prey to unregistered CPOs and CTAs who promise great riches with little risk and then, often, steal investor funds. Some of the scams are operated as Ponzi schemes in which early investors are paid purported “profits” with newer investor funds. In addition, in many of these cases, the defendants have pre-existing business, social, religious, or ethnic ties to the individual investors. These personal relationships enable the defendants to gain the investors’ trust and then lull them into a false sense of confidence.

To alert the public to this danger, the Commission issued a consumer advisory warning of investment opportunities promising large profits and little risk, even when offered by friends and acquaintances. The advisory includes warning signs of possible fraud and provides information on how investors can protect themselves from becoming victims. See Commission February 28, 2002 Consumer Advisory at: <http://www.cftc.gov/files/enf/enfadvisory-pool.pdf>.

Every year, the Enforcement program commits substantial resources to prosecuting such actions, many of which require immediate attention to stop ongoing fraud, freeze assets, and preserve books and records. This year, the Commission filed six actions against 11 firms and individuals. See *CFTC v. Donald Steven Smith, et al.*, No. CV 02-4898-MRP (MSNx) (C.D. Cal. filed June 20, 2002); *CFTC v. Charles G. Mady, et al.*, No. 02-72364 (E.D. Mich. filed June 11, 2002); *CFTC v. Dewey V. Wiles, et al.*, No. 3-02CV 0951G (N.D. Texas filed May 6, 2002); *CFTC v. Weinberg*, No. 02-02084 RSWL (RNBx) (C.D. Cal. filed March 12, 2002); *CFTC v. Chilcott, et al.*, No. 2:02-CV-94-FTM-29DNF (M.D. Fla. filed March 6, 2002); *CFTC v. Snively, et al.*, No. 02-20041 (E.D. Mich. filed Feb. 8, 2002).

Litigation

Through the litigation program, the Office of the General Counsel (OGC) represents the Commission in the U.S. District Courts and the Courts of Appeals and assists the Solicitor General in representing the Commission before the U.S. Supreme Court.

During FY 2002, the Commission succeeded in obtaining dismissal of two cases before the U.S. Supreme Court that sought to challenge rulings favorable to the Commission. *Busch v. CFTC*, No. 01-15016 (S. Ct.); *Perk v. CFTC*, No. 01-8252 (S. Ct.).

Before the U.S. Courts of Appeals, the Commission obtained favorable rulings upon a variety of issues. Most notably, the U.S. Court of Appeals for the Fourth Circuit ruled that the Commission possesses authority to seek full relief on behalf of customers whose assets have been lost due to fraudulent activity even when those assets are held by entities that, while not responsible for fraud, nevertheless, lack a legitimate claim to them. *CFTC v. Kimberlynn Creek Ranch*, No. 00-1989 (4th Cir.).

In a number of cases, OGC successfully defended against violators of the CEA who failed to return funds to defrauded customers, among them, *CFTC v. Baragosh*, No. 00-1488 (4th Cir.), *CFTC v. Wuensch*, No. 00-16603 (11th Cir.), *CFTC v. Infinite Trading Group*, No. 01-13112-G (11th Cir.), *CFTC v. Samaru*, No. 00-56271 (9th Cir), and *CFTC v. Flanigan*, No. 01-12361-I (11th Cir.).

Before the U.S. District Courts, OGC successfully defended the Commission's right to conduct an enforcement action in *Agora v. CFTC*, No. 01-1625-A (E.D. Va). In addition, OGC represented the Commission in personnel cases before the district courts and before administrative agencies, such as the Equal Employment Opportunity Commission (EEOC) and the Merit Systems Protection Board (MSPB).

OGC also monitors bankruptcy cases involving futures industry professionals and, as appropriate, assists courts, trustees, and customers in implementing special U.S. Bankruptcy Code provisions that pertain to commodity firms. In FY 2002, OGC appeared before various U.S. Bankruptcy Courts throughout the country to protect both the Commission's interests in law enforcement and customer interests in the recoupment of lost funds. In FY 2002, OGC actively participated in six bankruptcy cases and monitored affairs in another six cases.

Finally, through its *amicus curiae* program, OGC supports the Commission in assisting the courts in resolving difficult or novel questions arising under the CEA or Commission regulations with the intent of making significant contributions to the development of consistent and accurate legal precedent. In FY 2002, OGC actively considered participating as *amicus curiae* in six cases.

Implementation of the USA PATRIOT Act of 2001

Since adoption of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act of 2001, Commission staff have participated in interagency and internal Commission working groups responsible for implementing and making recommendations on the implementation of the anti-money laundering provisions (Title III) of the USA PATRIOT Act. Title III required all financial institutions, including FCMs, CPOs and CTAs, to adopt and implement anti-money laundering compliance programs by April 24, 2002. The date for CPO and CTA compliance was deferred by the U.S. Treasury Department, which also determined to include IBs under this requirement. To meet this requirement, NFA promulgated rules requiring FCM and IB members of NFA to adopt and implement anti-money laundering programs. NFA adopted Compliance Rule 2-9(c) and a related Interpretive Notice, which the Commission approved on April 23, 2002.

Commission staff also reviewed, drafted, and provided comments concerning a number of other anti-money laundering rulemakings and reports issued by the U.S. Treasury Department, including proposed rules involving correspondent accounts and private banking accounts for non-U.S. persons, proposed rules regarding information sharing, and interim final rules concerning the program requirements applicable to mutual funds and other financial institutions. To assist Treasury, Commission staff also prepared drafts of other anti-money laundering rules required to be issued by Treasury, including rules to be issued jointly with the Commission that will require customer identification and verification by FCMs and IBs, suspicious activity reporting by FCMs and IBs, and anti-money laundering program compliance by unregistered investment companies. Staff also participated in developing an in-house training program concerning money laundering, and this

program was presented to Commission staff on June 13, 2002. As additional Treasury anti-money laundering rulemakings are developed, staff will continue to provide input and assistance to Treasury.

Exemptive Relief and Guidance

In FY 2002, the Commission responded to a large number of formal and informal requests for guidance concerning the application of regulatory requirements to specific transactions, new products, and market circumstances. Staff issued 424 responses, including electronic responses, to written requests from members of the public and the regulated industry to provide guidance concerning the application of Commission rules and to provide exemptions. These responses aided market participants and the public by providing guidance concerning the manner in which they may conduct their activities to comply with relevant requirements and by granting relief from requirements where application of the rules would not serve the public interest.

The Commission issued an advisory in February 2001 clarifying that the CEA and Commission jurisdiction apply to foreign currency futures and option trading involving retail customers and that such trading is legal only if the counterparty is a regulated financial entity enumerated in the CEA (as amended by the CFMA). FCMs and their affiliates are included in the enumerated categories. In March 2002, the Commission issued a subsequent advisory that incorporated previous advisories and addressed issues of: (1) entities introducing retail customers to registered FCMs that act as counterparties to these customers for purposes of trading off-exchange foreign currency futures or option contracts; (2) the managing of retail off-exchange foreign currency futures or option accounts; and (3) the operating of pools trading exclusively in off-exchange futures or option contracts involving foreign currency.

The Commission issued an order under Rule 30.10 in May 2002 granting the application for relief by Eurex Deutschland on behalf of certain firms located and doing business in Germany. This relief permits those members to solicit and accept orders and funds related thereto from persons located in the U.S. for trades on the exchange without registering under the CEA or complying with rules thereunder, based upon substituted compliance with applicable German law and Eurex rules. In June 2002, the Commission issued an order under Commission Rule 30.10 exempting certain firms designated by the Bolsa De Mercadorias & Futuros (Brazil futures exchange) from certain requirements of the Commission's foreign futures and options rules.

Intermediary Rule Reform

In October 2001, the Commission revised many of its key rules governing intermediaries, including FCMs, IBs, CPOs, CTAs and their respective APs, as well as FBs and FTs. The changes: (1) permit intermediaries, with customer consent, to deliver transaction and account statements electronically; (2) provide a streamlined process for opening customer accounts that incorporates certain disclosures into the customer agreement and permits acknowledgment by the customer through a single signature; (3) permit applicants for registration as IBs who have raised their own capital to file unaudited financial reports to demonstrate satisfaction of the minimum financial requirements; (4) reduce the number of officers who are required to be listed as principals; (5) provide customers with greater flexibility in closing out offsetting positions; (6) permit greater flexibility in ethics training by replacing the former prescriptive rule with a Statement of Acceptable Practices; and (7) provide broader access to derivatives transaction execution facilities by permitting retail customers to trade through a CTA with \$25 million or more in assets under management.

International Regulatory Cooperation

- **Information Sharing.** Memoranda of understanding (MOU) provide a framework for authorities to share information and extend assistance to one another in taking statements, collecting information, and conducting investigations. The Commission continued to expand its information sharing arrangements in FY 2002 by executing MOUs with regulatory agencies in Japan and Jersey. In addition, the Commission entered an arrangement with the French Conseil des Marchés Financiers for sharing of fitness information on remote market members, and the Commission concluded an arrangement on regulatory cooperation with the Chinese Securities Regulatory Commission.
- **Best Practices.** The Commission also continued its active participation within the International Organization of Securities Commissions (IOSCO) to develop regulatory “best practice” principles in the following areas that are intended to help foster higher international regulatory standards and increased access to markets and products:
 - Regulatory Oversight. The Commission continued its active participation in the IOSCO task force on the implementation of the IOSCO report, *Objectives and Principles of Securities Regulation (Core Principles)* that were adopted as a statement of international “best practices.” The Commission chairs the IOSCO Implementation Task Force, which has: 1) prepared surveys for a high-level self-assessment on the extent to which the Core Principles have been implemented; 2) evaluated completed survey responses from the IOSCO membership; and 3) provided comment to the International Monetary Fund and World Bank on a note to guide those institutions’ use of the IOSCO Principles in their Financial Sector Assessment Program. The task force is developing IOSCO’s assessment methodology.
 - Internet. The Commission participates in IOSCO task forces that have examined the regulatory implications of the increasing use of the Internet in securities and derivatives markets and currently is helping to organize North American roundtables to discuss new developments.
 - Securities Settlement Systems. The Commission actively participated in a joint IOSCO-Committee on Payment and Settlement Systems (CPSS) Task Force that developed recommendations for improving securities settlement systems. The Commission continues to participate in the development of an assessment methodology for the clearing and settlement principles.
 - IOSCO Standing Committee on Secondary Markets and Market Intermediaries. During FY 2002, the Commission continued its participation in IOSCO standing committees that have been examining regulatory issues affecting markets and intermediaries. Issues being examined include single-stock listing standards, indexation, trading halts, the effect of transparency on market fragmentation, current practices of intermediaries in liquidity management, and the regulation of financial intermediaries conducting cross-border business.
 - IOSCO Standing Committee on Enforcement and Information-Sharing. During FY 2002, the Commission’s Enforcement program continued to participate in IOSCO’s Standing Committee on Enforcement & Information Sharing (SC4). SC4 considers issues and

formulates recommendations relating to international assistance in the detection, investigation, and prosecution of securities and futures violations. The Commission actively participated in the development of a multilateral MOU that would establish minimum standards for cooperative enforcement and information exchange, including a demonstration of authority to obtain and share information.

- **International Assistance and Cooperation.** During FY 2002, the Commission continued to provide assistance to foreign regulators through publications, training, and other forms of assistance, including organizing the annual meeting for international regulators during the Futures Industry Association's (FIA) conference in Boca Raton, Florida and the Commission's annual training seminar in Chicago. The Boca Raton conference focused on identifying practical methods to reduce unnecessary duplication of regulatory efforts or requirements affecting the same entity operating globally.

New and Innovative Exchanges

The Commission is faced with an increasing number of important issues concerning the impact of technological changes on methods of transacting business on futures exchanges and a proliferation of new electronic futures exchanges:

- **OneChicago, LLC (OneChicago).** In June 2002, the Commission designated OneChicago as a contract market for the trading of futures contracts on individual securities and narrow-based securities indices (security futures products). OneChicago is owned and operated by the Chicago Mercantile Exchange (CME), the Chicago Board Options Exchange (CBOE), and the Chicago Board of Trade (CBT). CME will perform certain self-regulatory functions for the new exchange, including market and financial surveillance, and trade practice investigations. The NFA, an RFA, will provide dispute resolution services and the Options Clearing Corporation (OCC), in conjunction with CME, both DCOs, will provide clearing and settlement services.
- **Island Futures Exchange, LLC (Island).** On February 19, 2002, the Commission granted contract market designation to Island, the CFTC's second exchange designation, to permit trading of futures contracts on security futures products. Island is owned and operated by Island Holdings, LLC, which also owns and operates The Island ECN, Inc., an alternative trading system. (Since Island's designation, Island Holdings was purchased by Instinet.) NFA will perform certain self-regulatory functions for the new exchange, including market and financial surveillance, audits, trade practice investigations, and dispute resolution. OCC will provide clearing and settlement services.
- **Intercontinental Exchange (ICE).** Commission staff reviewed for sufficiency under the CEA a notice of intent to operate as a Section 2(h)(3) exempt commercial market received from ICE. In response, the Commission issued an acknowledgement letter to ICE on January 14, 2002. The exempt commercial market category was specifically created by the CFMA.
- **Weather Board of Trade, LLC (WBOT).** Commission staff reviewed for sufficiency under the CEA a notice of intent to operate as a Section 5d exempt board of trade received from WBOT. Commission staff then issued an acknowledgement letter to WBOT on April 30, 2002. (The Commission separately issued on May 30, 2002 an order finding that measures of weather, such as those to be traded on WBOT, are eligible for trading on exempt boards of trade under the

provisions of Section 5d of the CEA.) The exempt board of trade category was specifically created by the CFMA.

- **TradeSpark, LP (TradeSpark).** Commission staff reviewed for sufficiency under the CEA a notice of intent to operate as a Section 2(h)(3) exempt commercial market received from TradeSpark. The Commission issued an acknowledgement letter to TradeSpark on June 27, 2002.
- **Minneapolis Grain Exchange (MGE) New Trading System.** On December 13, 2001, the Commission approved rule changes implementing MGExpress, an electronic trading system at MGE. Initially, the system will be used to trade two new contracts, while the remainder of MGE's contracts will continue to trade on the exchange floor.
- **Nasdaq-Liffe (NQLX).** On May 24, 2002, the Commission removed the conditions on NQLX's conditional order of designation. NQLX had originally been designated in August 2001—the first exchange designation by the Commission to permit the trading of security futures products.

New and Innovative Products

In FY 2002, the exchanges filed with the Commission 39 new futures and option contracts based on a wide variety of underlying physical products and financial instruments. In addition to the eight contracts submitted for Commission approval, another 31 were filed under the Commission's certification procedures, whereby exchanges certify that their contracts comply with statutory and regulatory requirements. Several of the approved contracts represent innovative approaches designed to meet specialized hedging needs of producers and firms. The Commission reviewed physical-delivery petroleum and natural gas futures contracts, interest rate swap futures contracts, and Xfund futures contracts.

Exchange Developments

- **New York Mercantile Exchange (NYMEX) Exchange of Futures for Futures Transactions.** In May 2002, the Commission approved a rule that would permit the exchange of futures for futures transactions (EFFs) in the Brent crude oil futures contract. Brent EFFs are non-competitive transactions that are intended to be used as a mechanism by which Brent futures positions on other regulated futures exchanges can be transferred to NYMEX.
- **Merchants Exchange (ME) Governance Rules.** On June 13, 2002, the Commission approved new ME rules related to conflicts of interest and composition requirements for ME's board and various committees. The rules were proposed in response to the Commission's recent adoption of core principles governing these areas.
- **ME Energy Trading.** On January 25, 2002, the Commission approved various ME rules permitting exchange of futures for physical commodity transactions, exchange of futures for swaps transactions, and block trades in newly listed energy contracts at the exchange.
- **New York Board of Trade (NYBT) Conflict of Interest Rules.** In July 2002, the Commission approved rule changes at the various component exchanges of the NYBT establishing when committee and board members must abstain from deliberating and/or voting on matters in which they have conflicts of interest.

- **CME Reorganization.** In November 2001, the Commission approved various CME rules and rule amendments enabling the CME to reorganize into a holding company. Under the reorganization plan, the futures exchange will become a wholly owned subsidiary of CME Holdings, Inc. through a merger of CME into a new subsidiary.

Financial Integrity^{3/4}Net Capital and Customer Funds

- **Risk-Based Capital.** Commission staff are developing rules to replace the current minimum capital requirement with a risk-based capital requirement and plan to recommend that the Commission issue proposed rules.
- **Review of Rule 1.25 Investments.** Effective December 28, 2000, the Commission modified Rule 1.25 to expand greatly the types of investments FCMs and clearing organizations are permitted to make with customer funds that are segregated as required by Section 4d(a)(2) of the Act. Commission staff have commenced reviews of FCMs to determine whether their investments of customer segregated funds comply with Rule 1.25 and also to determine whether the FCMs are complying with certain other Commission rules. Specifically, with respect to Rule 1.25, the audit objective is to determine the types of investments an FCM is making with customer segregated funds and whether those investments comply with the marketability, rating, concentration, and other requirements for such investments set out in Rule 1.25. Staff completed eight such reviews during FY 2002 and will carry out additional reviews next fiscal year.

Foreign Futures

- **Foreign Board of Trade Electronic Trading in the U.S.** In March 2002, the Commission issued a no-action letter to Montreal Bourse in connection with the placement of its terminals in the U.S. to provide access to its electronic trading and order matching system. Also, in March 2002, the Commission issued a similar no-action letter to MEFF Sociedad Holding de Productos Financieros Derivados S.A.
- **Comparability Relief.** In May 2002, the Commission issued an order under Rule 30.10 granting the application for relief by Eurex Deutschland on behalf of certain firms located and doing business in Germany. This relief permits those members to solicit and accept orders and funds related thereto from persons located in the U.S. for trades on the exchange without registering under the CEA or complying with rules therein, based upon substituted compliance with applicable German law and Eurex rules. In June 2002, the Commission issued an order under Commission Rule 30.10 exempting certain firms designated by the Bolsa De Mercadorias & Futuros (Brazil futures exchange) from certain requirements of the foreign futures and options rules.

Oversight of Self-Regulatory Organization (SRO) Programs

- **CBT Trade Practice Surveillance and Disciplinary Program.** In February 2002, Commission staff issued a followup rule enforcement review report to its June 2000 rule enforcement review of the CBT. The purpose of the review was to evaluate CBT's progress in implementing the recommendations made by Commission staff in its June 2000 rule enforcement review. The target period for the followup review was January 1 through June 30, 2001. Commission staff found that

CBT had generally implemented the recommendations set forth in the June 2000 review. Staff issued one recommendation, however, with respect to CBT's disciplinary program.

- **CME Audit Trail, Trade Practice Surveillance, and Disciplinary Programs.** In June 2002, Commission staff issued a rule enforcement review report of the CME that covered the period of January 1 to July 1, 2001. The review evaluated CME's audit trail, trade practice surveillance, and disciplinary programs for compliance with relevant core principles. In its review, staff found that CME maintains adequate programs with respect to the areas reviewed. However, staff made recommendations to further improve these programs.
- **Commodity Exchange (COMEX) Division of the NYMEX Audit Trail, Trade Practice Surveillance, and Disciplinary Programs.** In August 2002, Commission staff issued a rule enforcement review report that evaluated COMEX's audit trail, trade practice surveillance and disciplinary programs for compliance with relevant core principles. The review covered the period of January 1, 2001 through December 31, 2001. Commission staff found that COMEX maintained adequate audit trail, trade practice surveillance and disciplinary programs. Commission staff, however, made recommendations for further improvement.
- **NFA Disciplinary Program.** Commission staff completed a review of NFA's disciplinary program. The review found that NFA's disciplinary program is generally well designed, executed by experienced staff, and highly successful in obtaining judgments against NFA members who have been determined to have committed violations meriting discipline. The staff report included four recommendations for improvement in NFA's disciplinary program.
- **Risk Management Report.** Commission staff completed a report of the "stress testing" and related risk management procedures in place at the CME, CBT, and the Board of Trade Clearing Corporation (BOTCC). The report covers procedures the exchanges and clearinghouses used to evaluate the effect of large hypothetical price movements on trader and firm portfolios and the procedures for following up on hypothetical losses. Staff reported that the exchanges and clearinghouses had sufficient stress testing risk management procedures in place and that they had adequately investigated the ability of traders and firms to cover losses in the event of a large market move.
- **CME Clearinghouse^{3/4} Segregation of Customer Funds.** Commission staff completed a review of CME's compliance with the requirements of the CEA and Commission rules regarding the segregation of customers' money, securities and property, and the related record-keeping rules. Staff of the Clearing and Intermediary Oversight program found that the CME was segregating and separately accounting for customers' funds as required by Section 4d(a)(2) of the Act and Commission Rules 1.20(b) and 1.26(b) and was retaining appropriate records as required by Rule 1.31. Program staff originally selected August 31, 2000 as the audit date for this review. On November 13, 2000, prior to the completion of the Commission's report, CME demutualized by converting membership interests into shares of common stock. As a consequence, Clearing and Intermediary Oversight program staff updated the report to assess what impact, if any, demutualization may have had on segregation and related activities. Clearing and Intermediary Oversight staff reviewed updated information as of May 31, 2001 in order to allow for six full months of operation under the new organizational structure.

Oversight of Registered Futures Associations

- **Commissions on Security Futures Product Transactions.** In April 2002, the Commission approved amendments by NFA of its Compliance Rule 2-37 and an accompanying interpretive notice regarding the fairness of commissions charged by NFA members in connection with security futures product transactions.
- **Soliciting or Accepting Orders for Security Futures Products.** In April 2002, the Commission approved NFA's interpretive notice to NFA Compliance Rule 2-4 to clarify the obligation of NFA members soliciting or accepting orders for security futures products to be registered as broker-dealers under the Securities Exchange Act of 1934, in addition to their primary registration as FCMs or IBs under the CEA.
- **Best Execution of Customer Orders.** In July 2002, the Commission approved NFA's interpretive notice to NFA Compliance Rule 2-4 regarding the obligation of NFA members who notice-register as broker dealers under the Securities Exchange Act of 1934 for the limited purpose of trading security futures products to seek best execution of customer orders.
- **Procedures for Supervision of the Use of Automated Order Routing Systems.** In June 2002, the Commission approved NFA's interpretive notice to NFA Compliance Rule 2-9 regarding adoption and enforcement by NFA members of written procedures for supervision of the use of automated order routing systems.
- **Proficiency Training.** In September 2002, the Clearing and Intermediary Oversight program permitted NFA's interpretive notice to NFA Compliance Rules 2-7 and 2-24 and Registration Rule 401 concerning proficiency requirements with respect to security futures products to become effective under the "10-day" provision without Commission review.
- **Foreign Currency Trading.** In June 2002, the Commission approved NFA's rule prohibiting fraud by forex dealer members, who are NFA members generating at least 35 percent of gross revenue from acting as counterparty to retail customers in off-exchange foreign currency transactions.

Division of Enforcement

The Division of Enforcement (Division) investigates and prosecutes alleged violations of the Commodity Exchange Act (CEA or Act) and Commission regulations. The Division takes enforcement action against individuals and firms registered with the Commission, those who are engaged in commodity futures and option trading on domestic exchanges, and those who improperly market futures and option contracts.

The Work of the Division of Enforcement

The Division bases investigations on information it develops independently as well as information referred by: other Commission divisions; industry self-regulatory organizations; State, Federal, and international authorities; and members of the public. At the conclusion of an investigation, the Division may recommend that the Commission initiate administrative proceedings or seek injunctive and ancillary relief on behalf of the Commission in Federal court. Administrative sanctions may include orders suspending, denying, revoking, or restricting registration, prohibiting trading, and imposing civil monetary penalties, cease and desist orders, and orders of restitution. The Commission also may obtain temporary statutory restraining orders and preliminary and permanent injunctions in Federal court to halt ongoing violations as well as civil monetary penalties. Other relief in Federal court may include appointment of a receiver, the freezing of assets, restitution to customers, and disgorgement of unlawfully acquired benefits. The CEA also provides that the Commission may obtain certain temporary relief on an *ex parte* basis (that is, without notice to the other party), including restraining orders preserving books and records, freezing assets, and appointing a receiver. When those enjoined violate court orders, the Division may seek to have the offenders held in contempt.

When the Division obtains evidence that criminal violations of the CEA have occurred, it may refer the matter to the Department of Justice for prosecution. Criminal activity involving commodity-related instruments can result in prosecution for criminal violations of the CEA and for violations of other Federal criminal statutes, including mail fraud, wire fraud, and conspiracy. The Division provides expert help and technical assistance with case development and trials to U.S. Attorneys' offices, other Federal and State law enforcement agencies, and international authorities. The Commission and individual states may join as co-plaintiffs in civil injunctive actions brought to enforce the CEA.

Enforcement Statistical Summary: Fiscal Year 2002

During FY 2002, the Commission instituted 22 civil injunctive actions and 18 administrative proceedings, which included 3 statutory disqualification actions. Sanctions that became final during FY 2002 are set forth in detail in Table 4 on page 59 and include sanctions assessed in settled matters and unappealed decisions of the Commission, U.S. district courts, or U.S. courts of appeals. The results obtained by the Division in civil injunctive proceedings in FY 2002 included: *ex parte* restraining orders against 77 defendants; preliminary injunctions against 71 defendants; permanent injunctions against 39 defendants; the appointment of 6 receivers; the assessment of over \$14 million in civil monetary penalties against a total of 16 defendants; and approximately \$20 million in restitution and disgorgement ordered against a total of 25 defendants. The results obtained by the

Division in administrative proceedings included: cease and desist orders against 34 respondents; trading prohibitions against 18 respondents; the imposition of registration suspensions, denials, or revocations against 26 respondents; the assessment of approximately \$11 million in civil monetary penalties against 33 respondents; and almost \$2 million in restitution ordered against 7 respondents.

Enforcement Highlights: Fiscal Year 2002

Beyond the numbers, much of the Commission's work in fighting fraud this year focused on its continuing initiative to battle retail foreign currency (forex) fraud by unregistered bucket shops pursuant to its authority under the Commodity Futures Modernization Act (CFMA). The Commission also combined the remedial and deterrent effects of its enforcement actions with public education initiatives, including the issuance of a new Consumer Advisory concerning certain types of commodity-related investment opportunities. In addition, the Commission worked cooperatively with regulatory authorities overseas to combat cross-border violations of the law. The following matters are examples of significant developments during the past year:

- **Foreign Currency Trading.** While much foreign currency trading is legitimate, various forms have been touted in recent years to defraud members of the public. Under the CFMA, it is unlawful to offer foreign currency futures or option contracts to retail customers unless the offeror is a regulated financial entity, including a futures commission merchant (FCM), or an affiliate of such an entity. The CFMA makes clear that the Commission has the jurisdiction and authority to investigate and take legal action to close down a wide assortment of unregulated firms offering or selling foreign currency futures and option contracts to the general public. In addition, the Commission has jurisdiction to investigate and prosecute foreign currency fraud involving futures or options. Currency trading scams often attract customers through advertisements in local newspapers, radio promotions, or attractive Internet Web sites. These advertisements may boast purportedly high-returns, low-risk investment opportunities, or even highly paid currency-trading employment opportunities.

The Commission's forex initiative includes an important public education component. In FY 2002, the Division launched an advertising campaign to raise consumer awareness of the perils of foreign currency trading. Responding to the targeting of various foreign language communities by fraudulent forex businesses, the Division published educational advertisements in three Los Angeles area newspapers beginning in April 2002: *The Chinese Daily News*, *La Opinion*, and the *Korean Central Daily News*. The ads encouraged readers who spoke Chinese, Spanish, or Korean to telephone a Division "hotline" to report suspect foreign currency trading activity.

In FY 2002, the Commission filed 12 enforcement actions against 61 defendant firms and individuals selling illegal foreign currency futures and option contracts, bringing the total of such actions to 19 since enactment of the CFMA. This year's actions reflect the increasing sophistication of forex scam artists. In some cases, the defendants continuously moved the locus of their operation to try to stay one step ahead of the authorities; in others, the defendants attempted to evade the Commission's jurisdiction by claiming they were dealing with regulated counterparties (some in foreign locations) or that the contracts sold were spot (and not futures) transactions. The Commission was successful in getting orders to stop the misconduct in all of these cases. Fighting forex fraud continues to be a priority mission for the Division.

The 12 forex cases filed by the Commission in FY 2002 are: *CFTC v. Rego Gainer Financial, Inc., et al.*, No. 02-01417-DT (C.D. Cal. filed February 19, 2002); *CFTC v. Myers, Arnold, Davidson, Inc., et al.*, No. 02-60239 (S.D. Fla. filed February 19, 2002); *CFTC v. MAS FX, LLC, et al.*, No. SACV02-173 (C.D. Cal. filed February 20, 2002); *In re Global Capital Investment LLC, et al.*, CFTC Docket No. 02-07 (CFTC filed February 27, 2002); *CFTC and the State of Utah v. 4NExchange, LLC, et al.*, No. 2-02CV-432 (D. Utah filed May 2, 2002); *CFTC v. Advent Capital Partners, Ltd., et al.*, No. 1:02-CV-1381 (N.D. Ga. filed May 21, 2002); *CFTC v. Offshore Financial Consultants, et al.*, No. 02-60769 (S.D. Fla. filed June 4, 2002); *CFTC v. International Financial Services (New York), Inc., et al.*, No. 02-5497 (S.D.N.Y. filed July 17, 2002); *CFTC v. Nawab Ali Khan Ali, et al.*, No. 02-06619 PA (SHSx) (C.D. Cal. filed August 20, 2002); *CFTC v. First Bristol Group, Inc., et al.*, No. 02-61160-Civ-Lenard (S.D. Fla. filed August 20, 2002); *CFTC v. Global Financial Consulting, Inc., et al.*, No. 1:02 CV 2394 (N.D. Ga. filed August 28, 2002); and *CFTC v. O'Neill, et al.* No. 02-61307-Civ-Gold (S.D. Fla. filed September 17, 2002). These cases are discussed in detail on the following pages.

- **Unregistered CPO & CTA Fraud.** Retail investors continue to fall prey to unregistered commodity pool operators and commodity trading advisors who promise great riches with little risk and then often steal investor funds. Some of the scams are operated as Ponzi schemes in which early investors are paid purported “profits” with newer investor funds. In addition, in many of these cases the defendants have pre-existing business, social, religious or ethnic ties to the individual investors. These personal relationships enable the defendants to gain the investors’ trust and lull them into a false sense of confidence.

To alert the public to this danger, the Commission issued a Consumer Advisory warning of investment opportunities promising large profits and little risk, even when offered by friends and acquaintances. The advisory included warning signs of possible fraud, and provided information on how investors can protect themselves from becoming victims. The advisory is available on the Commission’s Web site, along with other advisories concerning possible fraudulent activity in the industry at: <http://www.cftc.gov/cftc/cftccustomer.htm#advisory>.

Every year, the Division commits substantial resources to prosecuting such actions, many of which require immediate attention to stop ongoing fraud, freeze assets, and preserve books and records. In FY 2002, the Commission filed 9 actions against 22 defendant firms and individuals. See *CFTC v. Chilcott, et al.*, No. 2:02-CV-94-FTM-29DNF (M.D. Fla. filed March 6, 2002); *CFTC v. Weinberg*, No. 02-02084 RSWL (RNBx) (C.D. Cal. filed March 12, 2002); *CFTC v. Wiles, et al.*, No. 3-02CV 0951G (N.D. Texas filed May 6, 2002); *CFTC v. Mady, et al.*, No. 02-72364 (E.D. Mich. filed June 11, 2002); *CFTC v. Smith, et al.*, No. CV 02-4898-MRP (MSNx) (C.D. Cal. filed June 20, 2002); *CFTC v. Sovereign Resource Management, Inc., et al.*, No. 02-1783 (D. Minn. filed July 18, 2002); *CFTC v. Gahma Corporation, et al.*, No. 1:02cv 00101 PGC (D. Utah filed August 13, 2002); *CFTC v. Lofgren, et al.*, No. 02 C 6222 (N.D. Ill. filed August 30, 2002); and *CFTC v. Lee, et al.*, No. 4:02CV 01477 CAS (E.D. Mo. filed September 30, 2002). These cases are discussed in detail on the following pages.

In appropriate circumstances, Commission registrants can be held liable for aiding and abetting this type of investor fraud. In December 2001, the Commission simultaneously instituted and settled an administrative enforcement action against Republic New York Securities Corporation (Republic), a registered FCM, for aiding and abetting its customer, Martin Armstrong, in defrauding investors around the world. Customer losses exceeded \$700 million. *In re Republic*

New York Securities Corporation, CFTC Docket No. 02-03, Order Instituting Proceedings, Making Findings and Imposing Remedial Sanctions (CFTC filed December 17, 2001). Republic neither admitted nor denied the findings in the Commission's order. This is one of the largest investor frauds ever prosecuted by the Commission. The Commission filed a civil injunctive action against Armstrong in September 1999, which remains pending, charging him (and two related entities) with hiding significant trading losses from investors and operating a Ponzi scheme. *CFTC v. Armstrong, et al.*, No. 99-Civ 9669 (RO) (S.D.N.Y. filed September 13, 1999).

The Commission's order found that Republic's primary assistance to the scheme was its issuance of over 200 false "net asset value" (NAV) letters to Armstrong. According to the order, Republic knew that Armstrong forwarded the NAV letters to investors and that the majority of the letters materially overstated balances allegedly available in the accounts. The Commission's order also found that Republic suffered serious supervisory and regulatory failures and improperly allocated winning trades from certain investor accounts to a third-party account. The Commission's order was entered in coordination with an action filed by the U.S. Attorney's Office for the Southern District of New York, in which Republic was directed to make restitution payments in excess of approximately \$606 million to defrauded investors.

The Commission's order against Republic underscores the obligation of registrants handling customer business to act to stop conduct that has every appearance of being part of a fraudulent scheme. The order makes clear that failure to act can result in charges of aiding and abetting fraud.

- **Investigation of Alleged Misconduct in the Energy Markets.** The Division launched an extensive investigation of Enron's trading activity during the calendar year 2002 amid allegations that Enron had engaged in manipulative trading practices in energy-related markets. The investigation subsequently was expanded to include additional energy trading firms alleged to have engaged in "round tripping," a risk-free trading practice that produces wash results. The claims of misconduct arose out of disclosures about questionable accounting practices by energy companies aimed at enhancing their balance sheets. The investigation focused on determining whether the alleged abusive trading constituted manipulation, false reporting, or fraud in particular commodity markets during specific periods of time. While it is not customary for the Commission to acknowledge an ongoing investigation, the Commission determined to confirm the existence of its energy market investigation because of the significant public interest in the allegations and the disclosure of related investigations by other Federal agencies.
- **Cross-Border Violations.** The Division also has devoted time and resources to matters involving allegations that persons or entities have committed fraud or other misconduct in their cross-border activities. Such misconduct can adversely affect U.S. firms as well as customers located in the United States and overseas. The Commission's efforts in this area during FY 2002 included the filing of the following four administrative and three civil injunctive actions: *In re Republic New York Securities Corporation*, CFTC Docket No. 02-03 (CFTC filed December 17, 2001); *In re Ligamari*, CFTC Docket No. 02-05 (CFTC Filed February 11, 2002); *In re Vaughn*, CFTC Docket No. 02-06 (CFTC filed February 25, 2002); *CFTC v. Offshore Financial Consultants, et al.*, No. 02-60769 (S.D. Fla., filed June 4, 2002); *CFTC v. International Financial Services (New York), Inc., et al.*, No. 02-5497 (S.D.N.Y. filed July 17, 2002); *CFTC v. Sovereign Resource Management, Inc. et al.*, No. 02-1783 (D. Minn., filed July 18, 2002); and *In re Miller, et al.*, CFTC Docket No. 02-14 (CFTC filed July 15, 2002). These cases are discussed in detail on the following pages.

Enforcement Cases Filed & Results Achieved During FY 2002

The cases filed and results achieved by the Commission's Enforcement program during FY 2002 are described below. Notably, although the cases are presented by subject area, these groupings do not reflect rank or priority.

Illegal Instruments

Foreign Currency Cases

The Commission's work in fighting fraud during FY 2002 continued in the foreign currency (forex) trading arena in light of the enactment of the CFMA in December 2000. Below is a detailed description of the 12 cases filed and results achieved during FY 2002 with respect to the offer and sale of illegal foreign currency futures and option contracts to the general public.

- ***CFTC v. Rego Gainer Financial, Inc., et al.*** On February 19, 2002, the Commission filed a civil injunctive action against Rego Gainer Financial, Inc. and Rego Gainer, Inc., as well as their president, Kwok Lun Lam. The complaint alleged that the defendants solicited and accepted funds from retail customers to trade illegal forex futures contracts. According to the complaint, the defendants obtained customers by running employment ads in a local Korean newspaper and at *www.hotjobs.com*, supposedly seeking persons interested in profiting in the international currency markets. The complaint charged that although they sought people to work as "financial traders," the defendants solicited the customers to open personal trading accounts and make initial investments of \$10,000 each. The complaint further alleged that defendants falsely described the profit opportunities, misrepresented that they traded through a third-party dealer, and falsely claimed that they were registered with the Commission. On March 5, 2002, the court entered a preliminary injunction enjoining defendants from further violations, freezing their assets, and prohibiting them from destroying books and records. *CFTC v. Rego Gainer Financial, Inc., et al.*, No. 02-01417 DT (C.D. Cal. filed February 19, 2002).
- ***CFTC v. Myers, Arnold, Davidson, Inc., et al.*** On February 19, 2002, the Commission filed a civil injunctive action against Myers, Arnold, Davidson, Inc. (MAD); Copper, Thomas, Unger, Inc. (CTU); and Michael Dippolito, director of both MAD and CTU, alleging fraudulent sales of options on foreign currency and misappropriation of customer funds. After the defendants failed to respond to the Commission's complaint, a default was entered. The court's order found that MAD and CTU solicited more than \$240,000 from customers purportedly to purchase foreign currency options. According to the order, MAD and CTU offered to sell customers allegedly pre-purchased blocks of foreign currency contracts at the original price, which defendants claimed already had appreciated in value or were poised to do so. The order found that instead of buying options, MAD, CTU, and Dippolito used customer funds to pay for personal expenses, including hotels, entertainment, automobiles, and furniture. The order: (1) permanently enjoined defendants from further violations; (2) required them to pay restitution of \$229,615 to defrauded customers; (3) compelled defendants to disgorge all ill-gotten gains; and (4) imposed a civil monetary penalty to be determined after an evidentiary hearing. Dippolito has been arrested by the Broward County Sheriff's Office and charged with telemarketing fraud in connection with his alleged activities relating to MAD and CTU. *CFTC v. Myers, Arnold, Davidson, Inc., et al.*, No. 02-60239, Order of Default Judgment for Permanent Injunction (S.D. Fla., entered May 7, 2002).

- ***CFTC v. MAS FX, LLC, et al.*** On February 20, 2002, the Commission filed a civil injunctive action against several related firms and individuals: MAS FX, LLC; FX Advisors, LLC; FX Advisors Pacific, LLC; FX Advisors East, LLC; Global Equity Management Group, LLC; Brian Moore; Christian Weber; Dennis Heyburn; Ron Rozillio; Don Lakin; and Farzad Nafeiy. The complaint alleged that defendants solicited and obtained over \$5 million from at least 135 retail customers in the United States, Australia, and New Zealand to trade illegal foreign currency futures contracts. The complaint also charged that the defendants defrauded those customers by making false profit and risk claims—such as claiming that customers could double their money in a short period of time; failing to disclose the effect of the commissions charged by the defendants on their customers’ purported ability to profit; and engaging in unauthorized trading. The court entered preliminary injunctions against Weber and Nafeiy on March 7 and August 8, 2002, and consent orders of preliminary injunction against the other defendants on March 7 and March 21, 2002, in each instance enjoining defendants from further violations, freezing their assets, and prohibiting them from destroying books and records. *CFTC v. MAS FX, LLC, et al.*, No. SACV02-173 (C.D. Cal. filed February 20, 2002).
- ***In re Global Capital Investment LLC, et al.*** On February 27, 2002, the Commission simultaneously instituted and settled an administrative enforcement action against Global Capital Investment, LLC (GCI) and its president, Mitchell Vazquez. The order found that GCI and Vazquez sold illegal foreign currency futures contracts to retail customers through an Internet Web site, which stated that they transacted nearly \$2 billion per month in “spot foreign exchange” and which invited customers to trade through GCI’s Internet trading platform. Contrary to these claims, the order found, GCI and Vazquez were offering and soliciting retail customers to enter into forex futures and option transactions although they were not regulated financial entities as required by the CFMA. Without admitting or denying the findings, GCI and Vazquez consented to the entry of the order that: (1) directed them to cease and desist from further violations; (2) imposed a \$100,000 civil monetary penalty; and (3) ordered GCI and Vazquez to comply with their undertakings to cease all current foreign currency operations, not to seek registration for five years, and not to engage in forex futures or options business for or on behalf of U.S. customers for three years. *In re Global Capital Investment LLC, et al.*, CFTC Docket No. 02-07, Order Instituting Proceedings, Making Findings, and Imposing Remedial Sanctions (CFTC filed February 27, 2002).
- ***CFTC and the State of Utah v. 4NExchange, LLC, et al.*** On May 2, 2002, the Commission filed a civil injunctive action against 4NExchange and its principals, Paul Grant and Ronald Bassett, charging them with illegally offering foreign currency futures contracts and with operating a nearly \$15 million Ponzi scheme. The State of Utah joined in the Commission’s complaint, alleging that the defendants operated as an unregistered investment company and committed fraud in violation of the Utah Code. According to the complaint, the defendants fraudulently solicited up to 100 investors to invest \$14.7 million to trade with them. However, as the complaint further alleged, 4NExchange appears to have invested at best only \$200,000 of the customer funds. The Utah Division of Securities provided assistance to the Commission in its investigation of this matter. The SEC filed a related action against the defendants, in which the court issued a restraining order freezing the defendants’ assets and prohibiting them from destroying books and records. *CFTC and the State of Utah v. 4Nexchange, LLC, et al.*, No. 2 02CV-432 (D. Utah filed May 2, 2002).

- ***CFTC v. Advent Capital Partners, Ltd., et al.*** On May 21, 2002, the Commission filed a civil injunctive action against Advent Capital Partners, Ltd. (Advent) and Samuel Daley, charging them with illegally offering investments in foreign currency futures contracts to retail customers. The complaint alleged that defendants solicited funds from customers to engage in speculative trading of what defendants falsely claimed were “spot” foreign currency contracts. The complaint further charged that although Advent sent account statements to customers showing that their accounts were increasing in value, Advent customers were not able to contact any brokers or traders at Advent, and Advent sent checks to at least two customers that were returned by Advent’s bank due to insufficient funds in Advent’s accounts. On June 4, 2002, the court issued a preliminary injunction prohibiting defendants from offering illegal foreign currency contracts, freezing their assets, and prohibiting them from destroying books and records. *CFTC v. Advent Capital Partners, Ltd., et al.*, No. 1:02-CV-1381 (N.D. Ga. filed May 21, 2002).
- ***CFTC v. Offshore Financial Consultants, et al.*** On June 4, 2002, the Commission filed a civil injunctive action charging that the defendants (Offshore Financial Consultants, Global Financial Consultants, International Currency Merchants, Thomas Destasio, Juan Carlos Gomez, William Augello, Elaine Kazanas, and Marshall Sheldon) fraudulently offered illegal foreign currency options to retail customers. The complaint also charged 10 other individuals and entities as relief defendants who received the ill-gotten gains of the defendants and should be required to return those funds. According to the complaint, defendants used a series of companies to defraud customers, with each company allegedly operating for only a few months, closing, and then reappearing in a new location under a new name. The complaint alleged that while defendants were promising extraordinary profits—in some cases double or triple returns or more—they actually were engaged in trading illegal, off-exchange options. The day after the complaint was filed, the court issued a statutory restraining order freezing defendants’ assets and prohibiting them from destroying books and records. The Commission received assistance from the Louisiana Attorney General’s Office and the Florida Comptroller’s Office in its investigation of this matter. In a related action, the Louisiana Attorney General announced the filing of a suit against Global Financial Consultants, Elaine Kazanas, and Stephen DeLong. *CFTC v. Offshore Financial Consultants, et al.*, No. 02-60769 (S.D. Fla., filed June 4, 2002).
- ***CFTC v. International Financial Services (New York), Inc., et al.*** On July 17, 2002, the Commission filed a civil injunctive action against International Financial Services (New York), Inc. (IFS, Inc.) and certain related firms and individuals; International Financial Services (New York), LLC; John Walker Robinson, the President of IFS, Inc.; and Chan Kow Lai, a technical consultant and member of the board of IFS, Inc. The complaint alleged that defendants fraudulently solicited and obtained more than \$15 million from as many as 400 retail customers to invest in illegal off-exchange foreign currency contracts. The complaint also alleged that the defendants used inexperienced salespeople recruited from various ethnic communities to solicit their family and friends to invest. In addition, the complaint named Sociedade Comercial Siu Lap Limitada of Macao as a relief defendant, alleging that it unlawfully received more than \$4 million of the fraudulently obtained funds from the defendants and should be required to return those funds. On August 8, 2002, the court entered a consent order of preliminary injunction enjoining defendants from further violations, freezing their assets, and prohibiting them from destroying books and records. *CFTC v. International Financial Services (New York), Inc., et al.*, No. 02-5497 (S.D. N.Y., filed July 17, 2002).

- ***CFTC v. Nawab Ali Khan Ali, et al.*** On August 20, 2002, the Commission filed a civil injunctive action against Nawab Ali Khan Ali; Mega Trend 2000, Inc. (Mega Trend); Sterling FX International LLC (Sterling FX); and Roger Barreto. According to the complaint, Ali controlled and Barreto managed the daily operations of corporate defendants Mega Trend and Sterling FX. The complaint alleged that defendants solicited and accepted funds from retail customers to engage in speculative trading of illegal off-exchange foreign currency futures contracts. The complaint charged that defendants obtained customers by advertising through newspaper employment ads, including in the *Los Angeles Times Career Builder Magazine*. According to the complaint, Ali has been associated with numerous companies engaged in illegal forex activities, including two firms that, in a prior Commission action, the U.S. District Court for the District of Maryland found to have engaged in fraud and offered illegal forex futures contracts to the retail public. On August 23, 2002, the court issued a statutory restraining order freezing defendants' assets and prohibiting them from destroying books and records. *CFTC v. Nawab Ali Khan Ali, et al.*, No. 02-06619 PA (SHSx) (C.D. Cal. filed August 20, 2002).
- ***CFTC v. First Bristol Group, Inc., et al.*** On August 20, 2002, the Commission filed a civil injunctive action against four Florida businesses (First Bristol Group, Inc.; Alliance Equity Group, Inc.; Centurion Financial Group, Inc.; and Great Minster Group, Inc.) and their principals (Staci Petok; Jack Martin Pomeroy; Michael Desmond Biggs; and Bernard Justin Sevilla), charging them with fraudulently soliciting customers to invest in illegal off-exchange foreign currency futures and options as well as other futures contracts. According to the complaint, defendants enticed customers to send money based on false claims of quick and enormous profits, with minimal risk of loss. The complaint alleged that, rather than invest customer funds, defendants misappropriated nearly all of the \$500,000 in solicited funds for their personal use and attempted to mask this misappropriation by providing false account statements showing fictitious trading activity. On the same day the complaint was filed, the court issued a statutory restraining order freezing defendants' assets and prohibiting them from destroying books and records. The Commission received assistance from the Broward County Sheriff's Office, the Florida State Comptroller's Office, and the Broward County State Attorney's Office in connection with this matter. *CFTC v. First Bristol Group, Inc., et al.*, No. 02-61160-Civ-Lenard (S.D. Fla. filed August 20, 2002).
- ***CFTC v. Global Financial Consulting, Inc., et al.*** On August 28, 2002, the Commission filed a civil injunctive action against Global Financial Consulting, Inc. (Global), Wook Hyun Kim (Global's owner), and Chang H. Lee (Global's financial consultant). The complaint alleged that defendants solicited at least \$118,000 from customers to invest in illegal foreign currency futures contracts by guaranteeing profits ranging from 20 to 80 percent annually. Defendants also allegedly falsely claimed that Global was affiliated with a firm registered with the Commission and that customer funds were deposited with "triple-A rated financial institutions" that were "FDIC insured" and were "legally protected and held in escrow so as to protect clients against bankruptcy." The complaint also alleged that, as part of the fraud, defendants sent customers false account statements showing consistently profitable trading although the only trading known to have occurred was conducted in the personal trading account of Kim, where the trading was not in the name of customers and was not profitable. On the same day the complaint was filed, the court issued a statutory restraining order freezing defendants' assets and prohibiting them from destroying books and records. *CFTC v. Global Financial Consulting, Inc., et al.*, No. 1:02 CV 2394 (N.D. Ga. filed August 28, 2002).

- ***CFTC v. O’Neill, et al.*** On September 17, 2002, the Commission filed a civil injunctive action against Donald O’Neill and eight interrelated companies that he owned, controlled, or managed (Frecom Technology; Shelaley Holdings, LLC; Momentum Trading Group, Inc.; NDT Fund, LLC; Orca Funds, Inc.; Orca Capital Fund A, LLC; Orca Mohave A, LLC; and Orca Hopi A, LLC). The complaint alleged that O’Neill, operating through this series of companies, fraudulently solicited investments totaling at least \$13 million from at least 29 investors for the ostensible purpose of trading primarily foreign currency futures contracts. According to the complaint, O’Neill misappropriated a minimum of \$10.6 million of investor funds for his personal benefit and to finance an extravagant lifestyle. The complaint further alleged that O’Neill made numerous false claims when soliciting the funds and attempting to lull investors who inquired about their investments. Among the victims of the fraud were two groups of Native American investors whose investments represented nearly \$10 million of the total money raised in the scheme. Also named in the complaint as relief defendants were O’Neill’s wife (Danielle O’Neill), his mother-in-law (Nancy Iagrossi), and his brother (Robert O’Neill), who allegedly received investor funds from O’Neill. The day after the complaint was filed, the court entered a statutory restraining order freezing the defendants’ assets and prohibiting them from destroying books and records. The Commission received assistance from the Federal Bureau of Investigation (FBI) and the U.S. Attorney’s Office for the Southern District of Florida in connection with this matter. *CFTC v. O’Neill, et al.*, No. 02-61307-Civ-Gold (S.D. Fla. filed September 17, 2002).

Foreign Currency Case Results

During FY 2002, the Commission obtained results in the following cases previously filed with respect to the offer and sale of illegal foreign currency futures and option contracts to the general public.

- ***CFTC v. SunState FX, Inc., et al.***, No. 01-8328-CV, Consent Order of Permanent Injunction Against SunState FX, Inc. (S.D. Fla. entered November 7, 2001), Order of Default Judgment for Permanent Injunction Against Defendants Ulrich Garbe, (S.D. Fla. entered November 27, 2001) These orders of permanent injunction found that Ulrich Garbe, the owner and chief investment officer of SunState FX, Inc., solicited retail customers to purchase illegal foreign currency options and misappropriated customer funds. The orders: (1) permanently enjoined defendants from further violations; and (2) prohibited Garbe and SunState FX, Inc. from seeking registration and from controlling or directing the trading of commodity accounts on behalf of any other person or entity.
- ***CFTC v. International Monetary Group, et al.***, No. 5:01CV1496, Consent Orders of Permanent Injunction (N.D. Ohio entered April 30, 2002) These consent orders of permanent injunction found that International Monetary Group, Currency Management Group, Anthony Dellarciprete, Emido Dellarciprete, and Jason Lemmon used almost \$2.9 million of customer funds to pay personal expenses and hid their misappropriation through false investment reports and misrepresentations to customers. Without admitting or denying the findings, defendants consented to the entry of the orders that: (1) permanently enjoined defendants from further violations; (2) held defendants jointly and severally liable for \$2.9 million in restitution pursuant to income-based payment plans; and (3) imposed permanent trading bans as well as contingent civil monetary penalties of \$770,000 each on Anthony and Emido Dellarciprete and \$220,000 on Lemmon pursuant to income-based payment plans.

- ***CFTC v. International Currency Strategies, Inc., et al.***, No. 01-8350, Consent Orders of Permanent Injunction and Restitution (S.D. Fla. entered July 15, 2002) These consent orders of permanent injunction found that International Currency Strategies, Inc., Fairfield Currency Group, Inc., Strategic Trading Group, Inc., Valentin Fernandez, and Daniel Phillips fraudulently telemarketed illegal foreign currency option contracts to individuals nationwide, making false claims about the potential profitability and risk of foreign currency options trading, and misappropriated all or almost all of the funds they received by using the funds to pay personal expenses. Without admitting or denying the findings, defendants consented to the entry of the orders that: (1) permanently enjoined defendants from further violations, from trading futures or option contracts, and from seeking registration in any capacity; and (2) ordered that Phillips and Fernandez pay any deficiency between the restitution awarded in a related criminal action arising out of the same activities and the approximately \$1.06 million found to be appropriate in the orders.

Violations Involving Managed Funds or Marketing of Trading Systems

Recent years have seen increases in both the number of customers participating in the futures and option markets and the amount of customer funds under management. During FY 2002, the Commission prosecuted the following enforcement actions against those acting as commodity pool operators (CPOs) and commodity trading advisors (CTAs) who sought to exploit this growth through fraudulent schemes and other violations involving managed funds and/or the marketing of trading systems.

Pool Fraud Cases

- ***CFTC v. Chilcott, et al.*** On March 7, 2002, the Commission filed a civil injunctive action against Thomas D. Chilcott (individually and doing business as Trade Master of Southwest Florida), his wife Leona Westbrook, and Ted E. Whidden, charging them with defrauding at least 45 commodity pool investors. The complaint charged that Chilcott and Whidden solicited at least \$2.5 million from investors to open individual trading accounts or to invest in a commodity pool to be traded by Chilcott. As alleged, Chilcott and Whidden misrepresented that the pool was trading profitably when, in fact, it actually lost approximately \$300,000 from trading. Defendants also allegedly misappropriated at least \$1 million of pool funds to pay personal expenses. Finally, the complaint also charged that Chilcott's conduct violated a 1981 Federal court order permanently barring him from soliciting or trading any customer commodity accounts, which Chilcott and Whidden did not disclose to prospective investors. In consent orders of permanent injunction entered on July 18 and September 27, 2002, the court entered orders: (1) permanently enjoining defendants from further violations, from trading futures or option contracts, and from seeking registration in any capacity; and (2) requiring defendants to pay restitution and civil monetary penalties in amounts to be determined either by settlement or by a subsequent court hearing. *CFTC v. Chilcott, et al.*, No. 2:02-CV-94-FTM-29DNF, Consent Order of Permanent Injunction as to Defendants Thomas D. Chilcott and Leona Westbrook (M.D. Fla. entered July 18, 2002); Consent Order of Permanent Injunction as to Defendant Ted E. Whidden (M.D. Fla. entered September 27, 2002).
- ***CFTC v. Weinberg.*** On March 12, 2002, the Commission filed a civil injunctive action charging Mark Weinberg with fraudulently soliciting seven persons to invest over \$500,000 purportedly to

trade commodity futures contracts. According to the complaint, Weinberg never traded commodity futures for the investors, but instead misappropriated all the funds for his own use. The complaint further charged that Weinberg's conduct violated a 1994 Commission order directing Weinberg to cease and desist from such fraudulent conduct. On the same day the complaint was filed, the court entered a statutory restraining order freezing Weinberg's assets and prohibiting him from destroying books and records. *CFTC v. Weinberg*, No. 02-02084 RSWL (RNBx) (C.D. Cal. filed March 12, 2002).

- ***CFTC v. Mady, et al.*** On June 11, 2002, the Commission filed a civil injunctive action against Charles Mady, a sole practitioner attorney who has never been registered with the Commission. Mady Funding Company, LLC and Mady Futures, Inc. are named as relief defendants. According to the complaint, Mady solicited and accepted over \$6 million for trading in a commodity pool, misappropriated approximately \$1.2 million of the funds entrusted to him for trading, and issued false account statements that misrepresented the results of his trading. As alleged, Mady transferred approximately \$4.8 million into a commodity trading account and sent 27 false statements that inflated the value of the account when, in fact, the account suffered trading losses in excess of \$2.5 million. On the same day the complaint was filed, the court entered a consent order of preliminary injunction enjoining Mady from further violations, freezing the assets of Mady and the relief defendants, and prohibiting them from destroying books and records. *CFTC v. Mady et al.*, No. 02-72364 (E.D. Mich. filed June 11, 2002).
- ***CFTC v. Smith, et al.*** On June 20, 2002, the Commission filed a civil injunctive action against Donald Smith and Fibit.com, a trading signals service, charging them with unauthorized trading of commodity pool funds, failing to provide account statements to pool investors, and commingling pool funds with personal and other funds. The complaint also alleged that defendants fraudulently continued trading after two of their customers demanded that they cease trading and return the customers' remaining account balances. The complaint further alleged that Smith, under his own name after his CTA registration had lapsed, managed customer accounts and solicited and accepted customer funds to be traded. On August 21, 2002, the court entered a consent order of preliminary injunction enjoining defendants from further violations and prohibiting them from destroying books and records. *CFTC v. Smith, et al.*, Case No. CV 02-4898-MPR (MSNx) (C.D. Cal. filed June 20, 2002).
- ***CFTC v. Sovereign Resource Management, Inc., et al.*** On July 18, 2002, the Commission filed a civil injunctive action against Sovereign Resource Management, Inc. (a Grenadian corporation), Ken Mitra (a Canadian citizen and the president of Sovereign), Virgil E. Smith, and Anthony Heppner. The complaint alleged that defendants accepted approximately \$1.7 million in funds from at least 97 pool participants to trade futures contracts on their behalf. According to the complaint, defendants misappropriated approximately \$630,000 of those funds for their own use. The complaint also alleged that defendants falsely represented the profitability of the pool by issuing false trading statements and by making other false assertions to pool participants. On August 2, 2002, the court entered a statutory restraining order freezing defendants' assets and prohibiting them from destroying books and records. The British Columbia Securities Commission provided assistance to the Commission in connection with this matter. *CFTC v. Sovereign Resource Management, Inc., et al.*, No. 02-1783 (D. Minn., filed July 18, 2002).
- ***CFTC v. Gahma Corporation, et al.*** On August 13, 2002, the Commission filed a civil injunctive action against Gahma Corporation (Gahma) and four individuals, John Garrett, Allen Andersen,

Robert Heninger, and Stephen Brockbank. The complaint charged that Gahma and its principals (Garrett, Andersen, and Heninger) fraudulently operated a commodity pool, while Brockbank—the pool’s trading advisor and money manager—fraudulently misrepresented his trading performance and failed to disclose a Commission fraud complaint pending against him. Specifically, the complaint alleged that Gahma, Garrett, Andersen, and Heninger fraudulently solicited at least \$700,000 in funds from eight pool participants by marketing corporate notes purporting to pay 32 percent interest. The complaint further alleged that defendants placed the investor funds into pooled accounts and transferred the funds off-shore under the control of Brockbank, but Brockbank never traded the funds. In addition, the complaint alleged that the defendants used false promotional materials and issued false statements purporting to show that defendants’ trading activities were generating sufficient profits to yield the promised 32 percent returns. On September 11, 2002, the court entered a statutory restraining order freezing defendants’ assets and prohibiting them from destroying books and records. The Securities Division of the Utah Department of Commerce assisted the Commission in the investigation of this matter. *CFTC v. Gahma Corporation, et al.*, No. 1:02cv 00101 PGC (D. Utah filed August 13, 2002).

- ***CFTC v. Lofgren, et al.*** On August 30, 2002, the Commission filed a civil injunctive action against registered CPO Melrose Asset Management (Melrose) and John Martin Lofgren, the chief executive officer and an associated person (AP) of Melrose. The complaint alleged that Lofgren and Melrose misappropriated over \$1.4 million in investor funds entrusted to them to trade commodity futures and options. The complaint further alleged that, to cover up their fraud, defendants sent to some investors false account statements that did not show the defendants’ unauthorized withdrawals from the pool. On the same day the complaint was filed, the court issued a statutory restraining order freezing defendants’ assets and prohibiting them from destroying books and records. *CFTC v. Lofgren, et al.*, No. 02 C 6222 (N.D. Ill. filed August 30, 2002).

Pool Fraud Case Results

During FY 2002, the Commission obtained results in the following previously filed pool fraud cases.

- ***CFTC v. Bailey, et al.***, No. G-1-01:212, Consent Order of Permanent Injunction (S.D. Ohio entered December 18, 2001) This consent order of permanent injunction found that Jeffrey Bailey and JMK Capital Management, Inc. fraudulently operated a commodity pool and that Bailey issued statements to investors displaying exaggerated and fraudulent earnings and diverted \$371,670 in investor funds for his own use. The order: (1) permanently enjoined defendants from further violations; (2) required Bailey to pay restitution of \$491,100 to investors and then \$196,000 as a civil monetary penalty, pursuant to an income-based payment plan; and (3) prohibited Bailey and JMK from soliciting funds, seeking registration, and controlling or directing the trading of commodity accounts on behalf of any other person or entity.
- ***CFTC v. Pension America, Inc., et al.***, No. 00-2071 RHK/SRN, Consent Order of Permanent Injunction Against Defendants Leonard G. Nauman, Pension America, Inc., and Future Profit Making, LLC (D. Minn. entered March 4, 2002) This consent order of permanent injunction found that defendants fraudulently solicited investors for various commodity pools, misrepresented their past trading success to potential investors, and misappropriated investor funds for personal use. Without admitting or denying the findings, defendants consented to the entry of the order that: (1)

permanently enjoined defendants from further violations; (2) required defendants to pay restitution of \$556,452 and then \$242,432 as a civil monetary penalty pursuant to an income-based payment plan; (3) prohibited defendants from trading for others or from seeking registration; and (4) barred Nauman from trading for his own account or accounts in which he has an interest for 10 years or until his restitution obligation has been satisfied.

- ***CFTC v. Dormagen, et al.***, No. 6:00-0567, Consent Order of Permanent Injunction (S.D. W.Va. March 14, 2002) This consent order of permanent injunction found that Robert Dormagen and his company, Delta Financial Corp., defrauded investors of a commodity pool by misappropriating pool funds. Without admitting or denying the findings, defendants consented to the entry of the order that: (1) permanently enjoined defendants from further violations; (2) imposed permanent trading bans on them; and (3) barred them from seeking registration in any capacity. The order declined to require restitution because Dormagen was ordered to pay \$850,000 in restitution in a related criminal action arising out of the same activities.
- ***CFTC v. Knipping, et al.***, No. 01-163-P-H, Order of Permanent Injunction (D. Me. entered May 18, 2002), Supplemental Order Concerning Restitution and Civil Monetary Penalties (D. Me. entered July 23, 2002) The order of permanent injunction found that Edward Knipping and Time Traders, Inc. fraudulently operated a commodity pool, misappropriated funds, and issued false account statements indicating that the pool was highly profitable. The order, together with a subsequent supplemental order: (1) permanently enjoined defendants from further violations; (2) required them to pay \$3,444,829 in restitution (less any amounts paid pursuant to orders entered in related criminal proceedings) and, if that obligation is satisfied, civil monetary penalties of \$250,000 each; and (3) prohibited Knipping and Time Traders from soliciting funds, seeking registration, and controlling or directing the trading of commodity accounts on behalf of any other person or entity.
- ***CFTC v. Ferguson, et al.***, No. 1:00 CV 0300, Order of Default Judgment for Permanent Injunction (N.D. Ind. entered June 4, 2002) The default order found that Phillip L. Ferguson, individually and doing business as Ferguson Financial, B&F Trading, and First Investors Group, Inc., defrauded at least 452 commodity pool investors and failed to register as a CPO. The order: (1) permanently enjoined Ferguson from further violations; (2) required him to pay \$12.8 million in restitution to investors and a civil monetary penalty of \$10.8 million; and (3) prohibited Ferguson from soliciting funds, trading commodity futures or option contracts, and seeking registration in any capacity.
- ***CFTC v. Rothlin & Windsor Capital Management, et al.***, No. AMD-01-CV-2320, Consent Order of Permanent Injunction (D. Md. June 6, 2002) The consent order of permanent injunction found that Peter Scott and his firm Rothlin & Windsor Capital Management, Inc. fraudulently solicited investors for a commodity pool, misrepresented the pool's value and profits as well as the value of individual investors' shares of the pool, and misappropriated for personal use pool funds in excess of \$2 million. Without admitting or denying the findings, defendants consented to the entry of the order that: (1) permanently enjoined defendants from further violations; (2) prohibited them from trading commodity futures or option contracts and from seeking registration in any capacity; and (3) required defendants to pay restitution and a civil monetary penalty in an amount to be determined by settlement or by a subsequent court hearing.

- **CFTC v. Duncan, et al.**, No. 01 C 6802, Order of Default Judgment for Permanent Injunction (ND. Ill. entered April 3, 2002) The default order found that Andrew Duncan of Toronto, Canada and his company, Aurum Society, Inc. (Aurum), fraudulently solicited and operated a commodity pool and misappropriated investor funds. The order: (1) permanently enjoined defendants from further violations; and (2) required Duncan and Aurum to pay \$3,456,555 in restitution, disgorge \$83,000 in misappropriated funds, and pay a civil monetary penalty of \$360,000.

Managed Accounts and Trading Systems Cases

- **In re Radcliffe.** On January 15, 2002, the Commission filed an administrative complaint charging Michael Radcliffe with fraudulently promoting a commodity trading system on his Internet Web site. On June 10, 2002, the Commission accepted an offer of settlement from Radcliffe and issued an order finding that Radcliffe fraudulently solicited customers to purchase a commodity trading system called “Mickey’s Methods to Money or Madness” and a book about commodity futures trading called *Learn to Earn*. According to the order, Radcliffe falsely stated that he personally made “good profits” by trading with his system and that he made his living through such trading. Without admitting or denying the findings, Radcliffe consented to the entry of the order that: (1) directed Radcliffe to cease and desist from further violations; (2) required him to pay a civil monetary penalty of \$15,000; (3) ordered him to comply with his undertakings never to seek registration and not to misrepresent performance results achieved by any commodity futures or option trading system or the risks of trading using any such system. *In re Radcliffe*, CFTC Docket No. 02-04, Order Making Findings and Imposing Remedial Sanctions (CFTC entered June 10, 2002).
- **In re Angell, and In re TradeWins Publishing Corp., et al.** On March 6 and April 4, 2002, the Commission simultaneously instituted and settled administrative enforcement actions against George Angell, TradeWins Publishing Corp. (TradeWins), and Stephen Schmidt, Trade Wins’ president, with respect to their fraudulent solicitations involving the “LLS Day Trading System” (LLS System). The orders found that TradeWins (a publisher of investment books and products), Schmidt, and Angell solicited the public through a series of promotional brochures that falsely represented that the LLS System’s performance record was based on Angell’s actual commodity trading when, in fact, the results reported were based on hypothetical back-testing. The brochures also falsely represented that prospective customers could review Angell’s personal trading account records and that the LLS System’s performance results had been independently audited and verified when, according to the orders, the firm purportedly verifying the results was not independent because it was compensated based on the profits earned by the sale of the LLS System. Without admitting or denying the findings, Angell, TradeWins, and Schmidt consented to the entry of the orders that: (1) directed them to cease and desist from further violations; (2) imposed a \$100,000 joint and several civil monetary penalty against TradeWins and Schmidt and a \$50,000 civil monetary penalty against Angell; and (3) ordered them to comply with undertakings prohibiting them from making misrepresentations regarding the profits and risks associated with futures trading. *In re Angell*, CFTC Docket No. 02-08, Order Instituting Proceedings, Making Findings and Imposing Remedial Sanctions (CFTC filed March 6, 2002); and *In re TradeWins Publishing Corp. et al.*, CFTC Docket No. 02-10, Order Instituting Proceedings, Making Findings and Imposing Remedial Sanctions (CFTC filed April 4, 2002).

- ***CFTC v. Wiles, et al.*** On May 6, 2002, the Commission filed a civil injunctive action against Dewey Wiles and Futures Exchange Company, Inc. (FEC). The complaint alleged that Wiles and FEC fraudulently solicited more than \$770,000 from approximately 80 customers by falsely claiming that those customers would realize large profits from trading commodity futures contracts, while minimizing the risks of such trading and misrepresenting the performance record of a trading system. The complaint further alleged that Wiles and FEC guaranteed profits to many customers and fraudulently issued false monthly statements reflecting bogus profits. According to the complaint, Wiles misappropriated more than \$150,000 in customer funds for personal use when his trading failed to achieve those profits. On June 19, 2002, the court entered a consent order of preliminary injunction against Wiles and FEC enjoining them from further violations, freezing their assets, and prohibiting them from destroying books and records. The U.S. Attorney's Office for the Northern District of Texas provided assistance in the filing of this matter. *CFTC v. Wiles, et al.*, No. 3-02CV 0951G (N.D. Texas filed May 6, 2002).
- ***In re Pierce.*** On July 30, 2002, the Commission filed an administrative complaint against Stephen Alan Pierce, a registered CTA, alleging that he fraudulently solicited customers to purchase trading recommendations using misleading advertising on the Internet. The complaint was brought as part of the Federal Trade Commission's Midwest Netforce Fraud Initiative, in which the Commission joined with 4 other Federal agencies, 11 State attorneys' general, and 20 State and local law enforcement agencies to target Internet fraud. The complaint against Pierce alleged that in his advertisements on numerous Web sites, Pierce made false representations of profits, overstated profit potential, mischaracterized the performance of his "Rapid Fire Swing Trading" and "Chart Traders" trading systems, and misrepresented that his systems' performance results were based on actual trading, when in fact they were based on hypothetical trades. *In re Pierce*, CFTC Docket No. 02-15 (CFTC filed July 30, 2002).
- ***CFTC v. Lee, et al.*** On September 30, 2002, the Commission filed a civil injunctive action against Kenneth J. Lee and KJL Financial Group, Inc. or KJL Investment Group, Inc. charging that they misappropriated at least \$52,000 (and possibly as much as \$494,000) in funds that they solicited and accepted from investors for the purpose of trading commodity futures contracts. The complaint alleged that defendants used the misappropriated funds to make payments to Lee's girlfriend, Lee's personal credit card accounts, and Lee's personal mortgage account. The complaint further alleged that defendants made false statements to investors and issued false account statements misrepresenting investors' profits, trading activity, or account balances. On the day after the complaint was filed, the court entered a consent order of preliminary injunction enjoining defendants from further violations, freezing their assets, and prohibiting them from destroying books and records. *CFTC v. Lee, et al.*, No. 4:02CV 01477 CAS (E.D. Mo. filed September 30, 2002).

Managed Accounts and Trading Systems Case Results

During FY 2002, the Commission obtained results in the following previously filed cases involving managed accounts and trading systems:

- ***In re Currency Trading Systems, et al.***, CFTC Docket No. 00-06, Order Making Findings and Imposing Remedial Sanctions (CFTC entered November 6, 2001) This Commission order found that Currency Trading Systems (Currency Trading), its president Joyce Roeder, and Currency Trading seminar trainers Glenn Cybulski and Michael Stewart fraudulently solicited the public to

attend seminars and purchase trading software in order to trade commodity futures contracts and that Roeder personally managed four client accounts without the necessary registration and without providing required disclosures. Without admitting or denying the findings, respondents consented to the entry of the order that: (1) directed them to cease and desist from further violations; (2) imposed permanent trading bans on Roeder and Currency Trading; (3) required Roeder and Currency Trading to pay restitution of \$760,500 and a contingent civil monetary penalty in the same amount pursuant to an income-based payment plan; (4) required Cybulski and Stewart to pay restitution of \$21,300 and \$13,500 and civil monetary penalties of approximately \$84,000 and \$21,000, respectively; and (5) ordered that respondents comply with their undertaking never to seek registration in any capacity.

- ***CFTC v. Nickolaou, et al.***, No. 99 C 6425, Consent Order of Permanent Injunction Against Defendant Nicholas J. Nickolaou (N.D. Ill. entered November 20, 2001) The consent order of permanent injunction found that Nickolas Nickolaou, while acting as a CTA in soliciting the public to purchase his computer-aided trading system, “Wisdom of the Ages” (WOTA), misrepresented the WOTA system’s performance record, his use of the system in active trading, the number and satisfaction of WOTA system users, and his trading experience. Without admitting or denying the findings, Nickolaou consented to the entry of the order that: (1) permanently enjoined Nickolaou and his company Ca-Ni Industries, Ltd. (Ca-Ni) from further violations; (2) required Nickolaou to pay \$265,105 in restitution to customers and a contingent civil monetary penalty of \$110,000, pursuant to an income-based payment plan with an initial cash payment of \$15,445; and (3) prohibited Nickolaou and Ca-Ni from trading on a registered futures exchange, seeking registration, or controlling or directing the trading of commodity accounts on behalf of any other person or entity.
- ***CFTC v. Monte, et al.***, No. 99-8750-CIV-RYSKAMP, Consent Order of Permanent Injunction Against Fred Monte and Comp Tech Ltd. (S.D. Fla. entered February 7, 2002) and Consent Order of Permanent Injunction Against Jeanne Monte (S.D. Fla. entered February 7, 2002) The consent orders of permanent injunction found that Fred and Jeanne Monte fraudulently solicited the public to purchase Comp Tech Ltd.’s foreign currency trading system. Without admitting or denying the findings, defendants consented to the entry of the orders that: (1) permanently enjoined defendants from further violations; (2) required Fred Monte to pay a civil monetary penalty of \$110,000 pursuant to an income-based payment plan; (3) imposed permanent trading bans on defendants; and (4) prohibited defendants from ever seeking registration in any capacity.
- ***In re Sheaves***, CFTC Docket No. 01-25, Initial Decision on Default (CFTC entered February 27, 2002) The Initial Decision by administrative law judge (ALJ) against D. Michael Sheaves, a registered CTA and AP, which became the final order of the Commission when it was not appealed, found that Sheaves had distributed—either via e-mail or his Internet Web site—an outdated and materially false disclosure document and also failed to disclose that certain profitable trades reported on his Web site were based on hypothetical (not actual) trading. The order: (1) directed Sheaves to cease and desist from further violations; (2) revoked Sheaves’ CTA registration and suspended his AP registration for six months; (3) required Sheaves to pay \$11,923 in restitution and a \$50,000 civil monetary penalty.
- ***CFTC v. Alsafari***, No. C 00 3202, Consent Order of Permanent Injunction (N.D. Cal. entered April 2, 2002) This consent order of permanent injunction found that, in soliciting members of the public (in advertisements and on his Internet Web sites) to invest in a trading system to trade

Japanese Yen futures contracts, Abdulla Alsafari made guarantees of profits, falsely promised refunds to customers who lost money, misrepresented that no customer had ever requested a refund, and falsely claimed that he made money for his own account trading with his system. Without admitting or denying the findings, Alsafari consented to the entry of the order that: (1) permanently enjoined Alsafari from further violations; and (2) required Alsafari to pay \$55,000 in restitution pursuant to an income-based payment plan.

- ***In re Systems of Success-Window to Profit et al.***, CFTC Docket No. 00-27, Order Making Findings and Imposing Remedial Sanctions as to Respondent Kates (CFTC entered June 17, 2002); Order Making Findings and Imposing Remedial Sanctions as to Respondents Systems of Success and Flavell (CFTC entered July 11, 2002) The Commission orders found that Kevin Kates, Bernadette Flavell, and a company called Systems of Success-Window to Profit (SOS) fraudulently marketed SOS's commodity futures trading systems in newspaper advertisements and promotional materials by presenting hypothetical trading results as actual trading results, misrepresenting the profit potential and risks associated with futures trading, and portraying a rosy picture of consistent profits although the actual trading results varied substantially from the track records they were distributing. Without admitting or denying the findings, respondents consented to the entry of the orders that: (1) directed them to cease and desist from further violations; (2) permanently prohibited Kates and SOS from trading on or subject to the rules of any regulated markets; (3) revoked Flavell's registration as a CTA and prohibited her from trading on or subject to the rules of any regulated markets for two years; (4) required Kates to pay a civil monetary penalty of \$75,000 and Flavell and SOS to jointly pay a civil monetary penalty of \$50,000 pursuant to income-based payment plans; and (5) ordered respondents to comply with their undertaking never to seek registration in any capacity.

Supervision and Compliance Cases and Results

In its efforts to promote sound practices of firms handling customer funds, the Commission investigates and prosecutes registrants' failures to supervise diligently the handling of customer accounts and to establish adequate compliance systems to prevent fraud or market abuse as well as other financial violations.

- ***In re Republic New York Securities Corporation.*** On December 17, 2001, the Commission simultaneously instituted and settled an administrative enforcement action against Republic New York Securities Corporation (Republic), a registered futures commission merchant (FCM). The order found that Republic aided and abetted futures trading fraud that resulted in losses exceeding \$700 million to investors around the world. Specifically, the order found that for nearly four years, Republic assisted Martin Armstrong and his companies (Princeton Economics International Ltd. and Princeton Global Management Ltd.) in hiding significant trading losses in commodity futures and options and in operating a Ponzi scheme. Republic's primary assistance to the scheme, the order found, was its issuance of over 200 false "net asset value" letters that Republic knew would be forwarded to investors, materially overstated available balances in investor accounts, and failed to include payments for trading losses and other withdrawals. The order further found that Republic failed to implement and comply with relevant policies and procedures for monitoring investor accounts and improperly allocated winning trades from certain investor accounts to a third-party account. Without admitting or denying the findings, Republic consented to the entry of the order that: (1) directed Republic to cease and desist from further violations; (2) required it to pay a \$5 million civil monetary penalty; and (3) revoked Republic's registrations.

The Commission's action was filed in coordination with related proceedings, including an action filed by the SEC, and a criminal proceeding filed by the U.S. Attorney's Office for the Southern District of New York that resulted in an order requiring Republic to make restitution payments in excess of \$606 million to defrauded investors. The Commission received assistance from the Financial Services Agency of Japan in its investigation of this matter. *In re Republic New York Securities Corporation*, CFTC Docket No. 02-03, Order Instituting Proceedings, Making Findings and Imposing Remedial Sanctions (CFTC filed December 17, 2001).

- ***In re Vaughn.*** On February 25, 2002, the Commission simultaneously instituted and settled an administrative enforcement action against Mark Vaughn, former chief operating officer of LFG, LLC (LFG), a former FCM. The order found that Vaughn failed to supervise diligently LFG's employees and its agents in their handling of discretionary foreign customer accounts despite warning signs of possible churning or excessive trading of the accounts. According to the order, Vaughn failed to conduct any meaningful review of the trading in 32 discretionary German customer accounts introduced to LFG by foreign brokers and failed to make sure that LFG employees and agents followed LFG's written procedures for handling such accounts. Without admitting or denying the findings, Vaughn consented to the entry of the order that: (1) directed Vaughn to cease and desist from further violations; (2) required him to pay a civil monetary penalty of \$25,000; and (3) restricted his registration to prohibit him from acting in any supervisory capacity for one year. *In re Vaughn*, CFTC Docket No. 02-06, Order Instituting Proceedings and Making Findings and Order Imposing Remedial Sanctions (CFTC filed February 25, 2002).

During FY 2002, the Commission obtained the following result in a previously filed enforcement action in the area of supervision and compliance.

- ***In re Excellent USA, Inc., et al.***, CFTC Docket No. 01-20, Order Making Findings and Imposing Remedial Sanctions (CFTC entered February 4, 2002) This Commission order found that Excellent USA, Inc., a registered non-clearing FCM, and its managing director and AP John F. Gallwas regularly accepted spread orders in the omnibus accounts of two Japanese firms—including simultaneously entered orders to buy or sell the same spread—that resulted in the omnibus accounts holding almost equal and offsetting positions in each futures month but that, while such trading results were unusual and looked like possible wash sales, Excellent and Gallwas never questioned the Japanese firms' trading. The order further found that Excellent and Gallwas did not establish a meaningful system for supervising the trading of the foreign customer omnibus accounts. Without admitting or denying the findings, respondents consented to the entry of the order that: (1) directed Gallwas to cease and desist from further violations; (2) suspended his registration as an AP for six months; and (3) required Gallwas to pay a civil monetary penalty of \$65,000; *see also In re Excellent USA, Inc.*, CFTC Docket No. SD 01-01 (CFTC entered February 4, 2002), *Statutory Disqualification Cases and Results*, on page 48).

Trade Practice and Manipulation Violations

During FY 2002, the Commission continued to pursue actions that address trade practice and manipulation violations affecting the interests of customers and the integrity of futures markets.

Trade Practice Cases

- ***In re Krhovjak and Cochran.*** On October 26, 2001, the Commission filed an administrative complaint alleging that Clay Krhovjak and Paul Cochran engaged in a trade allocation scheme to defraud their former employer, Coastal Corporation (Coastal). On September 19, 2002, the Commission accepted Offers of Settlement from Krhovjak and Cochran and issued an order finding that they defrauded Coastal of profits from its trading of commodity futures contracts on the NYMEX. The order found that Krhovjak and Cochran allocated profitable trades belonging to Coastal on the NYMEX to another account controlled by other participants in the scheme and used their advance knowledge of Coastal's impending trading activity in the futures market to trade ahead of the anticipated resultant price movements. According to the order, they also made false reports to Coastal regarding its trading activity and willfully deceived Coastal regarding the handling of its commodity futures orders. Without admitting or denying the findings, Krhovjak and Cochran consented to the entry of the order that: (1) directed them to cease and desist from further violations; (2) imposed permanent registration and trading bans on them; and (3) required Krhovjak and Cochran to pay civil monetary penalties of \$40,000 and \$30,000, respectively. Commission staff and the Fraud Section of the Department of Justice cooperated in the investigation of this matter. *In re Krhovjak and Cochran*, CFTC Docket No. 02-01, Order Making Findings and Imposing Remedial Sanctions (CFTC entered September 19, 2002).
- ***In re Ryan.*** On October 31, 2001, the Commission simultaneously instituted and settled an administrative enforcement action against Robert Ryan, a trader employed by a private company. The order found that Ryan fraudulently allocated futures trades originally placed and executed on behalf of his employer to his personal trading account, thereby ensuring Ryan a risk-free personal profit. According to the order, Ryan carried out his allocation scheme by executing a give-up agreement, directing trades placed by Ryan on behalf of his employer to an alternate account. The order further found that Ryan fraudulently represented that this alternate account belonged to his employer when, in fact, it was Ryan's personal trading account. Without admitting or denying the findings, Ryan consented to the entry of the order that: (1) directed Ryan to cease and desist from further violations; (2) required him to pay a \$40,000 civil monetary penalty; (3) imposed a permanent trading ban on him; and (4) ordered Ryan to comply with his undertaking never to seek registration in any capacity. *In re Ryan*, CFTC Docket No. 02-02 (CFTC filed October 31, 2001).
- ***In re Ligammari.*** On February 11, 2002, the Commission filed an administrative complaint charging Patrick Ligammari with engaging in non-competitive trades known as contingent exchange-for-physicals transactions (EFPs) to facilitate the transfer of over \$300,000 between two foreign accounts. According to the complaint, Ligammari was the account executive for two foreign accounts under common control and ownership. The complaint alleged that Ligammari executed equal and opposite positions in silver futures contracts for the foreign accounts and then offset those futures positions through a contingent EFP during floor trading hours of NYMEX's Commodity Exchange Division (COMEX). These actions resulted in profits of approximately \$375,000 for one account and a corresponding loss for the other account. COMEX rules prohibit EFPs between commonly owned or controlled accounts and the execution of contingent EFPs during floor trading hours. The complaint further charged that Ligammari's transactions, which were alleged to be illegal noncompetitive trades that constituted wash sales, violated a 1990 Commission order directing Ligammari to cease and desist from such violative conduct. *In re Ligammari*, CFTC Docket No. 02-05 (CFTC filed February 11, 2002).

- ***In re DeFrancesco, et al.*** On March 20, 2002, the Commission filed an administrative complaint charging registered floor brokers (FBs) Joseph DeFrancesco, Ronald Kilbride, Brian Thornton, and Marc Greenstein with unlawfully executing coffee futures trades on the Coffee, Sugar, and Cocoa Exchange, Inc. (CSCE). On July 23, 2002, the Commission accepted offers of settlement from DeFrancesco and Greenstein and issued an order finding that: (1) DeFrancesco fraudulently executed trades in the coffee futures ring of the CSCE by trading ahead of executable customer orders on the same side of the market and allocating trades to his personal account at better prices than those received by his customers; (2) DeFrancesco indirectly bucketed customer orders by non-competitively trading for his own account indirectly opposite his customers' orders and also thereby reported prices on his trading cards that were not bona fide; and (3) DeFrancesco and Greenstein traded non-competitively and entered into illegal wash sales and accommodation trades by assisting other brokers in taking the opposite side of their customers' orders. Without admitting or denying the findings, DeFrancesco and Greenstein consented to the entry of the order that: (1) directed them to cease and desist from further violations; (2) suspended the registrations of DeFrancesco and Greenstein for six and three months, respectively, and also prohibited DeFrancesco from executing customer trades for five years thereafter and conditioned his activities as a floor trader (FT) after his suspension is completed (including the obtaining of a qualified sponsor); and (3) required DeFrancesco and Greenstein to pay civil monetary penalties of \$75,000 and \$35,000, respectively. *In re DeFrancesco, et al.*, CFTC Docket No. 02-09, Order Making Findings and Imposing Sanctions (CFTC entered July 23, 2002).
- ***In re Contrino, et al.*** On July 9, 2002, the Commission filed an administrative complaint charging six registered FBs (Carmelo Contrino, Robert Disarro, Joseph Gugliaro, John Joyce, William Overland, and Persio Paulino) with unlawfully executing coffee trades on the CSCE. According to the complaint, Contrino, Disarro, Gugliaro, and Paulino fraudulently executed the coffee trades by trading for their own accounts indirectly opposite their customers' orders. During this same period, the complaint charged, Contrino, Gugliaro, and Paulino knowingly or recklessly traded ahead of executable customer orders on the same side of the market and allocated trades to their personal accounts at better prices than those received by their customers. The complaint further charged that all the respondents traded noncompetitively and entered into illegal wash sales and accommodation trades to assist Contrino, Disarro, Gugliaro, and Paulino in taking the opposite side of their customers' orders. The complaint alleged that by engaging in noncompetitive trading, respondents reported prices on their trading cards, to their customers, and to the CSCE that were not bona fide. *In re Contrino, et al.*, CFTC Docket No. 20-13 (CFTC filed July 9, 2002).
- ***In re Miller, et al.*** On July 15, 2002, the Commission filed an administrative complaint against Bruce Miller of Barcelona, Spain and Deirdre Anderson of New York, charging them with fraudulently allocating trades in coffee futures contracts and allowing certain preferred customers to earn profits in excess of \$400,000 while trading at Lamborn Securities, Inc. (LSI), a now-defunct broker. The complaint alleged that the scheme involved coffee futures contracts allocated on behalf of 19 customers, some domiciled outside of the United States. According to the complaint, Miller, Anderson, and others under their direction at LSI, effected their scheme by placing over 400 customer orders, buying and selling over 3,600 coffee futures contracts without providing sufficient customer account identification. After the orders were executed, the complaint alleged, Miller and Anderson allocated the winning trades to their preferred customers (including Miller's relatives, the wife of a business associate, and three foreign entities in which Miller had a hidden financial interest) and losing trades to other customers. The complaint also

charged George Lamborn (the president of LSI) and Richard Lani with failing to supervise diligently Miller's and Anderson's trading at LSI. In addition, the complaint alleged that Daniel Lipton and Kenneth Lawson, both FBs on the CSCE, failed to obtain required customer account identification from Miller and Anderson when they were placing orders to the floor of the exchange. The Commission received assistance from the Spanish Comision Nacional del Mercado De Valores and the Swiss Federal Banking Commission in connection with this matter. *In re Miller, et al.*, CFTC Docket No. 02-14 (CFTC filed July 15, 2002).

Manipulation and Fraudulent Trade Allocation Case Results

During FY 2002, the Commission also obtained the following result in a previously filed enforcement action alleging price manipulation.

- ***In re DiPlacido, et al.***, CFTC Docket No. 01-23, Order Making Findings and Imposing Remedial Sanctions as to Respondent Kristufek (CFTC entered September 12, 2002) This Commission order found that Robert S. Kristufek's then-employer, Avista Energy, Inc. (Avista), had entered into cash-settled over-the-counter option contracts, the value of which was based on the daily settlement prices of electricity futures contracts traded on the NYMEX, and that Kristufek manipulated those settlement prices in order to increase Avista's net gain on its option contracts. Without admitting or denying the findings, Kristufek consented to the entry of the order that: (1) directed him to cease and desist from further violations; (2) required him to pay a civil monetary penalty of \$155,000; (3) imposed a two-year trading ban on him; and (4) ordered Kristufek to comply with his undertaking to cooperate fully with the Commission and its staff in related proceedings.

During FY 2002, the Commission also obtained the following results in previously filed cases involving fraudulent trade allocation practices.

- ***CFTC v. Brown and Thompson, et al.***, No. 00 C 7344, Consent Orders of Permanent Injunction (N.D. Ill. entered March 27, 2002); Consent Order as to Loren Hayes (N.D. Ill. entered September 20, 2002); Order of Default Judgment for Disgorgement (N.D. Ill. entered September 20, 2002) The default order against relief defendant Bernadette Thomas and the consent orders of permanent injunction against all other defendants and relief defendants found that defendants Martin Brown and Geoffrey Thompson, aided and abetted by defendant Ydiyell Howard, engaged in a scheme to fraudulently allocate profitable trades to accounts belonging to the relief defendants (Brenda Brown; Prairie Garden Condos, Inc.; Javette King; Loren Hayes; and Bernadette Thomas), while allocating unprofitable trades to other customers. The orders: (1) required defendants Brown and Thompson jointly and severally to pay total remaining restitution of \$200,000 and defendant Howard jointly and severally liable to pay up to \$91,975 in restitution pursuant to income-based payment plans; (2) required Brown, Thompson, and Howard to disgorge personal gains made from the fraud in the amounts of \$229,734, \$297,938, and \$33,500 respectively and to pay contingent civil monetary penalties, following satisfaction of their restitution obligations and pursuant to income-based payment plans, of \$229,734 for Brown, \$297,937 for Thompson, and \$55,000 for Howard; (3) required relief defendants Brenda Brown (defendant Brown's sister) and her company Prairie Garden Condos to disgorge more than \$700,000 in ill-gotten gains that were siphoned into their bank accounts as part of the scheme and required relief defendant King (defendant Brown's girlfriend) to disgorge \$226,922 pursuant to an income-based payment plan; and (4) required relief defendant Hayes (defendant Thompson's sister) to pay back \$247,500 in ill-gotten gains she

received from the scheme pursuant to an income-based payment plan and required relief defendant Thomas (a friend of defendant Thompson) to pay back \$229,066 in ill-gotten gains that she received from Thompson.

- ***In re U.S. Securities & Futures Corp., et al.***, CFTC Docket No. 01-01, Order Making Findings and Imposing Sanctions as to Respondent Michael Skrable (CFTC entered July 26, 2002) The Commission order found that Michael Skrable acted as an unregistered CTA and aided and abetted the defrauding of customers by a German broker by providing unallocated futures orders to a registered FCM, knowing that the foreign broker was fraudulently allocating the trades after they were executed. Without admitting or denying the findings, Skrable consented to the entry of the order that: (1) required him to cease and desist from further violations; (2) prohibited him from trading on any registered entity for two and a half years and from seeking registration in any capacity for five years; (3) required him to pay a civil monetary penalty of \$12,500; and (4) ordered Skrable to comply with his undertaking to cooperate fully with the Commission and its staff in related proceedings.

Violations by Introducing Brokers and Their Associated Persons

During FY 2002, as in past years, the Commission devoted significant time and attention to matters involving violations by introducing brokers (IBs) and their APs. Such cases often involve fraudulent misrepresentations, usually to retail customers, to induce them to invest.

IB Violation Cases

- ***In re Janson*** and ***In re Roesler***. On May 22, 2002, the Commission simultaneously instituted and settled an administrative enforcement action against David Janson, a principal and AP of Strategic Farm Marketing, an IB. Janson had signed an agreement allowing participants in the USDA's Dairy Option Pilot Program (DOPP) to open trading accounts through him. Under the DOPP—which is intended to train and subsidize milk producers in learning how to hedge their downside price risk through the purchase of milk options—USDA paid 80 percent of the option premium to encourage participation. The order found that Janson took advantage of the DOPP by developing a trading strategy allowing producers to appropriate the option premiums paid by the USDA in virtually risk-free transactions. According to the order, Janson encouraged producers to buy a DOPP option in one account—as required by the USDA—and then sell the same option in a second, non-DOPP account. This strategy resulted in illegal wash sale transactions and left producers with no actual position in the market and none of the downside price protection the DOPP was intended to provide. The order also found that Janson violated Commission regulations by representing to prospective customers that margin would not be collected. The order directed Janson to cease and desist from further violations and required him to pay a \$10,000 civil monetary penalty. *In re Janson*, CFTC Docket No. 02-11, Order Instituting Proceedings and Making Findings and Order Imposing Remedial Sanctions (CFTC filed May 22, 2002).

Also on May 22, 2002, the Commission simultaneously instituted and settled an administrative enforcement action against Ronald Roesler, a principal and AP of Complete Price Management, an IB. The order found that Roesler independently developed a trading system like that developed by Janson and likewise facilitated illegal wash sales. In addition, the order found that Roesler violated Commission regulations by representing to prospective customers that they were

guaranteed against loss. The order directed Roesler to cease and desist from further violations and required him to pay a \$17,500 civil monetary penalty. *In re Roesler*, CFTC Docket No. 02-12, Order Instituting Proceedings and Making Findings and Order Imposing Remedial Sanctions (CFTC filed May 22, 2002).

- ***CFTC v. Snively, et al.*** On February 8, 2002, the Commission filed a civil injunctive action charging Todd J. Snively, Commodity Consultants International, Inc. (CCI), and FutureWise Trading Group, Inc. (FutureWise) with fraudulently operating an Internet-based trading platform that purportedly permitted customers to place orders for commodity futures contracts through CCI and FutureWise. According to the complaint, defendants solicited and accepted at least \$2.9 million from more than 60 members of the general public, but no trading occurred on behalf of customers. Instead, the complaint alleged, defendants (all of whom are registrants) misappropriated some of the customers' funds for their own use. On February 28, 2002, the court entered a consent order of preliminary injunction enjoining defendants from further violations, freezing their assets, and prohibiting them from destroying books and records. The NFA, an industry self-regulatory organization, provided substantial assistance to Commission staff in connection with this matter. *CFTC v. Snively, et al.*, No. 02-40041 (E.D. Mich. filed February 8, 2002).

IB Violation Case Results

During FY 2002, the Commission obtained results in the following previously filed IB solicitation fraud cases.

- ***In re Mock***, Docket No. 00-22, Order Making Findings and Imposing Remedial Sanctions (CFTC entered October 10, 2001) The Commission order found that Dale Mock executed nine unauthorized trades in six customer accounts and thereafter transferred certain of those trades to the accounts of two other unsuspecting customers, again without authorization. Without admitting or denying the findings, Mock consented to the entry of the order that: (1) directed him to cease and desist from further violations; (2) required him to pay a civil monetary penalty of \$40,000 pursuant to an income-based payment plan; (3) imposed a two-year trading ban on him; and (4) ordered Mock to comply with his undertaking never to seek registration in any capacity.
- ***CFTC v. R.J. Fitzgerald & Co., Inc., et al.***, No. 99-1558-CIV-T-23F, Consent Order of Permanent Injunction Against Albert Coringrato (M.D. Fla. entered November 9, 2001) Without admitting or denying the allegations of the complaint against him, Coringrato consented to the entry of the order that: (1) permanently enjoined Coringrato from further violations; (2) required him to pay restitution of \$36,738 and a contingent civil monetary penalty of \$55,000 pursuant to an income-based payment plan; and (3) prohibited him from seeking registration and from controlling or directing the trading of commodity accounts on behalf of any other person or entity.
- ***In re Gladstone***, CFTC Docket No. 01-24, Order Making Findings and Imposing Remedial Sanctions (CFTC entered March 20, 2002) The Commission order found that Alfred Gladstone, formerly a registered AP of the commodity firm FSG International, Inc., made fraudulent claims promising large profits from trading commodity options, minimizing the risk involved, and misrepresenting the performance record of his customers in that nearly 99 percent of Gladstone's

customers who closed accounts over a two-year period lost all the funds they invested. Without admitting or denying the findings, Gladstone consented to the entry of the order that: (1) directed him to cease and desist from further violations; (2) required Gladstone to pay restitution of approximately \$61,059 and a civil monetary penalty of \$110,000 pursuant to an income-based payment plan; and (3) ordered him to comply with his undertaking never to seek registration in any capacity.

- ***In re First Financial Trading, Inc., et al.***, CFTC Docket No. 00-35, Opinion and Order on Default (CFTC entered July 8, 2002) The Initial Decision by ALJ, which became the final order of the Commission when it was not appealed, found that registered IB First Financial Trading, Inc. (First Financial), Scott DeWitte, Thomas Glover II, and Corey Johnson defrauded customers in the solicitation of commodity option accounts by promising near certain profits at little or no risk and misrepresenting their track records. The order: (1) directed respondents to cease and desist from further violations; (2) imposed permanent trading bans on them; (3) revoked First Financial's registration as an IB; and (4) required respondents to pay civil monetary penalties of \$1 million each.
- ***In re Madison Financial Group, LLC, et al.***, CFTC Docket No. 01-09, Order Making Findings and Imposing Remedial Sanctions (CFTC entered August 28, 2002) The Commission order found that Madison Financial Group, LLC (Madison), a registered IB, at the direction of Richard A. Cohen, the president and a principal and registered AP of Madison, fraudulently solicited customers by misrepresenting the likelihood that customers would realize large profits from trading commodity options, failing to disclose the risk involved, and misrepresenting the performance record of its customers in that approximately 97 percent of Madison's customers suffered losses. Without admitting or denying the findings, Madison and Cohen consented to the entry of the order that: (1) directed them to cease and desist from further violations; (2) imposed a permanent trading ban on Cohen and registration bans on Madison and Cohen; and (3) required Cohen to pay restitution of \$810,000 and a contingent civil monetary penalty of \$110,000 pursuant to an income-based payment plan.

Quick-Strike Cases

The Commission is committed to responding quickly to enforcement investigations that uncover ongoing fraud. Quick-strike cases are civil injunctive actions that generally are filed in Federal district courts within days or weeks of the discovery of the illegal activity, enabling the Commission to stop fraud at an early stage and to attempt to preserve customer funds. During FY 2002, the Commission filed the following nine quick-strike cases.

- ***CFTC v. Snively, et al.***, No. 02-40041 (E.D. Mich. filed February 8, 2002) (See page 45.)
- ***CFTC v. Rego Gainer Financial, Inc., et al.***, No. 02-01417 DT (C.D. Cal. filed February 19, 2002) (See page 27.)
- ***CFTC v. Myers, Arnold, Davidson, Inc., et al.***, No. 02-60239 (S.D. Fla. filed February 19, 2002) (See page 27.)

- ***CFTC and the State of Utah v. 4NExchange et al.***, No. 2 02CV-432 (D. Utah filed May 2, 2002) (See page 28.)
- ***CFTC v. Mady, et al.***, No. 02-72364 (E.D. Mich. filed June 11, 2002) (See page 33.)
- ***CFTC v. Nawab Ali Khan Ali, et al.***, No. 02-06619 PA (SHSx) (C.D. Cal. filed August 20, 2002) (See page 30.)
- ***CFTC v. First Bristol Group, Inc., et al.***, No. 02-61160-Civ-Lenard (S.D. Fla. filed August 20, 2002) (See page 30.)
- ***CFTC v. Global Financial Consulting, Inc., et al.***, No. 1:02 CV 2394 (N.D. Ga. filed August 28, 2002) (See page 30.)
- ***CFTC v. Lofgren, et al.***, No. 02 C 6222 (N.D. Ill. filed August 30, 2002) (See page 34.)

Violations of Commission Orders Cases and Results

During FY 2002, the Commission filed enforcement actions alleging violations of prior Commission orders.

- ***CFTC v. Luger.*** On June 3, 2002, the Commission filed a civil injunctive action charging David Luger with violating a prior Commission order by providing false information and failing to provide required information to the Commission. The Commission's prior order, issued in February 2000, settled a complaint that charged Luger with fraudulently soliciting customers to open commodity option trading accounts and failing to diligently supervise APs at a registered IB. The prior order required Luger to pay \$6.8 million in restitution to victims of his fraudulent activity pursuant to an income-based payment plan and to submit financial statements and tax records in order to determine the amount of restitution to be paid each year. According to the Commission's complaint, Luger violated the prior order by submitting false financial statements, failing to submit timely financial statements, and failing to submit required tax records. The complaint also alleged that Luger claimed to have made between \$3,000 and \$4,000 per month since June 2000 when, in fact, Luger received in excess of \$150,000 during that time period. On the same day the complaint was filed, the court issued a statutory restraining order freezing Luger's assets and prohibiting him from destroying books and records. The Florida Office of Statewide Prosecution assisted the Commission in connection with this matter. ***CFTC v. Luger***, No. 02-80435 (S.D. Fla., filed June 3, 2002).
- ***In re Varner***, CFTC Docket No. SD 02-02 (CFTC filed November 29, 2001) (See page 48.)
- ***In re Ligammari***, CFTC Docket No. 02-05 (CFTC filed February 11, 2002) (See page 41.)
- ***CFTC v. Chilcott, et al.***, No. 2:02-CV-94-FTM-29 (DNF) (M.D. Fla. Filed March 6, 2002) (See page 32.)
- ***CFTC v. Weinberg***, No. 02-02084 RSWL (RNBx) (C.D. Cal. filed March 12, 2002) (See page 32.)

During FY 2002, the Commission obtained the following result in a previously filed enforcement action alleging violations of a prior Commission order.

- ***CFTC v. Ellery Coleman d/b/a Granite Investments***, No. 5:01-CV-0362-8 (HL), Consent Order of Permanent Injunction and to Pay a Civil Monetary Penalty (M.D. Ga. entered April 23, 2002) This consent order of permanent injunction found that Ellery Coleman's fraudulent promotions (over the Internet and through electronic mail and newsletters) violated a prior Commission order issued in May 2000 barring the same type of misconduct. The order also found that Coleman misrepresented that he made a profit using his commodity trading system when, in fact, he engaged only in limited trading resulting in losses and failed to disclose that the profits he claimed were based on hypothetical (not actual) trading. Without admitting or denying the findings, Coleman consented to the entry of the order that: (1) permanently enjoined Coleman from further violations; (2) required him to pay a civil monetary penalty of \$170,000 pursuant to an income-based payment plan; and (3) prohibited him from ever seeking registration in any capacity.

Statutory Disqualification Cases and Results

The Commission investigates and prosecutes administrative registration cases based on statutory disqualification. While most statutory disqualification actions are commenced by the NFA as part of its delegated authority to handle registration functions for the Commission, the Commission has retained authority to act directly in appropriate cases.

- ***In re Midland Euro, Inc.*** On November 16, 2001, the Commission filed a Notice of Intent to Suspend or Restrict Registration against Midland Euro, Inc. (Midland Euro), a registered FCM, based on the suspension from membership imposed on Midland Euro by the NFA pursuant to a Membership Responsibility Action. In its action, NFA found that Midland Euro had failed to disclose the existence of two customer accounts that comprised a substantial portion of its business and had filed false financial reports with NFA that failed to reflect liabilities related to the undisclosed accounts. As a result, NFA found that Midland Euro was unable to demonstrate compliance with NFA financial requirements, and Midland Euro's membership was suspended indefinitely. The Initial Decision by the Administrative Law Judge issued on January 31, 2002, which became the final order of the Commission when appeal was not pursued, found that NFA's suspension provided a basis for suspending Midland Euro's FCM registration. *In re Midland Euro, Inc.*, CFTC Docket No. SD 02-01, Summary Disposition (CFTC entered January 31, 2002).
- ***In re Varner.*** On November 29, 2001, the Commission filed a Notice of Intent to Suspend, Revoke, or Restrict Registration against Michael Varner, a registered FB. The notice alleged that Varner's FB registration on the New York Cotton Exchange (NYCE) had been restricted for two years by a Commission order issued on June 4, 1999. The Initial Decision by the ALJ issued on April 5, 2002, which became the final order of the Commission when appeal was not pursued, found that Varner violated the terms of his registration restriction by: (1) trading on behalf of at least one customer; (2) clearing trades through an FCM other than the FCM specified in the Commission's prior order; and (3) acting as a principal and president of a registered CTA (Hunter Trading, Inc.). The order further found that these violations by Varner of his registration restriction constituted other good cause for revoking his FB registration. *In re Varner*, CFTC Docket No. SD 02-02, Summary Disposition (CFTC entered April 5, 2002).

- ***In re Bay Harbor Trading Company, et al.*** On June 28, 2002, the Commission instituted and simultaneously settled a Notice of Intent to Suspend, Revoke, or Restrict Registration against Bay Harbor Trading Company and Peter Scott. This action followed the entry of a consent order of permanent injunction in a civil injunctive action charging Scott with pool fraud. Without admitting or denying the findings, Bay Harbor Trading Company (a registered IB owned by Scott) and Scott (a registered AP of Bay Harbor Trading Company) consented to the entry of the order that revoked their registrations as an IB and AP, respectively. *In re Bay Harbor Trading Company, et al.*, CFTC Docket No. SD 02-03 (CFTC entered June 28, 2002).

During FY 2002, the Commission obtained the following results in previously filed statutory disqualification actions.

- ***In re Excellent USA, Inc.***, CFTC Docket No. SD 01-01, Opinion and Order Accepting Offer of Settlement (CFTC entered February 4, 2002) The Commission order revoked the registration of Excellent USA, Inc., a registered non-clearing FCM, based on the criminal conviction in Japan of Toshio Yokoyama, a principal of Excellent who was convicted of defrauding unsophisticated Japanese retail customers in connection with the futures trading of Japanese firms in the U.S. Without admitting or denying the findings, Excellent consented to the entry of the order that revoked Excellent's registration as an FCM.
- ***In re Zuccarelli***, CFTC Docket No. SD 97-3, Opinion and Order Accepting Offer of Settlement (CFTC entered July 29, 2002) This Commission order found that disciplinary actions taken against Eric Zuccarelli by the COMEX and the facts underlying them constituted good cause to suspend his FB registration. The disciplinary actions involved allegations that Zuccarelli had violated COMEX rules prohibiting noncompetitive trading, improper cross trading, wash trading, prearranged trading, failing to record information properly on customer order tickets, accommodating another broker in the indirect bucketing of customer orders, inserting a fictitious price into the COMEX price change register for the purpose of electing another broker's order, and failing to record trades on his trading cards in the order of their execution. Without admitting or denying the findings, Zuccarelli consented to the entry of the order that: (1) suspended his FB registration for six months; and (2) ordered that at the conclusion of his registration suspension, Zuccarelli's registration be subject to supervision by a sponsor.

Cooperative Enforcement

Domestic Cooperative Actions

Cooperative enforcement efforts enhance the ability of the Commission's Enforcement program to promote compliance with and to deter violations of Federal commodity laws. The Enforcement program has coordinated its efforts with numerous local, State, and Federal law enforcement and regulatory authorities and agencies, which resulted in the filing of several enforcement actions. This cooperation with law enforcement agencies also resulted in the filing of criminal charges by those agencies.

- ***United States v. Mobley***. In October 2001, David Mobley, Sr., was sentenced to 17.5 years in prison and ordered to pay restitution of \$77 million to investors in his Maricopa family of hedge funds. Mobley had pled guilty to eight counts of fraud, money laundering, and tax evasion arising

out of the scheme alleged by the Commission in its February 2000 civil injunctive action against Mobley (as well as a parallel injunctive action brought by the SEC). The injunctive actions alleged that Mobley collected more than \$140 million through a Ponzi scheme, while making false financial reports and misappropriating customer funds. The Commission provided substantial cooperation to the FBI throughout its investigation of Mobley's financial empire. Criminal No. 2:00-CR-71-FtM-29DFN, Sentencing (S.D. Fla. October 29, 2001).

- ***United States v. Evergreen International Spot Trading, Inc., et al.*** In November 2001, an investigation of Evergreen International Spot Trading and its affiliate, First Equity Enterprises, undertaken by the Commission, the U.S. Attorney's Office for the Eastern District of New York, and the U.S. Postal Inspection Service in the aftermath of the September 11 terrorist attacks, resulted in the indictment of both firms (which had offices in the World Trade Center) and two of their principals, Gary Farberov and Andre Koudachev. In May 2002, the U.S. Attorney's Office filed a superceding indictment against another related entity, Forex International, Ltd., and eight other former Evergreen employees. Criminal No. 01-1243, Indictment (E.D.N.Y filed November 19, 2001).
- ***United States v. Juntilla.*** In November 2001, Dolores Galdo Juntilla was sentenced to 46 months imprisonment for wire fraud in connection with a scheme to defraud investors through two companies, Omega FX-Texas, Inc. and Omega FX-USA, that purportedly offered investors the opportunity to trade foreign currency over the Internet but, in fact, operated as a Ponzi scheme. Criminal No. CRH-00-707-001, Sentencing (S.D. Tex., filed November 6, 2001).
- ***United States v. Dormagen.*** In December 2001, Robert L. Dormagen pled guilty to one count each of unlawful monetary transactions and false statements under oath, arising out of a commodity pool fraud and Ponzi scheme he conducted in West Virginia. Dormagen was sentenced to four years in prison and ordered to pay restitution to customers of over \$850,000. The criminal action was based substantially on a prior Commission civil injunctive action filed in July 2000. In March 2002, the court entered a consent order of permanent injunction against Dormagen in the civil injunctive action. Criminal No. 2:01-00093, Sentencing (S.D. W. Va. December 3, 2001).
- ***United States v. Khrovjak*** and ***United States v. Cochran.*** In December 2001, Clay Khrovjak was sentenced to two years probation and ordered to pay a fine of \$2,500 and \$89,228 in restitution based on his earlier plea to a one-count information charging conspiracy to commit commodities fraud. The charge was based on a fraudulent trade allocation scheme conducted by Khrovjak and others while he was employed as an in-house trader at Coastal Corporation (Coastal). Paul Cochran, another former Coastal employee, similarly pled guilty to one count of conspiracy to commit commodities fraud and currently awaits sentencing. The Commission has filed and settled an administrative enforcement action against Khrovjak and Cochran. Criminal No. H-10-638, Sentencing (S.D. Tex entered December 13, 2001) (Khrovjak) and Criminal No. H-01-712, Plea Agreement (S.D. Tex. entered October 4, 2001) (Cochran).
- ***United States v. Republic New York Securities Corporation.*** In December 2001, Republic New York Securities Corporation (Republic), a registered FCM, pled guilty to a two-count information charging it with securities fraud and conspiracy. The charges arose out of Republic's participation in a fraudulent scheme by Martin Armstrong and his companies (Princeton Economics International Ltd. and Princeton Global Management Ltd.) to hide significant trading losses in

commodity futures and options, and in operating a Ponzi scheme. Republic consented to the entry of an order directing it to make restitution payments of approximately \$606 million to defrauded investors throughout the world. The Commission worked cooperatively with the U.S. Attorney's Office for the Southern District of New York in this matter and coordinated the filing and settlement of a related administrative enforcement action at the same time as the criminal action. Criminal No. 01 Cr. 1180 (RCC), Criminal Plea (S.D.N.Y. December 17, 2001).

- ***United States v. Bailey.*** In January 2002, Jeffery T. Bailey was sentenced to 27 months in prison and directed to pay restitution to investors after pleading guilty to charges involving fraudulent commodities activities. The Commission has filed and settled a civil injunctive action against Bailey and JMK Capital Management, Inc., charging both with commodity pool fraud in connection with their diversion of \$371,670 in investor funds for Bailey's own use. The Commission provided the U.S. Attorney's Office for the Southern District of Ohio with the details of its investigation and the evidence necessary to pursue criminal charges against Bailey. Criminal No. CR-1-01-023, Sentencing (S.D. Ohio January 4, 2002).
- ***United States v. McCray.*** In February 2002, Enforcement staff provided sworn testimony concerning the activities of Fundamental Analysis Trading and its principal, William F. McCray. The U.S. Attorney's Office for the Southern District of California subsequently obtained an indictment against McCray charging him with one count of mail fraud and 12 counts of wire fraud in the fraudulent solicitation of customers for foreign currency trading. According to the indictment, McCray and Richard M. Owen defrauded investors of over \$1 million through their scheme. McCray also was charged with sending almost \$6 million to an offshore account in Bermuda and misappropriating some of the funds for personal use. Owen pled guilty to one count of wire fraud. Enforcement staff are also assisting the U.S. Attorney's office in the prosecution of McCray and his earlier company, International Forex, Ltd. Criminal No. 02-CR-332-L, Indictment (S.D. Cal. unsealed February 11, 2002).
- ***United States v. Laken, et al.* and *United States v. Lino, et al.*** In February 2002, Glenn Laken was convicted of several felonies, including illegal pension kickbacks, wire fraud, securities fraud, racketeering, and stock promotion fraud, in connection with his activities as principal manager of a commodities and securities hedge fund, the Trade Venture Fund. The indictment included allegations that Laken intended to churn a commodities account and use the proceeds to pay kickbacks to union officials. Enforcement staff assisted the U.S. Attorney's Office for the Southern District of New York in preparing for trial. Pending resolution of the criminal proceedings against Laken, his floor broker registration has been suspended pursuant to Section 8a(11) of the Commodity Exchange Act. Criminal No. 00 CR 651, Indictment (S.D.N.Y. filed June 12, 2000) (Laken) and Criminal No. 00 CR 632, Indictment (S.D.N.Y. filed June 7, 2000) (Lino).
- ***United States v. Marantette.*** In February 2002, David T. Marantette, III, operator of Troubadour, Inc., pled guilty to one count of mail fraud in connection with his fraudulent solicitation of members of the public to invest in unregistered commodity pools and/or to use his commodity trading advisory services and products by making material misrepresentations about his trading record and failing to mention that he had been barred from the securities industry. The Commission previously filed a civil injunctive action against Marantette and Troubadour based on the same conduct that was the subject of Marantette's plea agreement, which led to the entry of a

permanent injunction against Marantette and Troubadour. Criminal No. 02-00043HG, Memorandum of Plea Agreement (D. Hawaii filed Feb. 13, 2002).

- ***United States v. Knipping*** and ***United States v. Time Traders, Inc.*** In February 2002, Edward Knipping was sentenced to 70 months in prison and his company, Time Traders, Inc., was sentenced to five years' probation. In May 2002, the court entered individual restitution judgments against Knipping and Time Traders, Inc. of over \$3.4 million each. This matter arose out of the same corpus of facts alleged by the Commission in a prior civil injunctive action, which led to the entry of a permanent injunction against Knipping and Time Traders, Inc. Criminal No. CR 01-74-P-H, Sentencing (D. Maine February 15, 2002) (Knipping) and Criminal No. CR 01-74-P-H, Sentencing (D. Maine February 15, 2002) (Time Traders, Inc.).
- ***United States v. Garbe.*** In March 2002, a grand jury indicted Ulrich G. Garbe, the chief investment officer of SunState FX, Inc. (SunState), charging wire and mail fraud in connection with a fraudulent scheme purportedly offering customers the opportunity to trade foreign currency contracts. The Commission previously had filed a civil injunctive action against Garbe and SunState charging them with fraudulently soliciting for an unregistered commodity pool and misappropriating customer funds. As part of a coordinated cooperative enforcement effort, the SEC also filed a civil injunctive action against SunState and Garbe for violations of the Federal securities laws arising out of the same facts that form the basis for the Commission's action and the subsequent indictment. Criminal No. 02-80055-CR-Ferguson, Indictment (S.D. Fla. filed March 3, 2002).
- ***United States v. Fernandez, et al.*** In March 2002, Valentin Fernandez and Daniel J. Phillips pled guilty to an 85-count indictment charging them with securities fraud, wire fraud, mail fraud, financial and monetary transactions with proceeds from specified unlawful activities, and conspiracy. The charges arose in part from the defendants' operation of International Currency Strategies, Inc. (ICS), through which Fernandez and Phillips fraudulently marketed purported foreign currency options to the public. The Commission previously filed a civil injunctive action against ICS, Fernandez, and Phillips that charged them with fraudulently telemarketing illegal foreign currency options and misappropriating customer funds, which led to the entry of consent permanent injunctions ordering Phillips and Fernandez to pay any deficiency between the restitution awarded in the criminal action and the approximately \$1.06 million that the court found to be appropriate. The Commission worked cooperatively with the U.S. Attorney's Office for the Southern District of Florida in this matter and coordinated the filing of its injunctive action at the same time as the criminal action. Criminal No. 01-CR-8060, Guilty Plea (S.D. Fla. filed March 6, 2002).
- ***Michael A. Dippolito.*** In March 2002, Michael A. Dippolito was arrested by the Broward County Sheriff's Office in Florida and charged with telemarketing fraud for his alleged activities related to Myers, Arnold, Davidson, Inc. (MAD) and Copper, Thomas, Unger, Inc. (CTU). In February 2002, the Commission filed a civil injunctive action against Dippolito, MAD, and CTU alleging fraudulent sales of foreign currency options and misappropriation of customer funds, which led to the entry of a default judgment for permanent injunction directing defendants to make restitution payments to defrauded customers in the amount of \$229,615. The Commission worked in conjunction with the Florida State Comptroller's Office in coordinating the investigation and filing of its injunctive action. The Commission also worked cooperatively with the Florida State Attorney's Office and the Broward County Sheriff's Office in connection with the filing of the

criminal case. See “Arrest Search” at the Broward County Sheriff’s Office Web site at <http://www.sheriff.org>.

- ***United States v. Berzins.*** In April 2002, Peter Berzins was sentenced to 24 months in prison and three years of supervised release following his conviction for mail, wire and commodities fraud, and interstate transportation of stolen property obtained by fraud—all relating to a commodity pool fraud that he had perpetrated. Berzins’ fraudulent conduct had been the subject of a prior Commission civil injunctive action, which led to the entry of a consent order of permanent injunction against Berzins. In the criminal sentencing, Berzins was required, as a condition of his supervised release, to pay the restitution amount that had been awarded in the Commission’s action. Enforcement staff provided assistance to the U.S. Attorney’s Office for the District of Maryland and the FBI in developing the criminal case against Berzins. Criminal No. PJM-01-0353, Sentencing (D. Md. entered April 16, 2002).
- ***CFTC and the State of Utah v. 4NExchange, LLC, et al.*** In May 2002, the Commission filed of a civil injunctive action against 4NExchange, LLC, Paul Grant, and Ronald Bassett, charging them with illegally offering foreign currency futures contracts and with operating a nearly \$15 million Ponzi scheme. The State of Utah joined in the Commission’s complaint, charging that defendants operated an unregistered investment company and committed fraud in violation of the Utah Code. As part of a coordinated cooperative enforcement effort, the SEC filed a related civil injunctive action against defendants for violations of the Federal securities laws arising out of the same underlying facts. The FBI, in cooperation with other Federal, State and local law enforcement authorities, obtained a search warrant that it executed immediately after the filing of the civil actions. No. 2 02CV-432, Complaint for Injunctive and Other Equitable Relief under the Commodity Exchange Act and Utah Code (D. Utah filed May 2, 2002).
- ***State of Florida v. Luger.*** In June 2002, the Commission filed a civil injunctive action charging David Luger with violating a prior Commission order by providing false information and failing to provide information required in connection with the settlement of a complaint alleging that Luger fraudulently solicited customers to open commodity option trading accounts. The Florida Office of Statewide Prosecution assisted the Commission in connection with this matter. Enforcement staff provided cooperation to the Florida authorities regarding their criminal indictment of Luger in connection with fraudulent foreign exchange dealings. No. 01-4626 CFB 02, Amended Information (Fla. filed May 29, 2002) and No. 02-11102 CF 02, Information (Fla. filed September 24, 2002).
- ***State of Louisiana, ex rel. Richard P. Ieyoub v. Global Financial Consultants, Inc., et al.*** In June 2002, the Commission filed a civil injunctive action alleging that Offshore Financial Consultants, Global Financial Consultants, International Currency Merchants, and several individual defendants fraudulently offered illegal foreign currency options to retail customers. The complaint also alleged that a number of relief defendants received funds or otherwise benefited from funds that were directly traceable to the fraud and should be required to return those funds. The Commission received assistance from the Louisiana Attorney General’s Office and the Florida Comptroller’s Office in its investigation of this matter. In a related action, the Louisiana Attorney General announced the filing of a suit against Global Financial Consultants, Inc., Elaine Kazanas, and Stephen DeLong in Louisiana State Court, 24th Judicial District Court, Parish of Jefferson.

- ***United States v. O'Herron.*** In July 2002, John F. O'Herron pled guilty to felony mail fraud charges arising in part from O'Herron's fraudulent misrepresentations to commodity pool investors and misappropriation of investor funds to pay for personal expenses. The Commission previously filed a related civil injunctive action arising from many of the same facts and alleging that O'Herron fraudulently operated a commodity pool, misappropriated funds, and failed to register as a CPO. Criminal No. 1:02-CR-160, Guilty Plea (W.D. Mich. entered July 8, 2002).
- ***In re Pierce.*** In July 2002, the Commission filed an administrative complaint against Stephen Alan Pierce, a registered CTA, alleging that he fraudulently solicited customers to purchase trading recommendations using misleading advertising on the Internet. The complaint was brought as part of the Federal Trade Commission's Midwest Netforce Fraud Initiative, in which the Commission joined 4 other Federal agencies, 11 State attorneys' general, and 20 State and local law enforcement agencies in targeting potential Internet scam artists who seek to bilk consumers. Over the last two years, the Commission has brought over 20 Internet actions as a result of its "Internet sweeps," including sweeps conducted in conjunction with other regulatory and law enforcement authorities. CFTC Docket No. 02-15 (CFTC filed July 30, 2002).

The following Commission cases were filed during FY 2002 with cooperative assistance from others and are discussed in detail on the pages cited.

- ***CFTC v. Snively, et al.,*** No. 02-40041 (E.D. Mich. filed Feb. 8, 2002) (See page 45.)
- ***CFTC v. Wiles, et al.,*** No. 3-02CV 0951G (N.D. Texas filed May 6, 2002) (See page 37.)
- ***CFTC v. Gahma Corporation et al.,*** No. 1:02CV00101 PGC (D. Utah filed August 13, 2002) (See page 33.)
- ***CFTC v. First Bristol Group, Inc., et al.,*** No. 02-61169-Civ-Lenard (S.D. Fla. filed August 16, 2002) (See page 30.)
- ***CFTC v. O'Neill, et al.,*** No. 02-61307-Civ-Gold (S.D. Fla. filed September 17, 2002) (See page 31.)

International Cooperation

As the number of financial transactions that cross national borders continues to grow, the Commission's Enforcement program and its foreign counterparts have found it increasingly necessary to share documents and testimony and to conduct joint investigations. In FY 2002, the Enforcement program made 71 requests for assistance to foreign authorities, and it received 21 requests from authorities in foreign jurisdictions. The information exchanged between the Commission and foreign authorities has included registration and disciplinary histories of U.S. and foreign firms and individuals as well as evidence (such as bank or brokerage records) for use in investigations and enforcement actions.

The Commission's international information-sharing arrangements enable the Commission and foreign authorities to engage in the bilateral sharing of information and, in certain circumstances, to assist each other in the investigation of potential wrongdoing that extends beyond their respective

borders. During FY 2002, the Commission entered into three information-sharing arrangements with foreign authorities.

- **Statement of Intent—The Japanese Financial Services Agency.** On May 17, 2002, the Commission and the SEC signed a Statement of Intent (SOI) Concerning Cooperation, Consultation and the Exchange of Information in cross border investigations of potential violations of securities and futures laws with the Japanese Financial Services Agency. The SOI provides a framework for the authorities to share information and to extend assistance to one another in collecting information and conducting investigations.
- **Memorandum of Understanding—The Jersey Financial Services Commission.** On May 30, 2002, the Commission and the SEC signed a Memorandum of Understanding (MOU) Concerning Cooperation, Consultation, and the Exchange of Information with the Jersey Financial Services Commission, Jersey's securities and futures regulator. The MOU establishes a procedure for information sharing and facilitates cooperation in cross-border investigations of potential violations of futures and securities laws. Following the SOI with the Japanese Financial Services Agency, this was the 21st formal bilateral enforcement arrangement that the Commission has entered into with its counterparts in other countries.
- **Multilateral Memorandum of Understanding—Securities and Derivatives Regulators.** Following the terrorist attacks of September 11, 2001, the International Organization of Securities Commissions (IOSCO) created a Special Project Team to explore enhancing cross-border cooperation and information sharing. The Special Project Team created an IOSCO Multilateral MOU Concerning Consultation, Cooperation, and the Exchange of Information. The MOU builds on existing IOSCO resolutions and principles to establish an international benchmark for cooperation and information sharing. The multilateral MOU was endorsed by IOSCO in May 2002.

During FY 2002, Enforcement program staff also continued to participate in the Standing Committee on Enforcement and Information-Sharing (SC4) of the Technical Committee of IOSCO. SC4 considers issues and formulates recommendations relating to international assistance in the detection, investigation, and prosecution of securities and futures violations.

Other Cooperative Initiatives

During FY 2002, Enforcement program staff participated in the following initiatives designed to promote cooperation among governmental authorities.

- **Anti-Money Laundering.** The Commission participates in domestic and international anti-money laundering cooperative enforcement efforts. On the domestic front, the Commission is a member of the Money Laundering Strategy Working Group and the U.S. Treasury Department's Bank Secrecy Act Advisory Group, and Commission staff are consulting with U.S. Treasury staff in developing regulations as required by the USA PATRIOT Act enacted in response to the terrorist attacks of September 11, 2001. Internationally, the Commission has aided the U.S. delegation to the Financial Action Task Force (FATF), including its efforts to combat global terrorist financing.

- **Telemarketing and Internet Fraud Working Group.** The Telemarketing and Internet Fraud Working Group consists of representatives from State, Federal and international regulatory and criminal authorities. At quarterly meetings, members discuss all aspects of telemarketing and Internet fraud, including issues such as new scams, new uses of technology, geographical hotspots for certain types of fraudulent activity, effective enforcement techniques, and recent cases that establish relevant precedent in the area.
- **Consumer Protection Initiatives Committee.** The Consumer Protection Initiatives Committee was created by the Attorney General's Council on White-Collar Crime to coordinate activities of various agencies' consumer protection programs. Goals of the Committee include: (1) minimizing duplication of consumer protection efforts by sharing information on various fraud prevention and enforcement initiatives; (2) developing interagency consumer protection initiatives focusing on enforcement, deterrence, and public awareness; and (3) facilitating referrals of customer fraud cases with strong criminal implications to the Department of Justice and U.S. Attorney's offices.
- **Binational Working Group on Cross-Border Mass-Marketing Fraud.** This working group of regulatory and law enforcement representatives from the United States and Canada focuses on cross-border, mass-marketing operations, such as telemarketing "boiler rooms" and fraudulent Internet Web sites that target victims in multiple jurisdictions far from the operator's base. The working group seeks to develop improved means to cooperate in an effort to halt this fraudulent cross-border activity.
- **Securities and Commodities Fraud Working Group.** The Securities and Commodities Fraud Working Group is a vehicle for public and private sector participants to discuss current trends in financial crime in the securities, futures, and options industries and to exchange ideas about enforcement techniques. The group, organized by the Fraud section of the Criminal Division of DOJ, meets on a quarterly basis. Its members include criminal and regulatory authorities from State and Federal agencies and representatives from various exchanges and other self-regulatory organizations.

Table 1: Enforcement Cases Filed During FY 2002

Case (arranged by Program Area)	Press Release No.	Date Filed	Details
Illegal Instruments—Foreign Currency Cases			
<i>CFTC v. Rego Gainer Financial, Inc., et al.</i>	4611-02	02/19/02	Page 27
<i>CFTC v. MAS FX, LLC, et al.</i>	4611-02	02/20/02	Page 28
<i>CFTC v. Myers, Arnold, Davidson, Inc., et al.</i>	4611-02	02/27/02	Page 27
<i>In re Global Capital Investment, LLC, et al.</i>	4611-02	02/27/02	Page 28
<i>CFTC v. 4Nexchange, LLC.</i>	4636-02	05/02/02	Page 28
<i>CFTC v. Offshore Financial Consultants, et al.</i>	4652-02	06/04/02	Page 29
<i>CFTC v. International Financial Services, Inc., et al.</i>	4675-02	07/17/02	Page 29
<i>CFTC v. First Bristol Group, Inc., et al.</i>	4691-02	08/20/02	Page 30
<i>CFTC v. Nawab Ali Khan Ali, et al.</i>	4692-02	08/20/02	Page 30
<i>CFTC v. Global Financial Consulting, Inc., et al.</i>	4693-02	08/28/02	Page 30
<i>CFTC v. Advent Capital Partners, Ltd., et al.</i>	4697-02	05/21/02	Page 29
<i>CFTC v. Donald C. O'Neill</i>	4703-02	09/17/02	Page 31
Commodity Pool Fraud Cases			
<i>CFTC v. Thomas D. Chilcott, et al.</i>	4615-02	03/07/02	Page 32
<i>CFTC v. Mark Ross Weinberg</i>	4619-02	03/12/02	Page 32
<i>CFTC v. Charles G. Mady, et al.</i>	4655-02	06/11/02	Page 33
<i>CFTC v. Donald Steven Smith.</i>	4660-02	06/20/02	Page 33
<i>CFTC v. Sovereign Resource Management, Inc.</i>	4677-02	07/18/02	Page 33
<i>CFTC v. Gahma Corp., et al.</i>	4690-02	08/13/02	Page 33
<i>CFTC v. John Martin Lofgren, et al.</i>	4695-02	08/30/02	Page 34
Trade Practice Cases			
<i>In re Clay Khovjak and Paul Cochran</i>	4577-01	10/26/01	Page 41
<i>In re Robert Ryan</i>	4580-01	10/31/01	Page 41
<i>In re Patrick Ligammari</i>	4605-02	02/11/02	Page 41
<i>In re Joseph DeFrancesco, et al.</i>	4621-02	03/20/02	Page 42
<i>In re Carmelo Contrino, et al.</i>	4667-02	07/09/02	Page 42
<i>In re Bruce Miller, et al.</i>	4671-02	07/15/02	Page 42
Managed Accounts & Trading Systems Cases			
<i>In re Michael Radcliffe.</i>	4597-02	01/05/02	Page 36
<i>In re George Angell, et al.</i>	4628-02	03/06/02	Page 36
<i>In re TradeWins Publishing Corp., et al.</i>	4628-02	04/04/02	Page 36
<i>CFTC v. Dewey V. Wiles, et al.</i>	4639-02	05/06/02	Page 37
<i>In re Stephen Alan Pierce</i>	4683-02	07/30/02	Page 37
<i>CFTC v. Kenneth Lee, et al.</i>	4706-02	09/30/02	Page 37
Supervision & Compliance Cases			
<i>In re Republic New York Securities Corp.</i>	4590-01	12/17/01	Page 39
<i>In re Mark Vaughn</i>	4609-02	02/25/02	Page 40

Table 1: Enforcement Cases Filed During FY 2002 (continued)

Case (arranged by Program Area)	Press Release No.	Date Filed	Page Number
IB Violation Cases			
<i>In re David Janson</i>	4645-02	05/22/02	Page 44
<i>In re Ronald Roesler</i>	4645-02	05/22/02	Page 44
<i>CFTC v. Todd J. Snively, et al.</i>	4606-02	02/08/02	Page 45
Violation Of Commission Orders			
<i>CFTC v. David Alan Luger</i>	4651-02	06/03/02	Page 47
Statutory Disqualification Cases			
<i>In re Midland Euro</i>	4585-01	11/16/01	Page 48
<i>In re Varner</i>		11/29/01	Page 48
<i>In re Bay Harbor Trading Co., et al.</i>		06/28/02	Page 49

Table 2: Injunctive Actions

Fiscal Year	Actions Initiated	Defendants Named
1993	11	60
1994	10	34
1995	11	27
1996	17	45
1997	17	43
1998	18	96
1999	20	61
2000	12	57
2001	17	51
2002	22	102

Table 3: Administrative Actions

Fiscal Year	Actions Initiated	Respondents Named
1993	45	72
1994	33	60
1995	41	72
1996	21	32
1997	23	48
1998	23	47
1999	25	47
2000	41	68
2001	27	52
2002	18	35

Table 4: FY 2002 Performance Statistics**Cases**

Opened	40
Closed	43
Pending	91

Sanctions Assessed²**Administrative Cases**

Persons Subject to Cease and Desist Orders:	34
Persons Subject to Trading Prohibitions:	18
Persons Subject to Registration Suspensions, Denials or Revocations:	26
Amount of Civil Monetary Penalties ³ :	\$11,072,000
Number of Persons Assessed:	33
Amount of Restitution or Disgorgement Ordered: ⁴	\$1,955,000
Number of persons assessed:	7

Civil Cases

Persons Enjoined:	
<i>Ex parte</i> Restraining Orders	77
Preliminary Injunctions	71
Permanent Injunctions	39
Equity Receivers Appointed:	6
Assets Placed Under Receiver's Protection:	\$0
Amount of Civil Monetary Penalties ⁵ :	\$14,269,000
Number of persons assessed:	16
Amount of Restitution or Disgorgement Ordered ⁶ :	\$20,349,000
Number of persons assessed):	25

² This report includes only those sanctions that became final during FY 2002. This includes sanctions assessed in settled matters and unappealed decisions of the Commission, U.S. district courts, or U.S. courts of appeals.

³ Of this amount, \$275,000 was ordered paid pursuant to multi-year payment plans in which the actual amount paid by the respondent depends upon the level of his/her income during the time period of the payment plan.

⁴ Of this amount, \$61,058 was ordered paid pursuant to a multi-year payment plan in which the actual amount paid by the respondent depends upon the level of his income during the time period of the payment plan.

⁵ Of this amount, \$2,232,165 was ordered paid pursuant to multi-year payment plans in which the actual amount paid by the defendant depends upon the level of her/his income during the time period of the payment plan.

⁶ Of this amount, \$5,582,293 was ordered paid pursuant to multi-year payment plans in which the actual amount paid by the defendant depends upon the level of her/his income during the time period of the payment plan.

Division of Market Oversight

Overview

The primary responsibility of the Division of Market Oversight (DMO or Division) is to foster markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of abusive trading activity. DMO is made up of three sections—the Market Surveillance Section, the Market and Product Review Section, and the Market Compliance Section.

By monitoring the markets to detect and protect against price manipulation and abusive trading practices, the division helps ensure that the markets are performing the vital economic functions of price discovery and risk transfer (hedging). The Division also carries out the Commission's market surveillance and trade practice oversight programs for these markets. DMO staff conduct examinations of exchange compliance programs and monitor daily trading activity, positions of large traders and supply and demand factors affecting prices. DMO also reviews products listed by exchanges, rules, and rule amendments submitted by exchanges and develops, implements, and interprets regulations that are designed to protect the economic functions of the markets, to protect market participants, and to prevent trading abuses.

Significant Accomplishments in FY 2002

- **Implementation of the Commodity Futures Modernization Act of 2000 (CFMA).** The Division was actively involved in implementing the CFMA's fundamental changes regarding the operation of trading facilities. The Commission adopted amendments to its rules, initially proposed in April 2002, in response to issues that had arisen since adoption of earlier rules implementing the CFMA. Among other things, the amended rules established new definitions of dormant markets and products, set out new procedures for listing dormant products, addressed the procedures applicable to the imposition or amendment of exchange fees, and made other technical and clarifying changes.
- **Aftermath of Terrorist Attacks of September 11, 2001.** In the aftermath of the destruction of the World Trade Center in New York City, which housed the CFTC's New York Regional Office, Chicago DMO staff provided ongoing support to New York DMO staff to maintain reporting systems and conduct market and trade practice surveillance. As FCMs resumed operations and New York-based FCMs began to re-establish themselves, New York and Chicago DMO staffs shared both routine reporting and normal daily market and trade practice surveillance duties until the New York office became fully operational. Efforts to rebuild hardcopy and electronic files continued throughout the year.
- **Security Futures Trading.** During this fiscal year, staff of each of the Division's sections devoted considerable effort to preparing for the launch of security futures trading. In conjunction with other offices of the Commission, staff of the Market and Product Review Section finalized joint CFTC/SEC rules regarding trading in security futures products (SFPs). These rules established listing standards and conditions, cash settlement requirements, and regulatory trading halt requirements. Staff also participated in development of two joint CFTC/SEC orders relating to SFPs. The first order permanently excluded from the definition of a narrow-based index any

index underlying a futures contract traded on a foreign board of trade and offered and sold in the U.S. pursuant to a Commission no-action letter. The second order allowed security futures contracts to be based on exchange-traded funds, trust-issued receipts, and closed-end funds. Staff also developed rules to permit U.S. trading in foreign SFPs and prepared proposed criteria that could be used to determine whether a foreign stock index was broad based.

In addition, staff of the Market and Product Review Section worked closely with the SEC to implement the joint CFTC/SEC regulations and reviewed exchange rules submitted in response to those regulations, including rules concerning SFP margin requirements.

Also, staff of the Market Surveillance and Market Compliance Sections worked closely with SEC staff, the Intermarket Surveillance Group (ISG), and individual exchanges and clearing organizations on rulemakings and implementation for exchange and large-trader reporting. The Commission's information requirements will be met through a combination of reports from the individual exchanges and large trader data from the Securities Industry Automation Corporation (SIAC), which has modified the large-option position reports currently used for options on securities by the Options Clearing Corporation (OCC) to apply to SFPs.

- **Contract Market Applications.** Staff of the Market and Product Review Section led interdivisional teams reviewing three new contract market applications during this fiscal year, resulting in two new designations (the third application was still pending as of year-end). DMO staff also reviewed draft applications from several other entities that are planning to submit formal contract market applications in the future.
- **New Product Filings.** In FY 2002, the exchanges submitted to the Commission 44 filings to list new futures and option contracts. Of the 44 contracts filed, 7 were submitted for Commission approval, and 37 were submitted under exchange self-certification procedures.
- **Use of Contract Markets by Agricultural Producers.** On December 21, 2001, the Commission submitted to Congress a report prepared by DMO staff to fulfill a requirement set out in Section 4p of the Act. Section 4p directs the Commission to consider issuing new rules or orders to encourage and facilitate agricultural producers' use of futures and option markets for risk management and to report on planned steps to attain this objective. The report noted that the Commission will continue its active participation with the U.S. Department of Agriculture (USDA) in producer risk-management education and will maintain an active presence in the cash and futures markets to fulfill its market surveillance and contract design oversight responsibilities. The report also noted that the Commission will attempt to identify new programs, policies, and rules that would further facilitate producer use of the futures and option markets.
- **Exempt Markets.** During the fiscal year, DMO reviewed notice filings from and issued acknowledgment letters to four exempt markets, including two exempt commercial markets (ECMs) and two exempt boards of trade (XBOTs). Division staff also reviewed a number of draft exempt market notices and had discussions with several other entities that were actively considering operations as ECMs and XBOTs.
- **Contract Market Rule Enforcement.** DMO staff conducted examinations of three exchanges' rule enforcement programs during FY 2002. Staff reviewed the self-regulatory programs at the Chicago Board of Trade (CBT), the Chicago Mercantile Exchange (CME), and the Commodity

Exchange, Inc., of New York (COMEX). The examinations included an analysis of CME's and COMEX's trade practice surveillance, audit trail, and disciplinary programs, while the CBT review evaluated progress in implementing recommendations made in a previous review of the exchange.

The following is a summary of significant matters handled by the Division's three sections during the past fiscal year.

Market Surveillance Section

Futures prices are widely quoted and disseminated throughout the U.S. and abroad. Business, agricultural, and financial enterprises use futures markets as a source of pricing information and for hedging against price risk. Participants in commercial transactions rely extensively on prices established by the futures markets. Prices established by the futures markets directly or indirectly affect all Americans. They affect what we pay for food, clothing, and shelter. Since futures and option prices are susceptible to manipulation and excessive volatility and since producers and users of the underlying commodities can be harmed by manipulated prices, surveillance, coupled with appropriate regulatory action, is necessary to ensure that market prices accurately reflect supply and demand conditions.

Economists in the Market Surveillance Section monitor all actively traded futures and option markets to detect and prevent price manipulation. They routinely review the positions of large traders, futures and cash price relationships, and supply and demand factors to detect threats of price manipulation.

Market Surveillance staff work closely with the exchanges and other government agencies to deal with any potential market threats that may develop. The staff informs the Commissioners and senior CFTC staff of potential problems and significant market developments at weekly surveillance briefings so that the Commission is prepared to take prompt remedial action when warranted.

The following is a brief synopsis of the financial, agriculture, and energy markets for FY 2002:

- **Financial Markets.** Equity markets moved lower during the year as robust economic recovery eluded U.S. and world investors. In a classic flight to quality, Treasury coupons rallied, and yields fell to over 40-year lows as the Federal Reserve Board (FRB) engaged in rate-cutting that began in early January 2001 with the Federal funds rate at 6.50 percent and ended at 1.75 percent, where it stayed through September 2002. Economic weakness here and abroad, combined with geopolitical issues, have tilted FRB watchers from early 2002 expectations of FRB tightening toward expectations of further cuts. With plummeting mortgage rates and zero-interest new-car loans, the housing and auto sectors remained strong. Consumers continued to purchase, even in the face of declining consumer sentiment and widespread news of corporate layoffs and down-sizings and despite news of corporate malfeasance, beginning with the Enron bankruptcy in October 2001. The U.S. dollar, after a long period of strengthening, reversed against most major currencies in the wake of the September 11, 2001, attack and corporate accounting fraud. The Eurodollar briefly reached parity with the U.S. dollar (1 Euro = 1 dollar) for the first time in more than two years. Throughout this turbulent year, staff conducted heightened surveillance of currency, equity index, and fixed-income futures and option markets, and staff continued to share information with other financial regulators on a routine basis.

- **Agricultural Markets.** Grain prices were at relatively low levels during most of the year, but near summer's end, prices gained, reflecting drought and poor growing conditions in parts of major growing regions and smaller than anticipated carryovers. Export markets remained less than robust, however, partly as a result of a relatively strong U.S. dollar during most of the period.

Cocoa prices were sharply higher this year due to a second consecutive annual global production deficit. Prices more than doubled to over \$2,200 per ton and established numerous new 16-year highs during the latter part of the year. The production deficit also caused exchange-licensed inventories to reach multi-year lows and required close surveillance of expiring futures. Market Surveillance staff closely examined the May 2002 expiration for possible trading improprieties when several traders trading through the same brokers entered the delivery period at the speculative limit. In addition, Market Surveillance staff looked closely at the July futures contract because two traders took delivery against London futures of approximately 20 percent of existing global inventories at a substantial premium and subsequently removed a large part of that cocoa from the market. Finally, staff closely monitored the September expiration for residual effects from the large London July delivery to ensure that traders did not take advantage of the tight global supply situation. Frequent contact with traders who held large positions and with exchange staff enabled these contracts to expire in an orderly manner. Staff also maintained contact and information-sharing with their U.K. regulatory counterparts.

- **Energy Markets.** Oil prices and natural gas prices were quite volatile. New York Mercantile Exchange (NYMEX) crude oil settlement prices ranged from a low of \$17.45 per barrel on November 15, 2001, to a high of \$30.77 on September 24, 2002. In September 2001, in the aftermath of the terrorist attacks in the U.S., prices declined sharply following a brief initial rise. Weak oil demand, stemming from a sharp slowdown in the U.S. economy, was exacerbated by the events of September 11. The oil industry was particularly hard hit by a sharp decline in consumption of jet fuel, due to a falloff in air travel. During that period, staff conducted heightened surveillance of the energy markets for possible terrorist-related trading activity. Staff also monitored the markets for possible impact from the Enron collapse and problems with other energy traders. Prices remained relatively low as the U.S. experienced one of its warmest winters on record. In early spring, oil markets rebounded sharply, and then underwent a sustained period of markedly higher prices, reflecting a global economic recovery, Organization of Petroleum Exporting Countries (OPEC) production cuts, unprecedented levels of U.S. gasoline demand, and relatively low levels of U.S. crude oil inventories. In addition, tensions in the Middle East, including concerns over a broadening of the Israeli-Palestinian conflict and, more recently, speculation over the possibility of U.S. military action against Iraq, were factors driving prices.

Natural gas futures declined to a two-and-a-half-year low spot-settlement of \$1.83 per million British Thermal Units (BTUs) in late September 2001, responding to the combination of reduced demand because of a weak U.S. economy and an overhang of stocks. This price was less than one-fifth of its record price of \$10.10 the previous December. Prices then nearly doubled in October on early winter-like weather, only to again decline sharply, to below \$2, as the winter was unusually mild and stocks remained at historically high levels. Natural gas prices then doubled by April 30, 2002, on a late cold snap, the supply surplus dissipating, reports of an improving economy, and lower gas production. After falling by summer on concerns that the economy was not growing fast enough to erode the supply surplus, prices soared to over \$4 on September 30 on high temperatures in August that increased consumption for air conditioning, and fears of slowing production, with tropical storm activity shutting some production facilities.

Large Trader Reporting

The capabilities of the Commission's integrated surveillance system (ISS) were expanded to accommodate innovative products such as security futures products, calendar-spread options, and swap futures contracts. In January 2002, DMO began to release the "futures and options combined" version of the *Commitments of Traders Report* earlier from Mondays to Fridays, coinciding with the futures-only version.

Studies

Staff of the Market Surveillance Section initiated several studies during the fiscal year. Two areas of significant interest include activities in the cattle and silver markets.

- **Cattle.** Market Surveillance staff in Chicago engaged in a major study of live cattle market composition, following news of testing for foot-and-mouth disease in Kansas in mid-March 2002, which coincided with steep drops in cattle and other livestock prices. A report was prepared and delivered to the leadership of the National Cattlemen's Beef Association on April 19, 2002, at CFTC headquarters. The report, which was also posted on the CFTC Web site, answered many industry questions and complaints, including inquiries about possible price manipulation of the market. In particular, the study found no apparent improper activity by packers or commodity funds. In addition, an abundance of beef, pork, and poultry supplies, combined with export problems and demand weakness (much of which became known to the market at about the time of or shortly after the foot-and-mouth disease scare), were found to be consistent with the steep declines in prices for all meat groups. Staff released updated data for a mid-June gathering of cattlemen in Des Moines, Iowa.
- **Silver.** The Commission received a large number of letters alleging artificially low silver prices. These letters suggested that silver prices may be subject to manipulation through activities on the futures market. Many of these letters appeared to be inspired by an individual who has long complained that silver prices are too low. In response to these complaints, Market Surveillance staff conducted a careful review and analysis of the silver market by drawing on its surveillance experience with silver futures, options, and cash markets, by reviewing research publications and statistics, and by obtaining information from knowledgeable market participants. The review failed to substantiate these allegations or find evidence that silver prices did not reflect market forces or to find evidence of possible unlawful activities.

Market and Product Review Section

To serve the vital price discovery and hedging functions of futures and option markets, exchanges must list products for trading that are not readily susceptible to manipulation, and they must have an appropriate, ongoing oversight program. Appropriate contract design minimizes the susceptibility of contracts to manipulation or price distortion. A key element of the Commission's market oversight effort is analysis of the terms and conditions of futures and option contracts to ensure that exchanges comply with the core principle that listed products not be readily susceptible to manipulation. The Product Review Unit reviews new contracts and rule changes of economic significance to existing contracts, and it performs studies related to developments in derivatives trading to ensure that contracts are in compliance with statutory and regulatory anti-manipulation requirements. The reviews foster markets free of disruptions or price manipulations and provide the Commission and other

interested parties with essential market information to conduct effective surveillance and to address regulatory and public interest issues. Deficiencies in the terms and conditions of futures and option contracts increase the likelihood of cash, futures, or option market disruptions and decrease the economic usefulness and efficiency of the contracts.

New Futures & Option Contract Filings

During FY 2002, the Product Review Unit of the Market and Product Review Section completed economic reviews of 44 new futures and option contracts: These included 7 applications for CFTC approval of new futures or option contracts and 37 new contracts submitted under exchange self-certification procedures. Highlights of the new contracts are as follows:

- **U.S. Equity Indexes.** Staff reviewed a number of certification filings by the CME for various stock index futures and option contracts, including the Standard and Poor (S&P) 500 technology-communication index future and option, the S&P 500 financial sector index future and option, the S&P small cap index future and option, the S&P midcap 400 e-mini future and option, the S&P TOPIX 150 future and option, and the S&P energy sector index future. Staff also reviewed a CBT certification regarding a mini-sized Dow stock index future. These contracts provide institutional portfolio managers with additional means of hedging risks associated with U.S. equity portfolios. In addition, staff reviewed a self-certified filing by the CME for the long-short technology TRAKRS index futures contract. The TRAKRS index is designed to reflect a managed investment in the information technology sector of the U.S. equity markets. It is a broad-based, total-return index that includes long positions in technology stocks and short positions in technology sector proxies. The TRAKRS contract is constructed such that all or a portion of the notional proceeds from the short component are notionally invested in either: (1) short-term money market instruments to generate a return equivalent to the overnight Federal Funds Rate; or (2) the long component to overweight those stocks. Thus, the TRAKRS contract is constructed to be similar to a classic hedge fund in which a long position is taken in some securities and a short position in other securities that typically are in the same or related sector.
- **Commodity Indexes.** Staff reviewed several contracts based on indexes of commodity prices submitted under certification procedures. These include the CSCE S&P commodity index futures and options and the CBT AIG commodity index future. Prices for these index contracts reflect fluctuations in the value of fixed portfolios of underlying futures contracts based on a broad spectrum of nonfinancial commodities. The contracts are intended to allow participants to hedge commodity price inflation risk and to diversify their investment portfolios by including commodity prices in addition to other assets.
- **Additional Energy Contracts.** The Commission approved six energy futures contracts submitted by the Merchant's Exchange this fiscal year. These include the light sweet crude oil, New York Harbor unleaded gasoline, New York Harbor heating oil, European gas oil, and natural gas futures contracts. In addition, staff of the Product Review Unit reviewed a Henry Hub Swap natural gas futures contract and submissions by NYMEX under certification procedures regarding mini light sweet crude oil and mini natural gas futures contracts.
- **Agricultural Products.** This fiscal year, staff reviewed the Minneapolis Grain Exchange's (MGE's) certification filings for new cash-settled national index corn and national index soybean futures contracts. In addition, the CSCE filed under certification procedures a mini coffee "C"

futures contract. The MGE's corn and soybean contracts are cash-settled based on an average of corn and soybean cash bid prices reported by a large number of grain elevator operators located throughout the corn belt. The futures contracts differ from traditional grain futures contracts in that they reflect average corn and soybean cash prices in the overall production areas for these commodities, rather than the value of these commodities at a limited number of locations. The CSCE's mini coffee "C" futures contract is one-third the size of the exchange's existing 37,500 pound coffee "C" futures contract. Positions in expiring mini coffee contract months are cash-settled after the close of trading in such months based on a volume-weighted average of coffee "C" futures prices reported during the last 2 hours and 15 minutes of trading on the business day preceding the first notice day of the associated expiring coffee "C" contract month. The mini coffee contract is intended to provide improved risk-management opportunities for smaller producers and retailers.

- **X-Funds.** The Commission approved the rules of the CBT X-Fund futures contract this fiscal year. The terms of the contract provide for the listing of a wide variety of individual futures contracts containing different component commodity futures contracts. An individual X-Fund futures contract is based on the performance of an index of component futures contracts selected by an administrator in accordance with the administrator's particular trading style or methodology. According to the CBT, X-Fund futures were designed to allow investors' entry into a futures index product, combining the expertise of futures professionals with the unmatched liquidity and integrity of the CBT markets.

Foreign Stock Offerings in the U.S.

The Product Review Unit provides the Commission's OGC with economic analyses of requests for no-action relief by foreign boards of trade wishing to offer and sell stock index futures contracts in the United States. During FY 2002, the Product Review Unit completed economic analyses in support of the issuance of six such no-action letters: the Eurex' Dow Jones STOXX 600 Banking Sector Index, Dow Jones Euro STOXX Banking Sector Index, and Dow Jones Global Titans 50 Index futures contracts; the JSE Securities Exchange South Africa's FTSE/JSE Top 40 Companies Index futures contract; and the ASX Futures Exchange's Standard and Poors/ASX 200 Index and Standard and Poors/ASX 50 Index futures contracts.

Live Cattle Study

The Product Review Unit initiated a study of the live cattle futures contract in light of concerns that the contract's existing terms may be not conducive to the orderly liquidation of positions in expiring contract months. The study seeks to evaluate the feasibility of several alternative modifications to the contract's delivery specifications considering the effects on the contract's utility for risk management.

Economically Significant Rule Changes

During FY 2002, the Product Review Unit processed 233 term and condition rule amendment filings for existing futures and option contracts, including 55 amendments that were deemed economically significant. Seventeen of these rule changes were submitted for review and approval, while 38 were filed under exchange self-certification procedures. Significant rule changes reviewed by the Product Review Unit this year included:

- Changes to the CME-oriented strand board futures contracts relating to the quality standards for deliverable product and packaging requirements.
- Revision to the Kansas City Board of Trade (KCBT) wheat futures contract to reduce the discount for delivery at Hutchison, Kansas.
- Changes to the New York Cotton Exchange frozen concentrated orange juice futures contract to modify the quality standards for deliverable frozen concentrated orange juice by increasing the allowable brix-to-acid ratio.
- Modifications to the cash-settlement provision of the CBT long-term municipal bond futures contract eliminating survey procedures and replacing them with an independent third-party price-evaluation service.
- Changes to the delivery points for the CME live cattle futures contract, and changes to the delivery fee provisions of that contract, as well as all other CME agricultural contracts.
- Modifications to the CBT soybean oil futures contract to amend the contract's delivery territories, including the creation of a new territory in the upper Midwest.
- Adoption of position accountability provisions in lieu of speculative limits for the CBT 5- and 10-year interest rate swap contracts.

The Commission's review of exchange rules is a key aspect of the statutory framework for self-regulation under Commission oversight. The staff of the Market Review Unit of the Market and Product Review Section review exchange rule submissions with a view toward maintaining the fairness and financial integrity of the markets, protecting customers, accommodating and fostering innovation and increasing efficiency in self-regulation consistent with the Commission's statutory mandates. To these ends, during the past year the staff of the Market Review Unit reviewed 339 exchange rule submissions containing 717 separate new rules and rule amendments. The Market Review Unit is also responsible for providing exemptive, interpretive, or other relief to various markets and market participants to facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions.

New Contract Market Designations

On February 19, 2002, the Commission granted contract market designation to the Island Futures Exchange, LLC (Island). This was the CFTC's second exchange designation to permit the trading of SFPs. Island is owned and operated by Island Holdings, LLC, which also owns and operates The Island ECN, Inc., an Alternative Trading System. (Since Island's designation, Island Holdings, LLC has been purchased by Instinet.) The NFA will perform certain self-regulatory functions for the new exchange, including market and financial surveillance, audits, trade practice investigations, and dispute resolution. OCC will provide clearing and settlement services for Island.

On June 11, 2002, the Commission granted contract market designation to OneChicago, LLC, Futures Exchange (OneChicago). OneChicago also intends to permit trading of SFPs. OneChicago is owned and operated by the CME, the Chicago Board Options Exchange (CBOE), and the CBT. The CME will perform certain self-regulatory functions for OneChicago including market and financial

surveillance and trade practice investigations. The NFA will provide dispute resolution services. OneChicago also selected the CBOE trade-matching engine, CBOEdirect, as its electronic trading platform. Access to CBOEdirect would be through either the CBOE network or the CME's GLOBEX network. The OCC, in conjunction with the CME, will provide clearing and settlement services for OneChicago.

In addition, the Commission approved the lifting of conditions from the Nasdaq Liffe Markets' (NQLX's) contract market designation. NQLX had been conditionally designated in August 2001 until such time as the Commission ensures the ability of the National Association of Securities Dealers to carry out self-regulatory functions for the exchange and the ability of the OCC to perform futures clearing.

Exempt Markets

During the fiscal year, the Market Review Unit reviewed notice filings and issued acknowledgement letters to two ECMs, the Intercontinental Exchange, Inc. (Intercontinental) and Tradespark, LP. ECMs are electronic trading facilities that provide for the execution of futures transactions by eligible commercial entities in exempt commodities. A facility that elects to operate as an ECM must give notice to the Commission and comply with certain informational, record-keeping, and other requirements.

In addition, the Market Review Unit reviewed notice filings and issued acknowledgement letters to two XBOTs—the Weather Board of Trade, LLC and the WeatherXchange, Ltd. Both facilities list weather-based indices for trading. A trading facility electing to operate as an XBOT must limit trading to eligible contract participants and may only trade products based on commodities that have either: (1) an inexhaustible or sufficiently large deliverable supply such that the commodity is highly unlikely to be susceptible to the threat of manipulation; or (2) no cash market.

Placement of Electronic Terminals in the United States

The Commission continued the policy initiated in FY 1999 of issuing no-action letters in response to requests by foreign boards of trade to permit placement of electronic terminals in the United States without requiring contract market designation for those boards of trade. On February 27, 2002, the Market Review Unit issued a no-action letter to the Montreal Bourse in connection with the placement of trading terminals in the United States to provide access to its automated trading system. On March 8, 2002, the Market Review Unit issued a no-action letter to Spain's MEFF Sociedad Holding de Productos Financieros Derivados S.A. (MEFF) to permit MEFF to make its electronic trading and order-matching system available to its members in the United States without obtaining designation as a contract market. In addition, on July 26, 2002, the Market Review Unit issued an amended foreign terminal no-action letter to the International Petroleum Exchange (IPE) of London permitting it to make its natural gas contract available in the United States through Intercontinental's trading system. (Intercontinental, which is also an ECM, purchased IPE's owner holding company in June 2001.)

Exchange Demutualizations

During the fiscal year, the Market Review Unit reviewed extensive rule filings from both the CME and CBT related to their respective plans to convert from not-for-profit membership organizations to for-profit stock corporations.

MGEXPress Electronic Trading System

On December 12, 2001, the Commission approved a proposal from the MGE to establish an electronic trading system known as MGEXPress. Initially, the system is being used to trade two futures contracts—both grain index products.

CME-NYMEX Trading Arrangement

The Market Review Unit reviewed rule filings from both the CME and NYMEX to permit NYMEX to list e-mini futures on the GLOBEX automated trading system and to establish a related CME-NYMEX cross-margining program.

NYMEX Initiatives to Encourage Trading In Energy Contracts

The Market Review Unit handled a number of rule proposals from NYMEX intended to facilitate the migration of OTC energy contract volume to the exchange. The Market Review Unit also reviewed a proposal from NYMEX to permit exchange of futures for futures transactions in its Brent Crude Oil (Brent) futures contract. The proposal established a noncompetitive trading procedure that operates in a manner that is analogous in some respects to block trading rules and in other respects to exchange of futures for physicals (EFP) rules currently in operation at some exchanges. The provision permits eligible contract participants to liquidate open positions in NYMEX-specified substantially equivalent contracts at another exchange and to establish comparable positions in NYMEX's Brent contract. The rule is intended to provide a mechanism to transfer Brent futures positions from another exchange to NYMEX. NYMEX implemented the rule on a one-year pilot program basis.

Security Futures Product Margins

The Market Review Unit coordinated with SEC staff in reviewing minimum initial and maintenance margin proposals for SFPs from three exchanges: OneChicago, NQLX, and CME. In accordance with the joint rules adopted by the Commission and the SEC, the proposals establish margin levels for outright positions in security futures at 20 percent of current market value and allow lower margin levels for certain offset positions.

Market Compliance Section

The Market Compliance Section oversees the compliance activities of all designated contract markets in furtherance of the Commission's primary goals of ensuring customer protection and market integrity. The oversight program consists of examinations of exchange self-regulatory programs on an ongoing, routine basis to assess continuing compliance with applicable core principles under the Act and the Commission's regulations. The examinations result in rule enforcement review reports that evaluate an exchange's enforcement capabilities. The reports set forth recommendations for

improvement where appropriate with respect to an exchange's trade practice surveillance, market surveillance, disciplinary, audit trail, and record-keeping programs. These periodic reviews promote and enhance continuing effective self-regulation and ensure that self-regulated organizations enforce compliance with their rules.

Market Compliance staff also monitor trading activity in order to detect and prevent possible trading abuses at all designated contract markets. This type of oversight is conducted through the use of automated surveillance and floor surveillance. The identification of possible trading violations results in referrals to relevant exchanges and to the Commission's Division of Enforcement.

Rule Enforcement Reviews

In FY 2002, the Market Compliance Section completed three rule enforcement reviews of exchange compliance programs:

- **Chicago Board of Trade.** On February 13, 2002, the Market Compliance Section completed a followup rule enforcement review of the CBT. The purpose of the review was to evaluate the CBT's progress in implementing recommendations made by Market Compliance in its June 2000 rule enforcement review of the CBT. The followup review covered the target period of January 1 through June 30, 2001. Market Compliance staff found that the CBT had generally implemented the recommendations set forth in its 2000 review. The CBT completed investigations in a more timely fashion and continued to conduct thorough, well-documented investigations. In addition, none of the cases closed during the target period raised concerns about the sufficiency of sanctions, as was the case in the 2000 review. Finally, the CBT issued several notices to its members during the target period reminding them of their responsibilities concerning specific electronic trading rules and practices, as recommended in the 2000 review. These notices related to the possible misuse of user identifications and passwords, the prohibition against the exercise of discretion by a nonmember terminal operator in the placing of orders, and pre-execution communications. Market Compliance staff made one recommendation for further improvement to the exchange's disciplinary program. Staff recommended that the exchange refer members who have received previous reminder letters for violations of procedural requirements to a disciplinary committee for further action.
- **Chicago Mercantile Exchange.** On June 6, 2002, the Market Compliance Section completed a rule enforcement review of the CME that focused on the exchange's audit trail, trade practice surveillance, and disciplinary programs. The review covered the target period of January 1 to July 1, 2001. The report was the first rule enforcement review issued under the core principle regime of the CFMA. Market Compliance staff found that the CME generally maintains adequate audit trail, trade practice, and disciplinary programs. The CME conducts back-office audits of clearing members to monitor compliance with record-keeping requirements and reviews floor member compliance with trade recordation requirements. The CME also uses video and automated trade practice surveillance systems to monitor and enforce compliance with the exchange's trading rules. Lastly, Market Compliance staff found that: (1) disciplinary matters are promptly referred to disciplinary committees; (2) disciplinary proceedings are completed in a timely manner; and (3) penalties imposed appear reasonable relative to the conduct sanctioned. Although the Market Compliance Section found that all of these programs were adequate, staff made recommendations for further improvement in each program area.

- **Commodity Exchange, Inc.** On September 25, 2002, the Market Compliance Section issued a rule enforcement review of COMEX Division of the NYMEX. The review evaluated COMEX's compliance with core principles relating to audit trail, trade practice surveillance, and disciplinary programs. The review covered the target period of January 1 through December 31, 2001. Market Compliance staff found that COMEX conducted thorough and well-documented order ticket and trading card record-keeping reviews, which indicated high levels of member compliance with trade recordation requirements. The COMEX also developed thorough investigations of possible trade practice violations and conducted appropriate investigative analyses. In addition, the COMEX undertook significant and successful efforts to close older investigations and ensure the timeliness of ongoing investigations. COMEX also handled disciplinary proceedings in a timely manner and imposed penalties that appear reasonable relative to the conduct being sanctioned. Market Compliance staff made two recommendations for further improvement to COMEX's record-keeping and trade practice programs. The Market Compliance Section's surveillance activities resulted in several referrals to the exchanges and to the Division of Enforcement during fiscal year 2002. These referrals involved possible violations of rules prohibiting trading ahead of customer orders, accommodation trading, noncompetitive trading, and trading against customer orders.

Division of Clearing & Intermediary Oversight

On July 1, 2002, the Division of Clearing and Intermediary Oversight (Division or DCIO) began operation as a result of the Commission's restructuring of its staff to facilitate the implementation of the Commodity Futures Modernization Act (CFMA). The mission of the Division is to protect the economic integrity of the markets, to protect market users, to foster open, competitive and financially sound markets, and to promote an effective, flexible regulatory environment responsive to evolving conditions. The Division oversees the compliance activities of the futures industry SROs, which include the U.S. commodity exchanges and the NFA and derivatives clearing organizations (DCOs). The Division's other responsibilities are: (1) to develop rules concerning registration, fitness, financial adequacy, sales practices, protection of customer funds, and clearance and settlement activities; and (2) to develop rules and policies to address cross-border transactions, the coordination of policy with foreign market authorities, systemic risk, anti-money laundering programs, and emergency procedures to address extraordinary events such as firm defaults. The Division also monitors market movements for potential financial impact on clearing firms and DCOs. To effectuate these objectives, the Division has three primary program areas: Intermediary Policy, Intermediary Oversight, and Clearing Policy and Oversight.

Intermediary Policy

Intermediary Rule Reform

In October 2001, the Commission revised many of its key rules governing intermediaries, including FCMs, IBs, CPOs, CTAs and their respective APs, as well as FBs and FTs. The changes: (1) permit intermediaries, with customer consent, to deliver transaction and account statements electronically; (2) provide a streamlined process for opening customer accounts that incorporates certain disclosures into the customer agreement and permits acknowledgment by the customer through a single signature; (3) permit applicants for registration as IBs who have raised their own capital to file unaudited financial reports to demonstrate satisfaction of the minimum financial requirements; (4) reduce the number of officers who are required to be listed as principals; (5) provide customers with greater flexibility in closing out offsetting positions; (6) permit greater flexibility in ethics training by replacing the former prescriptive rule with a Statement of Acceptable Practices; and (7) provide broader access to derivatives transaction execution facilities by permitting retail customers to trade through a CTA with \$25 million or more in assets under management.

Study of the Commodity Exchange Act and Rules Thereunder

The CFMA required the Commission to study provisions of the CEA and Commission rules and orders that govern the conduct of persons required to be registered under the CEA and to submit a report to the Senate and House Agriculture Committees identifying: (1) core principles the Commission has adopted or intends to adopt to replace Commission rules; (2) rules that the Commission decides to retain and the reasons therefor; and (3) the regulatory functions that the Commission performs that can be delegated to an RFA and the functions that the Commission has determined must be retained and the reasons therefor. Information was collected from interviews with representatives of Commission registrants and industry associations, and on June 6, 2002, the Commission held a public hearing at which it heard further testimony. In June 2002, the Commission delivered to Congress a report on its study of potential regulatory relief for the FCMs, IBs, CPOs, CTAs, and FBs who serve as intermediaries in the commodity futures and option markets. In the

report, the Commission noted that study participants indicated a desire that the Commission provide additional flexibility to registrants in meeting their obligations under the Act. None of the participants advocated that existing Commission rules be deleted wholesale and replaced by a defined set of core principles. Instead, participants focused on specific rules or sets of rules within the existing framework that they believed should be modified or eliminated, such as Commission Rule 1.35 regarding bunched orders, or expanded, such as the exemptions from the CPO registration requirements. The Commission also recommended three roundtables be held, two of which are discussed below. The third roundtable on bunched orders will be held in FY 2003.

Roundtable on CPO and CTA Issues

In September 2002, the Commission held a roundtable discussion among representatives of the CPO and CTA community, trade organizations, the NFA, and the SEC to discuss issues of concern to CPOs and CTAs, including instances of overlapping regulatory jurisdiction and requirements, SFP trading, and other issues raised by the participants. The meeting provided a unique opportunity for industry representatives to have their concerns heard by CFTC, SEC, and NFA representatives in a single forum.

Exemptive Relief and Guidance

In FY 2002, the Division responded to a large number of formal and informal requests for guidance concerning the application of regulatory requirements to specific transactions, new products, and market circumstances. Staff issued 424 responses, including electronic responses, to written requests from members of the public and the regulated industry to provide guidance concerning the application of Commission rules and to provide exemptions. Staff also responded to more than 3,400 telephone inquiries concerning the application of Commission requirements to commodity professionals. These responses aided market participants and the public by providing guidance concerning the manner in which they may conduct their activities to comply with relevant requirements and by granting relief from requirements where application of the rules would not serve the public interest. Highlights include:

- **Advisories on Foreign Currency Trading.** In February 2001, the Commission issued an advisory clarifying that the CEA and Commission jurisdiction apply to foreign currency futures and option trading involving retail customers and that such trading is legal only if the counterparty is a regulated financial entity enumerated in the CEA (as amended by the CFMA). FCMs and their affiliates are included in the enumerated categories. The Division issued a subsequent advisory in March 2002 that incorporated previous advisories and addressed issues of: (1) entities introducing retail customers to registered FCMs that act as counterparties to these customers for purposes of trading off-exchange foreign currency futures or option contracts; (2) the managing of retail off-exchange foreign currency futures or option accounts; and (3) the operating of pools trading exclusively in off-exchange futures or option contracts involving foreign currency.
- **Data Service Provider Interpretation.** The Division issued an interpretation that a data service provider that makes available to its customers an integration tool to permit the customers to access the order-entry system of the FCM of their choice is not an IB and, therefore, not required to register as such. The Division noted, in particular, that the data service provider: (1) does not solicit customers or orders for an FCM or for the trading of futures contracts (customers indicate to the data service provider the FCM with which they have an existing relationship); (2) does not recommend, propose, or encourage that customers use any particular FCM or place any orders for

futures contracts; and (3) is not accepting customer orders but simply providing technology that connects the customer to its FCM's order entry system. The customer is submitting its order to the FCM and not to the data service provider. The Division further noted that the fees paid to the data service provider by the FCM are a reflection of the costs of the development and ongoing support of the required technology, are intended to cover these costs, and are not associated with the placement of customer orders (the fee is paid by the FCM whether the trade is executed or not).

- **Electronic Storage of Records.** In view of the possibility that required records stored electronically in the "portable document format" (.pdf) may be altered in the process of conversion from text format to .pdf, the Division responded to a request for clarification of whether it is sufficient to document how the information was obtained and the process used to convert it into .pdf for storage. The Division stated that the fact that alteration may occur during this conversion process is part of the reason that the Commission continues to require that original trading cards and customer order tickets be retained in hard copy form. With respect to other required records, as long as the registrant ensures that the information has been retained and carried over from one format to the other with substantial accuracy and integrity, the fact that some minor level of alteration may occur as part of the conversion process does not in itself constitute failure to comply with Rule 1.31.
- **Foreign Futures Comparability Relief.** In May 2002, the Commission issued an order under Rule 30.10 granting the application for relief by Eurex Deutschland on behalf of certain firms located and doing business in Germany. This relief permits those members to solicit and accept orders and funds related thereto from persons located in the United States for trades on the exchange without registering under the CEA or complying with rules thereunder based upon substituted compliance with applicable German law and Eurex rules. In June 2002, the Commission issued an order under Commission Rule 30.10 exempting certain firms designated by the Bolsa De Mercadorias & Futuros (Brazil futures exchange) from certain requirements of the Commission's foreign futures and option rules.

Intermediary Oversight

Financial Oversight Program

The Division conducts a financial surveillance and audit program. The Division also oversees the self-regulatory programs of NFA and the exchanges, which include audits, daily financial surveillance, and other self-regulatory programs. The Division's programs include oversight of financial compliance programs of these SROs and direct quality control audits to assess the efficiency of SRO programs. Through this combination of direct examination and SRO oversight the Division ensures that FCM and IB registrants maintain required capital and that appropriate custodians hold customer funds in segregation. This oversight includes audits of clearing organizations and review of financial reports filed by registrants. In this connection, the Division's financial surveillance and audit program fostered the furtherance of sound financial practices in FY 2002 through:

- Review of 6,192 financial reports filed by registrants.
- Direct audits of 16 FCMs, CPOs, CTAs, and other registrants.
- Processing of 176 risk-assessment filings.

- Issuance of 166 warning and non-compliance letters (including letters resulting from review of financial reports).
- Followup of 119 required special notices reporting events such as reductions of capital of registered firms.
- Conduct of five major market move reviews.

The CEA requires each exchange, through a program of continuing rule enforcement, to ensure that its members adhere to exchange rules. The Division oversees, reviews, and reports to the Commission on the self-regulatory compliance programs of the exchanges and clearing organizations. When appropriate, such reports include recommendations for improvements and schedules for implementing those recommendations.

Electronic Filing

The Commission receives FCM and IB financial reports electronically through WinJammer™ and has developed RSR Express, a program for analysis of these reports. These systems increase registrants' efficiency in the filing of financial reports, and in the analysis, data retrieval, and storage of the data by Commission staff, while maintaining necessary safeguards over the data. In this connection:

- The use of electronic filing has allowed the Commission to better allocate its resources. Auditors are now able to spend more time reviewing complex filings and need not devote as much time reviewing less complex filings.
- The use of electronic filing has increased FCMs' filing efficiency. FCMs that file electronically with the Commission are able to file simultaneously with the exchanges and NFA if applicable.
- Approximately one-half of the registered FCMs are non-exchange members for which NFA is the designated SRO. In FY 2002, NFA adopted rules mandating electronic filing and requiring monthly, rather than quarterly, filing of unaudited financial reports. Commission staff coordinated with NFA on implementation of PIN procedures to reduce the impact on FCMs of the transition to electronic filing.
- Over one-half of the registered FCMs also are registered with the SEC as securities broker-dealers. These firms file financial reports electronically with their securities-side regulator. The firms are able to download the securities-side electronic filing into the Commission's electronic filing software, thus eliminating the duplicative burden of entering the financial report data to multiple forms.
- One of the benefits of receiving financial reports electronically is the ease of gathering and compiling data. To that end, the Commission now updates the FCM financial data on its Web site on a monthly basis rather than quarterly.
- The Commission is testing a program in which NFA transmits to the Commission reports filed electronically by IBs.

- A new version of electronic filing software was recently distributed by the exchanges and NFA to FCMs and IBs. The Commission worked with the exchanges and NFA on the distribution and support of the software. Commission staff addressed and resolved several problems encountered by firms with regard to their financial filings.

Risk Management

The Commission is in the process of developing Stressing Positions at Risk (SPARK), a risk management tool that will combine data from RSR Express, the ISS large trader database, and commercial risk management software. SPARK will enable the Commission to perform stress test analysis for complex portfolios containing futures and option positions.

Review of Rule 1.25 Investments

Effective December 28, 2000, the Commission modified Rule 1.25 to expand greatly the types of investments FCMs and clearing organizations are permitted to make with customer funds that are segregated as required by Section 4d(a)(2) of the Act. Commission staff have commenced reviews of FCMs to determine whether their investments of customer segregated funds comply with Rule 1.25 and also to determine whether the FCMs are complying with certain other Commission rules. Specifically, with respect to Rule 1.25, the audit objective is to determine the types of investments an FCM is making with customer segregated funds and whether those investments comply with the marketability, rating, concentration, and other requirements for such investments set out in Rule 1.25. Staff completed eight such reviews during FY 2002 and will carry out additional reviews next fiscal year.

Treatment of Customer Funds and Financial Responsibility Rules Concerning SFPs

The CFMA directs the Commission and the SEC to issue rules to avoid duplicative or conflicting requirements for firms dually and fully registered as FCMs and securities broker-dealers with respect to their handling of transactions involving SFPs in the areas of treatment of customer funds, minimum financial and related reporting requirements, and record-keeping. The CFTC and the SEC jointly proposed rules to address these issues in accordance with CFMA requirements in September 2001 and adopted final rules in September 2002.

Oversight of Registered Futures Associations

The CEA is designed to promote a partnership between any registered futures association and the Commission to assure high standards for industry professionals. NFA monitors registrants for compliance with the CEA and Commission rules promulgated thereunder and with NFA rules. NFA also monitors the activities of NFA members registered as CPOs, CTAs, IBs, and FCMs who are not members of a futures exchange, as well as APs of any of the foregoing.

The CEA authorizes the Commission to delegate registration functions to RFAs and requires that RFAs perform certain self-regulatory functions. The NFA is an RFA and industry-wide SRO for the futures industry and has been in operation for 20 years. NFA has been the principal direct regulator, under Commission oversight, of those industry professionals who are not members of another SRO. Except for certain securities broker-dealers who are registered as FCMs solely to engage in SFPs transactions, Commission Rule 170.15 specifically requires membership in an RFA of each person required to register as an FCM. That rule, combined with the by-laws of NFA, operates to compel

membership in an RFA by all industry professionals who deal with the public with respect to commodity interest transactions.

During FY 2003, certain securities broker-dealers will continue to register as FCMs or IBs solely to engage in SFP transactions through a simplified, notice registration process. The CFMA exempts these firms from RFA membership. The Commission delegated to NFA in August 2001 the authority to process FCM and IB notice registration applications from securities broker-dealers who limit their futures activity to SFPs.

The Commission has delegated to NFA virtually all registration functions, including processing registration applications and related documentation and taking adverse actions against registrants and applicants for registration based upon disqualifying conduct. The authority delegated by the Commission covers all registrants, even those over whom NFA does not exercise primary front-line jurisdiction, such as FCMs who are exchange members, FBs, FTs, and CTAs who are not NFA members. In April 2000, the Commission advised NFA to cease using Commission Rule 1.63 as the basis for determining whether the disciplinary history of a FB, FT, or an applicant for registration in either category should disqualify the person from registration. Instead, the letter advised NFA to use the standard articulated in *In re Clark* (statutory disqualification may arise if the disciplinary history consists of a pattern of exchange disciplinary actions alleging serious rule violations that resulted in significant sanctions). The Commission codified this guidance in October 2001.

The Commission oversees the NFA registration program through frequent contacts with NFA staff members on specific matters as well as through formal reviews by the Commission of NFA programs. Reviews are presented to the Commission and made public. In late 1995, the Registration Working Group (RWG) was established. This group, which includes staff members of the Commission and NFA, convenes quarterly to discuss issues of mutual interest concerning registration.

During FY 2002, the RWG discussed, among other things: (1) continued implementation of the CFMA; (2) implementation of NFA's online registration system; (3) removal of registration holds; and (4) coordination with the SEC regarding withdrawal of a registrant's primary registration.

The Commission also is working with NFA on various regulatory issues: performance reporting and disclosure enhancements, sales practice and telemarketing issues, audit priority system enhancements, expansion of the electronic filing program for financial reports, off-exchange foreign currency transactions, anti-money laundering programs, and automated order routing systems guidance. The Commission also assisted NFA during FY 2002: (1) in becoming a limited purpose national securities association in order to regulate certain members' SFP activities; and (2) with the redesign of the comprehensive registration database, the Membership Registration Receivables System (MRRS), including new registration forms and a successful transition to an online registration system.

During FY 2002, a number of NFA rule changes were approved by the Commission or permitted to go into effect, particularly in connection with SFPs:

- **Commissions on SFPs Transactions.** In April 2002, the Commission approved amendments by NFA of its Compliance Rule 2-37 and an accompanying interpretive notice regarding the fairness of commissions charged by NFA members in connection with SFP transactions.

- **Soliciting or Accepting Orders for SFPs.** In April 2002, the Commission approved NFA's interpretive notice to NFA Compliance Rule 2-4 to clarify the obligation of NFA members soliciting or accepting orders for SFPs to be registered as broker-dealers under the Securities Exchange Act of 1934 in addition to their primary registration as FCMs or IBs under the CEA.
- **Best Execution of Customer SFPs Orders.** In July 2002, the Commission approved NFA's interpretive notice to NFA Compliance Rule 2-4 regarding the obligation of NFA members who notice-register as broker dealers under the Securities Exchange Act of 1934 for the limited purpose of trading SFPs to seek best execution of customer orders.
- **Proficiency Training Related to SFPs.** In September 2002, the Division permitted NFA's interpretive notice to NFA Compliance Rules 2-7 and 2-24 and Registration Rule 401 concerning proficiency requirements with respect to SFPs to become effective under the "10-day" provision without Commission review.
- **Risk Disclosure for SFPs.** In October 2002, the Division permitted NFA's interpretive notice to Compliance Rule 2-30(b) governing risk disclosure requirements for SFPs to become effective under the "10-day" provision without Commission review. NFA's rule would require that at or before the time that a customer is approved to trade SFPs, he must be furnished with a disclosure statement concerning SFPs, which will include information on treatment of customer funds required by the rules adopted jointly by the SEC and CFTC.
- **Online Registration System.** In May 2002, the Commission adopted amendments to Part 3 of its rules, which governs the registration of intermediaries in the futures industry. These amendments were adopted to facilitate the implementation of an online registration system. The amendments permit: (1) FBs with temporary licenses to act as fully registered FBs; and (2) an applicant for AP registration to receive a temporary license upon filing the Form 8-R and sponsor's certification before fingerprints are submitted. The online registration system should provide applicants with a more streamlined process for registering, resulting in less redundancy and quicker processing of applications by NFA. Through the online registration system, registrants and applicants should be able to provide NFA with required information more quickly and easily and enable NFA to process this information more efficiently, while maintaining most of the features of the previous, paper-based system. Additionally, information on registrants should be more readily accessible by the Commission, NFA, and the public.
- **Procedures for Supervision of the Use of Automated Order Routing Systems.** In June 2002, the Commission approved NFA's interpretive notice to NFA Compliance Rule 2-9 regarding adoption and enforcement by NFA members of written procedures for supervision of the use of automated order routing systems.
- **Foreign Currency Trading.** In June 2002, the Commission approved NFA's rule prohibiting fraud by forex dealer members, who are NFA members generating at least 35 percent of gross revenue from acting as counterparty to retail customers in off-exchange foreign currency transactions.
- **NFA Disciplinary Program.** During FY 2002, in connection with reviews of audit and financial surveillance and related SRO compliance programs, Commission staff completed a review of NFA's disciplinary program. The review found that NFA's disciplinary program is generally well designed, executed by experienced staff, and highly successful in obtaining judgments against

NFA members who have been determined to have committed violations meriting discipline. The report also included four recommendations for improvement in NFA's disciplinary program.

Cooperative Efforts

Infrastructure Protection

On October 16, 2001, the President issued Executive Order 13231 creating the President's Critical Infrastructure Protection Board and, as a Committee of that Board, the Financial and Banking Information Infrastructure Committee (FBIIC). The purpose of FBIIC is to help coordinate the efforts of Federal and State financial regulators to improve the security and resiliency of infrastructure supporting the U.S. financial system. The Division staff, along with OIRM staff, have served as the Commission's representatives to FBIIC and have worked with FBIIC and its subcommittees to address issues such as ensuring telecommunications for key participants in an emergency, evaluating the preparedness of key industry participants, and coordinating agency responses to emergencies. To this end, the Commission provided relief from compliance with normal regulatory requirements in the immediate aftermath of the September 11, 2001 disaster for those entities that were directly impacted and has provided relief from certain record-keeping requirements to firms that lost records as a result of the disaster. The Commission has also worked with the SROs and clearing organizations to develop their continuity of operations plans and in reviewing updated plans. The Commission is continuing to work with key industry participants regarding the Government Emergency Telecommunications Service (GETS) and the Telecommunications Services Priority (TSP) system.

Implementation of the USA PATRIOT Act of 2001

Since adoption of the USA PATRIOT Act of 2001, Commission staff have participated in an interagency working group and an internal Commission task force responsible for implementing and making recommendations on the implementation of the anti-money laundering provisions (Title III) of the USA PATRIOT Act. Title III required all financial institutions, including FCMs, CPOs, and CTAs, to adopt and implement anti-money laundering compliance programs by April 24, 2002. The date for CPO and CTA compliance was deferred by the U.S. Treasury Department, and the Commission believes that it was important to include IBs under this requirement. To meet this requirement, the task force requested that NFA promulgate rules requiring FCM and IB members of NFA to adopt and implement anti-money laundering programs. In response, NFA adopted Compliance Rule 2-9(c) and a related Interpretive Notice. The Division staff served as the primary point of contact with NFA in developing this rule and the Notice and with the Commission during the review and approval process.

As members of the Commission's anti-money laundering task force, Division staff also reviewed, drafted, and provided comments concerning a number of other anti-money laundering rulemakings and reports issued by the U.S. Treasury Department (Treasury), including proposed rules involving correspondent accounts and private banking accounts, proposed rules regarding information sharing, and interim final rules concerning the program requirements applicable to mutual funds and other financial institutions. To assist Treasury, the anti-money laundering task force also prepared drafts of other anti-money laundering rules required to be issued by Treasury, including rules to be issued jointly with the Commission that will require customer identification and verification, suspicious activity reporting by FCMs and IBs, and anti-money laundering program compliance by unregistered investment companies. Division staff also participated in developing an in-house training program

concerning money laundering, and this program was presented to Commission staff in June 2002. As additional Treasury anti-money laundering rulemakings are conceived and developed, Division staff will continue to provide input and assistance to Treasury, and, if Treasury delegates its anti-money laundering examination and enforcement authority to the CFTC, Division staff will assist in developing requisite Commission rules and in developing and implementing an appropriate audit and compliance program.

Clearing Policy and Oversight

Margin for Security Futures Products

The CFMA authorizes the FRB to prescribe rules governing margin for SFPs to: (1) preserve the financial integrity of markets trading these products; (2) prevent systemic risk; and (3) set margin requirements comparable to those for security options. The FRB, in March 2001, delegated its authority over margin for SFPs jointly to the Commission and the SEC in accordance with the CFMA. In September 2001, the two Commissions jointly proposed rules to address these issues, and in August 2002, they adopted the rules as final.

NOS Clearing ASA—Multilateral Clearing of OTC Derivative Instruments

In January 2002, the Commission issued an order pursuant to Section 409(b)(3) of the Federal Deposit Insurance Corporation Improvement Act, as amended by the CFMA, finding that the supervision by the Norwegian Banking, Insurance, and Securities Commission of NOS Clearing ASA (a Norwegian clearinghouse) satisfies appropriate standards for multilateral clearing of OTC derivative instruments. The Commission's order permits NOS to clear and settle trades by U.S. persons on the International Maritime Exchange (IMAREX).

NYMEX—Treatment of Customer Funds with Respect to Clearing of OTC Derivatives Products

In May 2002, the Commission issued an order pursuant to Section 4d of the Act permitting the NYMEX Clearinghouse and FCMs clearing through the NYMEX Clearinghouse to commingle customer funds used to margin, secure, or guarantee transactions in futures contracts executed in the OTC markets and cleared by the NYMEX Clearinghouse with funds held in segregated accounts maintained in accordance with Section 4d of the Act and Commission rules thereunder.

DCO Registration

In FY 2002, the Commission approved applications submitted by the London Clearing House (LCH), the Options Clearing Corporation (OCC), and the Guaranty Clearing Corporation (GCC) to register with the Commission as derivatives clearing organizations. The LCH was registered in October 2001, and it was the first offshore clearing organization to be registered since passage of the CFMA. LCH provides clearing and settlement services for several markets in the United Kingdom. As a registered DCO, LCH provides clearing and settlement services for its clearing members, both U.S. and foreign based, in OTC interest rate swap contracts through its SwapClear facility and in OTC energy derivatives contracts executed on commercial markets exempted under section 2(h) of the CEA. The OCC was registered in December 2001, and it is a securities clearing agency registered under the Securities Exchange Act of 1934 that provides clearing and settlement services for securities options traded on national securities exchanges. As a registered DCO, OCC will be able to provide clearing

and settlement services for transactions in commodity futures contracts and options on commodity futures contracts. The GCC, a wholly owned subsidiary of the Board of Trade Clearing Corporation (BOTCC), was registered in July 2002. GCC is a new entity and will be able to clear both registered futures exchanges as well as OTC contracts.

Roundtable on Clearing Issues

In August 2002, the Commission held a roundtable discussion on clearing issues. The roundtable focused on: (1) the development of the Commission's oversight program for DCOs and how the Commission and industry can work together to ensure the financial integrity and stability of the futures markets and derivative transactions; and (2) other clearing-related issues, such as competition among clearinghouses.

Risk Management Report

Commission staff completed a review of the "stress testing" and related risk management procedures in place at the CME, CBT, and the BOTCC. The review covered procedures the exchanges and clearinghouses used to evaluate the effect of large hypothetical price movements on trader and firm portfolios and the procedures for following up on hypothetical losses. The Commission staff reported that the exchanges and clearinghouses had sufficient stress testing risk management procedures in place and that they had adequately investigated the ability of traders and firms to cover losses in the event of a large market move.

CME Clearinghouse—Segregation of Customer Funds

Commission staff completed a review of CME's compliance with the requirements of the CEA and Commission rules regarding the segregation of customers' money, securities and property, and the related record-keeping rules. The Division found that the CME was segregating and separately accounting for customers' funds as required by Section 4d(a)(2) of the Act and Commission Rules 1.20(b) and 1.26(b) and was retaining appropriate records as required by Rule 1.31. On November 13, 2000, prior to the completion of the report, CME demutualized by converting membership interests into shares of common stock. As a consequence, staff updated the report to assess what impact if any demutualization may have had on segregation and related activities.

Office of the Chief Economist

The Office of the Chief Economist (OCE) conducts research on major policy issues facing the Commission; assesses the economic impact of regulatory changes on the futures markets and other sectors of the economy; participates in the development of Commission rulemakings; provides expert economic support and advice to other Commission divisions; conducts special studies and evaluations; and participates in the in-house training of CFTC staff on matters related to futures, options, swaps, and risk management.

During FY 2002, the OCE provided technical support to the Division of Enforcement on a number of cases regarding fraud and manipulation in precious metals, energy, options on stock index futures trading, and trading off-exchange foreign exchange. In addition, the staff provided technical support to the Division of Clearing and Intermediary Oversight staff on risk management and the regulation of commodity pools. OCE staff testified in several cases requiring expert information on the economic functions and uses of futures contracts.

Staff from OCE continued to provide economic input into the analysis of commodity exchange and Commission initiatives. Staff members participated in the development of policies concerning new derivative instruments and trading mechanisms in futures markets. Staff also continued to study the regulatory issues related to consolidation, fragmentation, and segmentation due to the introduction of alternative trade executive procedures in futures markets. For example, staff completed a research project titled "Competition, Fragmentation, and Equity Index Futures versus E-mini Equity Index Futures." OCE staff also examined the issues of transparency, liquidity, and alternative block trading rules in futures markets.

OCE staff also examined economic issues relating to exchange-proposed amendments to existing futures and option contracts and to the designation of new futures contracts. For example, the staff examined the impact of changes in contract specifications on the hedging performance and basis behavior before and after the contract modifications. The staff members continue research on risk management issues including alternative market risk measurements, stress tests, and risk-based capital requirements.

OCE staff provided financial and economic educational services to the CFTC. Staff organized an economic and financial research seminar series for the CFTC staff. Distinguished speakers from academia, industry, and government were invited to present their findings related to the regulatory environment for futures and option markets. Under the auspices of the Office of Human Resources, OCE staff members are developing and conducting a training series on futures, options, and their regulation. OCE staff members present their research findings to industry conferences and academic annual meetings.

Office of the General Counsel

The Office of the General Counsel (OGC) is the Commission's legal advisor. OGC attorneys represent the Commission in court, appearing regularly before the U.S. courts of appeals and the U.S. district courts in proceedings that involve futures industry professionals. Through its Opinions Program, OGC staff assist the Commission in performing its adjudicatory functions. As legal advisor, OGC reviews all substantive regulatory, legislative, and administrative matters presented to the Commission. OGC also advises the Commission on the application and interpretation of the CEA and other administrative statutes.

Litigation

During FY 2002, 29 Commission cases were pending before U.S. courts of appeals. The majority of these appeals involves matters arising from the Commission's enforcement program. Other appellate cases stem from the Commission's review of actions taken by an RFA or from the Commission's reparations program that resolves customer-broker disputes.

In addition, OGC defends the Commission's interests in actions filed against the Commission in U.S. district courts. Such actions may seek to preclude enforcement proceedings or investigations or to challenge the Commission's exercise of its regulatory authority.

Cases Involving the Commission's Enforcement Program

Litigation conducted by OGC involving the Commission's enforcement program arises from three main sources: (1) defense of Commission decisions rendered in cases prosecuted administratively by the Commission's Division of Enforcement; (2) appellate litigation involving decisions rendered by U.S. district courts in cases prosecuted by the Division of Enforcement; and (3) litigation at both the appellate and district court level of cases filed against the Commission.

Appeals from Enforcement Decisions Issued by the Commission

During FY 2002, OGC appeared before the U.S. courts of appeals and defended enforcement decisions rendered by the Commission in the following noteworthy case:

- *Wilson v. CFTC*, No. 02-1314 (8th Cir.); *Piasio v. CFTC*, No. 02-4032 (2^d Cir.). Reversing a decision by an ALJ, the Commission held that Donald W. Wilson, an FT, and Alfred R. Piasio, an AP of an FCM, had knowingly participated in illegal wash sale transactions involving wheat spread futures contracts traded on behalf of Piasio's customer. The Commission ruled that Wilson and Piasio had violated the Commodity Exchange Act's wash sale prohibition and imposed six-month registration suspensions and fines. In their respective appeals, Wilson and Piasio argue that the Commission's liability determination is contrary to its precedent and that the sanctions are an abuse of discretion. Piasio further argues that the Commission erred in making its own assessment of witness credibility, rather than deferring to those made by the ALJ and that his liability is not supported by the weight of the evidence. These appeals remain pending before their respective courts of appeals.

Appeals From Enforcement Decisions Rendered By U.S. District Courts

During FY 2002, OGC defended decisions rendered by U.S. district courts in the following noteworthy cases:

- ***CFTC v. Kimberlynn Creek Ranch, et al.***, 276 F.3d 187 (4th Cir. 2002). In this case, the court of appeals expressly recognized the doctrine that affords the Commission the right to sue “relief defendants,” defined as parties not charged with violating the CEA who nevertheless possess assets traceable to illicit conduct. Specifically, the court of appeals affirmed a district court preliminary injunction that froze assets held by defendants and directed the defendants to turn over the assets to a court-appointed receiver. Adopting the Commission’s argument, the court of appeals determined that once a district court obtains subject matter jurisdiction over an underlying law enforcement action, the district court also possesses authority to recover tainted funds that have been traced to “relief defendants.” The freeze and turnover order was sustained in this case, but the court of appeals advised that it could be defeated in circumstances where an alleged relief defendant is able to establish a valid ownership interest or claim of right to the tainted funds.
- ***CFTC v. Baragosh***, 278 F.3d 319 (4th Cir. 2002). In a case that arose prior to the enactment of the Commodity Futures Modernization Act (CFMA), the court of appeals resolved two issues that retain continuing vitality under the CFMA and one issue that is relevant to matters governed by the law prior to the advent of the CFMA. First, with regard to matters governed by the CFMA, the court of appeals provided analysis of the statutory term “controlling person,” holding that a person may be liable as a controlling person under the CEA if that person actually exercises general control over the operations of a firm. In addition, the court of appeals endorsed the district court’s analysis for resolving a jurisdictional issue under the CEA by distinguishing the elements of a futures contract from those of a cash or spot contract. Finally, resolving an issue relevant to pre-CFMA law, the court of appeals determined that the products fraudulently sold by Baragosh were not exempt from regulation by the Commission pursuant to the now superseded “Treasury Amendment,” 7 U.S.C. 2(a)(1)(A)(ii), which had been the subject of much litigation prior to enactment of the CFMA. As remedies for Baragosh’s conduct, the court of appeals affirmed the imposition of a \$1 million civil monetary penalty and injunctions against Baragosh, while remanding the case to the district court for renewed consideration of the controlling person issue. Baragosh has sought further review before the U.S. Supreme Court. The U.S. Solicitor General, with assistance from OGC, has opposed that request.
- ***CFTC and SEC v. Martin A. Armstrong***, 284 F.3d 404 (2d Cir. 2002). This case marks the latest in a series of challenges to a proceeding to determine whether Martin A. Armstrong committed fraud in the solicitation of millions of dollars for futures trading. By order of the district court that presides over this ongoing case, Armstrong has been incarcerated pursuant to an order of civil contempt for his continuing failure to produce to a court-appointed receiver over \$14 million in assets. In this latest appeal, the court of appeals determined that the purpose of Armstrong’s incarceration is to coerce him to comply with the district court’s order to produce assets and not to penalize him for failing to produce the assets. Consequently, the court concluded that the contempt order is a matter of civil, not criminal law, and therefore not presently subject to appeal. Armstrong sought further review before the U.S. Supreme Court. The U.S. Solicitor General, with assistance from the Commission and the SEC, successfully

opposed that request. The underlying charges of fraud remain pending against Armstrong in the district court.

- ***CFTC v. Samaru***, [2000-2002 Transfer Binder] *Comm. Fut. L. Rep. (CCH)* ¶ 28,695 (9th Cir. 2001). This case involved the constitutionality of remedies the Commission may seek to redress damage caused by a person's violation of the CEA. Specifically, Samaru participated in a fraudulent telemarketing scheme to sell unlawful off-exchange futures contracts in precious metals and other commodities. The district court ordered Samaru to pay \$882,000 in restitution. On appeal, Samaru contended that the restitution judgment was an excessive fine in violation of the Eighth Amendment to the U.S. Constitution. Among other rulings, the court of appeals held that restitution is not a fine for purposes of the Eighth Amendment.
- ***CFTC v. Marc Stephen Wuensch***, No. 00-16603 (11th Cir. Nov. 21, 2001). In *CFTC v. Sidoti*, 178 F.3d 1132 (11th Cir. 1999), the court of appeals found Marc Stephen Wuensch liable for violating the CEA and affirmed an order that he disgorge all profits earned from 1991 to 1994. At that time, the court of appeals remanded the case to the district court to reconsider the issue of disgorgement for the period after 1994. Subsequently, the district court entered a Final Order on Customer Losses, which set forth each customer's losses and rights to any disgorged proceeds. In a renewed appeal, Wuensch contended that *Sidoti* required the district court to reevaluate its previous order of disgorgement concerning the 1991-1994 period of time. The court of appeals rejected Wuensch's contention and affirmed the district court's \$2.3 million disgorgement order.
- ***CFTC v. Mass Media***, 297 F.3d 1321 (11th Cir. 2002), petition for rehearing pending. Mass Media ran advertisements that encouraged television viewers to trade commodity options and collected names and other information from individuals who responded to those advertisements. Mass Media then sold those "customer leads" to CFTC-registered IBs that attempted to induce callers to trade option contracts. The district court held that the Commission lacked authority to apply the CEA to Mass Media's activities. On appeal, the U.S. Court of Appeals for the Eleventh Circuit agreed with the district court that the anti-fraud provisions of the CEA could not be relied upon to preclude Mass Media from making false statements regarding commodity option trading in its advertising because Mass Media did not itself perform the work of an IB. The Commission has filed a petition for rehearing the case, which remains pending.

Other Litigation Involving the Enforcement Program

OGC defends the Commission's interests in a variety of other actions commenced in the U.S. district courts and the U.S. courts of appeals. As described below, one notable matter during FY 2002 involved a challenge to the Commission's ability to investigate possible fraudulent activity.

- ***Agora, Inc. v. CFTC***, No. 02-1202 (4th Cir.). Agora, Inc. and its subsidiary company, The Daily Reckoning, LLC, describe themselves as publishers of non-personalized commodity-related information, that do not direct customer commodity trading accounts or provide customers with particularized commodity trading advice. Agora, its subsidiary, and a subsidiary employee sued the Commission in district court to enjoin agency investigations of Agora's advertising practices in connection with its commodity-related publications. Plaintiffs primarily argued that the Commission's investigation infringed upon their First Amendment free speech rights. The district court dismissed the action, recognizing the broad discretion normally afforded to administrative agencies in the conduct of investigations. Agora appealed to the U.S. Court of

Appeals for the Fourth Circuit. The court of appeals dismissed the appeal as moot based upon its determination that there were no investigations or prosecutions pending against Agora, and none were planned. The court of appeals also concluded that the absence of any pending investigations or prosecutions rendered moot Agora's contention that its First Amendment rights were being violated.

Appellate Cases Involving the Commission's Reparations Program

OGC also represents the Commission before the U.S. courts of appeals in challenges involving Commission decisions issued in customer-broker disputes pursuant to the Commission's reparations program. In FY 2002, OGC appeared in two such cases.

Other Appellate Litigation

In addition to appeals involving its own enforcement program and appeals from reparations decisions, OGC also defends the Commission before the U.S. courts of appeals in matters arising from the Commission's review of disciplinary action taken by an RFA or an exchange. During FY 2002, OGC handled one such matter on behalf of the Commission.

U.S. District Court, State Court, and Administrative Cases

OGC also defends the Commission's interests in a variety of other types of cases:

- In the area of personnel law, OGC appears in cases involving Equal Employment Opportunity law before U.S. district courts and the Equal Employment Opportunity Commission as well as in cases brought before the Merit Systems Protection Board. In addition, OGC represents the Commission in cases involving the Freedom of Information Act (FOIA) and defends the Commission's interests in a variety of State court and administrative cases.
- OGC also defends the Commission's interests when it is served a subpoena or other demand for discovery in a third-party lawsuit (a private suit in which the Commission is not a named party). During FY 2002, OGC handled 13 third-party subpoena matters.

Bankruptcy Proceedings

OGC monitors bankruptcy proceedings involving futures industry professionals and assists courts, trustees, and customers in carrying out the special U.S. Bankruptcy Code provisions pertaining to commodity firms. The Commission participates actively in individual bankruptcies to protect the non-dischargeability of civil monetary penalties or restitution awards it has obtained. During FY 2002, OGC monitored 13 bankruptcy cases and actively participated in 7 of those cases. The following noteworthy cases or issues were addressed during FY 2002.

- In connection with the commodity broker liquidation provisions of the U.S. Bankruptcy Code, the Commission participated *amicus curiae* in *In re LFG, LLC*, No. 01-12604 (Bankr.), No. 01-CV-7048 (N.D. Ill.). In *LFG*, the Commission sought to assist the court in resolving whether the debtor was required to adhere to the special commodity broker liquidation provisions of the U.S.

Bankruptcy Code. The parties' arguments specifically hinged upon an interpretation of the term "futures commission merchant" in Section 1a(20) of the CEA.

- In cases of fines or restitution owed, the OGC appears for the Commission in bankruptcies of persons against whom the Commission had filed enforcement actions. In circumstances where the Commission's enforcement case has not yet been adjudicated, OGC, working in conjunction with the Division of Enforcement, seeks to persuade the U.S. Bankruptcy Court to defer exercising its authority over the Commission's interests pending the completion of the enforcement action. *In re Nauman*, No. 00-45285-NCD (Bankr. D. Minn.); *In re Alan J. Stein*, No. 00-32636 (Bankr. W.D.N.C.). In other circumstances, such as where the Commission has already obtained a monetary judgment in the form of a civil money penalty or a restitution award, where necessary and permitted under the governing statute, OGC seeks orders excepting the judgment from discharge. *In re Murray I. and Margaret M. Rosenberg*, No. 01-10172 (Bankr. D. N.J.); *In re Stevens*, No. 01-33867-W (Bankr. N.D. OH.).
- Finally, in a personal bankruptcy governed by Chapter 13 of the U.S. Bankruptcy Code, OGC successfully objected to confirmation of the debtor's originally proposed wage earner plan causing the debtor ultimately to agree to double the payout to creditors. *In re Bengson*, 01-49623-399 (Bankr. E.D. MO.). The Commission's interest was a \$110,000 civil monetary penalty it had previously obtained against the debtor. Under Chapter 13, if the debtor successfully completes the plan, the U.S. Bankruptcy Court will discharge any unpaid balance owed to the Commission.

Amicus Curiae

Under legal principles established by the U.S. Supreme Court, the Commission is accorded deference by the courts with respect to questions concerning interpretation of the CEA. When such questions arise in litigation to which the Commission is not a party, at the request of the reviewing court, upon the request of a party, or upon its own initiative, the Commission may submit an *amicus* brief to the court to aid it in its interpretive efforts. The Commission considered requests to participate as *amicus curiae* from private parties in eight cases during FY 2002.

Opinions

OGC assists the Commission in resolving appeals from a variety of adjudicatory decisions. The appeals may arise out of decisions issued by:

- ALJs resolving administrative cases prosecuted by the Division of Enforcement to deter violators of the CEA or Commission regulations and protect the public from such violators;
- Commission presiding officers resolving claims of futures market customers to recover money damages from industry registrants who have allegedly violated the CEA or Commission regulations; and
- Self-regulatory organizations disciplining members for alleged rule violations, denying applications for membership, or exercising delegated authority to resolve applications for Commission registration.

OGC reviews the record of cases subject to appeal, identifies decisional options for the Commission, and prepares draft opinions consistent with the Commission's instructions. As a result of these activities, the Commission issued a number of important decisions in FY 2002, including those outlined below.

Decisions Resolving Appeals in Cases Prosecuted by the Commission's Division of Enforcement

During FY 2002, the Commission resolved several significant appeals from decisions in administrative enforcement actions.

- ***In re Arnold***, CFTC Docket No. 97-12 (September 18, 2002). The Commission affirmed the result of an ALJ's decision denying an application for attorney fees and expenses pursuant to the Equal Access to Justice Act (EAJA). The applicant had served as counsel for respondents during an enforcement proceeding until the presiding officer debarred him for willfully filing a document that included misleading statements. The Commission initially affirmed the presiding officer's debarment order but, after reinterpreting the relevant regulatory provisions in another case, vacated the debarment order and dismissed the proceeding. The applicant then sought an award of attorney fees and expenses because the presiding officer's debarment order was not substantially justified. The ALJ concluded that such an award was not appropriate because the applicant represented himself rather than retaining and paying counsel. On appeal, the Commission held that EAJA did not authorize an award for fees or expenses incurred during a Commission debarment proceeding; that an award was not appropriate because the record showed that imposition of the debarment order was substantially justified; and that state law is not controlling for purposes of determining whether *pro se* parties may recover attorney fees under EAJA.
- ***In re Global Minerals and Metals Corp.***, CFTC Docket No. 99-11 (October 3, 2001) and (September 12, 2002). The Commission considered two applications for interlocutory review from ALJ rulings in this enforcement proceeding raising allegations of market manipulation. The Division of Enforcement filed the first application after the ALJ ordered it to provide respondents with copies of documents it had obtained from regulatory authorities in the United Kingdom pursuant to an MOU. The Commission granted the application and held that the Division could withhold the documents pursuant to Commission Rule 10.42(b)(2)(v). In this regard, it held that the plain language of the MOU established that the documents were provided on the condition that they remain confidential until the Division chose to disclose them in the course of its investigation or during a subsequent proceeding.

The Division of Enforcement filed the second application after the ALJ held that certain subpoenaed documents should not be produced to the Division until the close of its case in chief at the hearing. It argued that the ALJ's ruling rested on an improper interpretation of Commission Rule 10.42(c) and created an unnecessary conflict between that provision and Commission Rule 10.68. The Commission denied the application on the grounds that there were no extraordinary circumstances warranting immediate review. It emphasized that the documents at issue were covered by court-imposed protective orders and that the result of the ALJ's ruling was consistent with a straightforward application of Rule 10.68's balancing test for issuing protective orders.

- ***In re Varner***, CFTC Docket No. 01-08 (April 29, 2002). Respondent sought dismissal of one of the two liability theories raised in an amended complaint. He claimed that the challenged theory was legally flawed and should be dismissed immediately because its inclusion in the amended complaint triggered the suspension of his FB registration. The Commission denied the motion because respondent failed to show that there were extraordinary circumstances warranting its immediate consideration. It noted that entertaining challenges to the legal theories raised in enforcement complaints generally wastes the resources of both the parties and the forum and that the record did not indicate that dismissal of the challenged theory would substantially reduce the scope of the factual disputes considered at the hearing. In addition, the Commission found that dismissal of the challenged theory would not affect the ongoing suspension of respondent's floor broker registration. Finally, as a matter of future guidance, the Commission observed that: (1) an ALJ's jurisdiction in enforcement proceedings extends solely to the disputes described within the four corners of the complaint; and (2) Commission presiding officers do not have inherent authority to supervise the ethical conduct of attorneys who appear before them.
- ***In re Walters***, CFTC Docket No. 99-15 (October 3, 2001). Respondent appealed from an ALJ's decision imposing a cease and desist order, permanent trading prohibition, civil money penalty of \$2.4 million, and restitution of more than \$1.64 million as sanctions for violations of Sections 4b(a) and 4c(b) of the Act. He argued that the ALJ failed to comply with procedural requirements and erred by determining sanctions in the absence of an oral hearing. The Commission vacated the ALJ's monetary sanctions and remanded for an oral hearing. It emphasized that the record showed that the facts material to monetary sanctions were either disputed or insufficiently clear to support reliable fact-finding and reiterated prior precedent holding that a failure to respond to a motion for summary disposition was not a sufficient basis for granting the motion. In addition, the Commission held that in the context of a motion for summary disposition, respondent's invocation of his Fifth Amendment privilege during an investigatory deposition did not warrant the drawing of adverse inferences.

Decisions Resolving Appeals from Customer Claims Seeking Money Damages from Industry Registrants in the Reparations Forum

During FY 2002, the Commission resolved several significant appeals from decisions in reparation actions.

- ***Brooks v. Carr Investments, Inc.***, CFTC Docket No. 96-R100 (May 9, 2002). After complainant withdrew his reparations complaint, respondents sought an award of over \$50,000 in attorney fees in light of their claim that complainant litigated in bad faith. The ALJ denied the motion because, in his view, respondents' misconduct established that an award was inappropriate under the doctrine of unclean hands. On appeal, the Commission concluded that the ALJ committed several errors in resolving respondents' motion. Nevertheless, it affirmed the result of the ALJ's decision because the record showed that his errors were harmless in the context presented. It held that respondents failed to demonstrate that complainant commenced or litigated his claims in bad faith. In this regard, it emphasized that: (1) a complainant's *pro se* status played an important role in the evaluation of the record; and (2) bad faith could not be inferred simply because certain claims lacked facial persuasiveness or a coherent explanation.

- ***Dawson v. Carr Investments, Inc.***, CFTC Docket No. 96-R101 (April 10, 2002). Respondents appealed from an ALJ's award of over \$500,000 to complainant due to respondents' material role in an elaborate scheme to defraud her. On appeal, the Commission determined that the ALJ erred by failing to assess the reliability of complainant's testimony in light of the record as a whole. Based on an independent assessment of the record, the Commission concluded that some of the respondents fraudulently induced complainant to open a commodity account by failing to disclose material facts relating to risk. It held that the record, however, only established that the fraud proximately caused about \$42,500 in damages. In addition, the Commission concluded that there was insufficient evidence to support complainant's claim that respondents breached their fiduciary duty by failing to notify her about the arguably suspicious conduct of her husband, a joint account holder. In light of these conclusions, the Commission dismissed the complaint against one respondent and ordered the other two respondents to pay complainant damages of about \$42,500. Complainant has appealed the decision. *Dawson v. CFTC*, No. 02-70915 (9th Cir., filed Apr. 25, 2002).
- ***Melton v. Pasqua***, CFTC Docket Nos. 99-R061, 99-R062 (September 9, 2002). Respondents appealed from an ALJ's award of over \$40,000 to complainants. The ALJ concluded that the record showed that respondents fraudulently induced complainants to open accounts and then traded the accounts excessively in order to generate commissions. Respondents challenged the factual assessments and legal conclusions underlying the ALJ's legal analysis and claimed that he erred by ignoring evidence that complainants settled their claims and executed a stipulation of dismissal meeting the requirements of Commission Rule 12.21. On appeal, the Commission concluded that the ALJ's liability analysis was somewhat incomplete. It held that this error was harmless, however, because the record showed that complainants entered a binding settlement prior to the hearing. It noted that the ALJ found that complainants flatly rejected the proposed settlement, but that the record included a written settlement agreement signed by both complainants. The Commission also emphasized that during his testimony, one of the complainants acknowledged that he signed the settlement agreement despite a recommendation to the contrary from a representative of respondents. In light of the record as a whole, the Commission concluded that there was no basis for ignoring the voluntary stipulation of dismissal executed by all the parties. Complainant has appealed the decision. *Melton v. CFTC*, No. 02-2116 (4th Cir., filed Sep. 24, 2002).

Decisions Resolving Appeals from Cases Decided by Self-Regulatory Organizations

During FY 2002, the Commission resolved several significant appeals from decisions issued by self-regulatory organizations.

- ***Briggs v. New York Mercantile Exchange***, CFTC Docket No. 98-E-2 (December 4, 2001). An exchange member appealed from a decision of the New York Mercantile Exchange finding him liable for trade practice and record-keeping violations and imposing a permanent prohibition from trading for customers, a one-year suspension of membership privileges, and a \$100,000 fine. On appeal, the Commission held that the exchange employed procedures that fell short of the requirements imposed by the Commission's Part 8 Rules. Nevertheless, the Commission concluded that the errors were not dispositive because the exchange member either waived any objection to them or failed to show that they prejudiced him. As to the merits, the Commission found that the exchange's liability findings and sanctions analysis were legally sound and

supported by substantial evidence. Consequently, it affirmed the result of the exchange decision.

- **Clark v. National Futures Association**, CFTC Docket No. CRAA-01-02 (May 9, 2002). Michael Clark appealed from a decision of the NFA denying his application for registration as an FT. In taking this action, NFA relied on Clark's failure to rebut the presumption of unfitness arising from a 1997 Commission decision revoking Clark's registration as an FB. On appeal, Clark claimed that NFA denied him a fair hearing when it declined to give him an opportunity to introduce evidence relating to alleged exchange irregularities that could have affected the Commission's 1997 revocation decision. In affirming the result of NFA's decision, the Commission emphasized that the alleged exchange irregularities did not influence one of the two independent legal theories underlying the 1997 decision and noted that Clark did not submit credible evidence relating either to mitigation or rehabilitation.

Legal Advice

Significant Regulatory Activities

As the Commission's legal advisor, OGC drafts or reviews the following:

- legal memoranda to the Commission;
- proposed regulations;
- enforcement actions;
- special reports to Congress;
- legislative proposals;
- responses to requests from other Federal agencies;
- proposed interpretive and no-action letters;
- applications to trade futures and option contracts; and
- proposals to amend exchange by-laws or rules.

In FY 2002, OGC reviewed more than 100 matters related to enforcement actions, investigations of illegal activity, and complaints in administrative or judicial actions; more than 10 applications to trade futures or option contracts; and over 40 exchange rule amendments.

OGC worked closely with the Division of Market Oversight and the Division of Clearing and Intermediary Oversight, and their predecessor divisions, the Division of Trading and Markets and the Division of Economic Analysis, in drafting a number of significant rulemakings and regulatory initiatives, including:

- rules relating to intermediaries of commodity interest transactions to provide greater flexibility in a number of areas;
- rules establishing listing standards and conditions for trading SFPs;
- rules to restrict dual trading in SFPs;
- rules establishing reporting levels for large trader reports for SFPs;
- rules regarding cash settlement and regulatory halt requirements for SFPs;

- amendments to the Commission's rules regarding registration of intermediaries in order to facilitate the change from the paper-based registration system to online registration;
- rules regarding customer margins for security futures;
- rules regarding customer protection, record-keeping, reporting, and bankruptcy rules for SFPs;
- rules implementing changes in the divisional structure and delegations of authority;
- proposed amendments to the new regulatory framework for trading facilities and clearing organizations;
- proposed reporting levels for large trader reports for TRAKRS;
- proposed rules regarding denomination of customer funds and location of depositories;
- an order granting the modification of listing standards requirements for security futures;
- orders granting Regulation 30.10 relief to Eurex Deutschland and the Brazilian Bolsa de Mercadorias and Futuros; and
- a study to provide potential regulatory relief for Commission registrants mandated by the CFMA.

During FY 2002, OGC was part of the review teams that considered the contract market designation applications of NASDAQ/Liffe, Island Futures Exchange, and OneChicago, all of which were designated during FY 2002 and will trade security futures. OGC also reviewed the contract market designation applications of CBOE Futures Exchange and Hedge Street.

OGC continued its representation on the CFTC-NFA registration review committee, which serves as both a liaison for and oversight venue of industry registration and on the Cross-Sector Regulatory Working Group chaired by the FRB.

International Issues

The growing international nature of futures and option markets was reflected in OGC's work during FY 2002. OGC issued a number of no-action letters regarding the offer or sale within the United States of foreign exchange-traded futures contracts based on security indices and prepared legal revisions to the Commission's *Backgrounder on Foreign Instrument Approvals and Exemptions*.

Moreover, OGC worked with the operating divisions with regard to no-action requests to permit the placement of electronic trading and order matching system terminals from foreign exchanges in the United States. OGC also worked closely with the Division of Enforcement and the Office of International Affairs (OIA) to establish information-sharing arrangements with foreign financial market regulators. OGC worked with the Division of Trading and Markets, the Division of Enforcement, and OIA in their activities involving IOSCO.

OGC continued to be an active participant in discussions and negotiations regarding international trade agreements including the General Agreement on Trade in Services (GATS), North American Free Trade Agreement (NAFTA), the proposed Free Trade Area of the Americas (FTAA), and the proposed Free Trade Agreements with Chile and Singapore. In this regard, OGC provided expert legal advice to the U.S. Treasury Department, the chief U.S. negotiator for financial services, with respect to commodity futures and option regulation.

Rulemaking and Regulatory Orders

In FY 2002, OGC was actively involved in a number of rulemakings and regulatory orders. Working with the U.S. Treasury Department and other Federal financial regulators, OGC drafted proposed rules regarding customer identification programs for FCMs and IBs to implement provisions of the United and Strengthening America by Providing Appropriate Tools Required to USA PATRIOT Act. Specifically, the proposed rules would implement section 326 of the USA PATRIOT Act, which seeks to prevent money laundering or terrorist funding by requiring identity verification procedures for all new accounts opened after the effective date of the final rules. The rules are also expected to assist in protecting consumers against various forms of fraud, including identity theft.

OGC also drafted a rule to re-delegate authority previously delegated to the Division of Trading and Markets and the Division of Economic Analysis jointly to the Division of Market Oversight and/or the Division of Clearing and Intermediary Oversight, pending the comprehensive revision of the Commission's rules to reflect the new organizational structure mentioned above.

Further, in coordination with the SEC, OGC drafted a joint order excluding from the definition of narrow-based security index those security indexes that qualified for the exclusion from that definition under section 1a(25)(B)(v) of the Commodity Exchange Act and Section 3(a)(55)(C)(v) of the Securities Exchange Act of 1934. The joint order specifically excluded from the definition of the term "narrow-based security index" those security indexes that qualified for the "grandfather" exclusion from that definition under Section 1a(25)(B)(v) of the Commodity Exchange Act and section 3(a)(55)(C)(v) of the Securities Exchange Act. This order affected the 42 security index futures contracts that had received no-action relief from the CFTC prior to the enactment of the CFMA. Without further action from the Commissions, some of these grandfathered foreign security index futures contracts might not have been able to be offered or sold in the United States after June 21, 2002, the expiration date for the "grandfather" period, because their underlying indices were or might have become "narrow-based security indexes." Thus, the order provided legal certainty and prevented market disruption that could have resulted after June 21, 2002.

Pursuant to exemptive authority granted to the Commission by the Futures Trading Practices Act of 1992, OGC also has helped the Commission analyze requests for exemptions from various requirements of the CEA and Commission regulations for certain exchange-traded futures and option contracts.

Regulatory and Legislative Matters

As the Commission's chief legal advisor, OGC advises the Commission concerning legislative and regulatory matters. During FY 2002, OGC engaged in negotiations with other Federal financial regulators, including the SEC, the U.S. Treasury Department, and the FRB, and members of Congress and congressional staff to implement the provisions of the CFMA that promote legal certainty in the over-the-counter derivatives markets, provide regulatory reform for domestic futures exchanges, and facilitate the trading of SFPs.

In addition, OGC helps to prepare and comments on proposed legislation that would affect the Commission and reviews all Commission congressional testimony. During FY 2002, OGC consulted with and provided technical assistance to members of Congress and congressional staff concerning provisions of the Farm Security and Rural Investment Act of 2002, Pub. L. No. 107-171,

116 Stat. 134 (2002), that gave the CFTC the authority to match the pay and benefits of the Federal banking agencies; S. 1951, a bill to provide regulatory oversight over energy trading markets; S. 2724, the proposed Futures and Swaps Transactions Act, to provide regulatory oversight over energy trading markets and metals trading markets; and S. 2798, the proposed Employee Abuse Prevention Act of 2002.

OGC also monitors legal and policy developments arising under the financial privacy provisions of the Gramm-Leach-Bliley Act (GLBA) and advises the Commission on its oversight function respecting the futures industry's compliance with these provisions. GLBA in this regard restricts financial institutions' disclosure of non-public personal information about consumers. In addition, OGC participates in ongoing interagency projects involving financial privacy, including the preparation of a report to Congress on information-sharing practices under the GLBA.

OGC staff also responded to numerous requests from congressional committees regarding implementation of the CFMA.

Administrative Matters

During FY 2002, OGC advised the Commission on issues raised under FOIA, the Privacy Act, and the Government in the Sunshine Act and responded to approximately 15 FOIA and Privacy Act appeals. In addition, OGC continued to develop and implement procedures to assure timely review and response to requests for information under the FOIA and to administrative appeals under FOIA and the Privacy Act.

OGC is responsible for all matters relating to the Commission's ethics standards and compliance with its Code of Conduct and the Office of Government Ethics (OGE) government-wide ethics regulations, including the provision of ethics advice and annual ethics training for CFTC employees. During FY 2002, OGC drafted amendments to the Commission's Code of Conduct regulations and prepared "plain English" guidance regarding the amendments for employees.

OGC also advises the Commission on labor and employment law matters. In conjunction with the Office of Human Resources and the Office of Equal Employment Opportunity, OGC handles: (1) equal employment opportunity cases arising under Title VII of the Civil Rights Act of 1964 and the Rehabilitation Act of 1973; and (2) Merit Systems Protection Board cases arising under the Civil Service Reform Act of 1978. During FY 2002, OGC handled 10 equal employment opportunity cases and 1 Merit Systems Protection Board case.

OGC continued to advise the Commissioners who chair the Commission's advisory committees on procedural and substantive matters. The Commission's Technology Advisory Committee provides advice on issues arising out of technological innovation in the financial services marketplace. The Global Markets Advisory Committee provides advice on international market issues that affect the integrity and competitiveness of U.S. markets and firms engaged in global business. The Agricultural Advisory Committee provides advice on issues affecting agricultural producers, processors, lenders, and others interested in or affected by the agricultural markets.

OGC also helped plan Commission roundtables on managed fund and clearing issues and prepared briefing documents on legal issues for the Commissioners in preparation for the roundtables. The roundtable on managed fund issues focused on the effects of overlapping CFTC/SEC jurisdiction on

the managed funds industry. The discussion included views on how the Commission, other regulators, and industry can work together to address duplicative or conflicting regulatory requirements with the aim of reducing barriers to entry, increasing efficiency, and reducing the costs of conducting managed funds business. The roundtable on clearing issues focused on the development of the Commission's oversight program for DCOs and how the Commission and industry can work together to ensure the financial integrity and stability of the futures markets and derivative transactions while providing the flexibility contemplated in the CFMA.

The litigation and opinions cases for FY 2000, FY 2001, and FY 2002 are as follows:

Litigation Docket	FY 2000	FY 2001	FY 2002
Appellate cases involving the CFTC's enforcement cases	32	36	26
Appellate cases involving the CFTC's reparations program	5	2	2
Appellate cases involving the CFTC's review of registered futures association and exchange review cases	2	3	1
District Court cases	10	8	5
Administrative cases	9	5	12
Subpoenas	5	14	11
Bankruptcy cases monitored	10	10	13
<i>Amicus</i> cases monitored	2	4	8
Opinions Docket	FY 2000	FY 2001	FY 2002
Total cases beginning of fiscal year	37	29	34
Cases received	33	29	14
Cases completed	41	24	26
Cases pending end of fiscal year:			
SRO disciplinary actions	2	4	2
Reparations cases	14	13	8
Enforcement cases	13	17	12
Total	29	34	22

Office of the Executive Director

The Office of the Executive Director (OED) provides management services to the programs of the Commission. OED offices include Information Resources Management, Financial Management, Human Resources, Administrative Services, and the Commission Library. The Commission's Office of Proceedings is under the direction of the Executive Director for administrative purposes. Through these offices, OED provides strategic planning, resource management, personnel management, financial management, leasing, contracting, procurement, information technology resources, and facilities and equipment management.

OED staff members:

- recruit, train and develop human capital;
- formulate and execute budget strategies;
- coordinate the development of strategic plans;
- plan and implement procurement strategies;
- manage the agency's space and property;
- ensure proper use of the agency's financial resources;
- develop and maintain the agency's information systems and infrastructure; and
- ensure agency-wide compliance with Federal requirements enacted by Congress and imposed by the Office of Management and Budget (OMB), the U.S. Treasury Department, the General Accounting Office (GAO), the GSA, and the Office of Personnel Management (OPM).

Response to September 11, 2001

During FY 2002, many of OED's resources were focused on responding to the events of September 11, 2001. The office led the project to develop a request for emergency supplemental appropriations to relocate our New York staff to two temporary locations and to build the new permanent office space in lower Manhattan. This included the negotiation of both a temporary lease and the negotiation of a complex 10-year lease as well as the acquisition of furniture, equipment, and library materials. The New York staff moved to their new home on April 29, 2002, just seven months after the loss of their World Trade Center office.

We assessed lessons learned from our response to the September 11 emergencies. We completed a database of employee emergency locator information and identified means to store duplicate employee files off site. To increase security, OED implemented new security measures in the headquarters office to ensure that all authorized visitors wear badges and to provide security services during business hours until permanent security enhancements are in effect. We also entered into a contract for review of the security status and needs of the headquarters office. OED also created an auxiliary mail receiving area for incoming mail to segregate incoming from outgoing mail and developed new mail handling procedures. We also coordinated the agency's participation in FBIIC, the Financial and Banking Information Infrastructure Committee.

In addition, we provided a variety of services to the staff of the Commission. We contracted for increased support from our Employee Assistance Program, particularly to the staff of the New York

regional office, and established bi-weekly in-house counseling programs in most CFTC offices. We expanded health services to include pulmonary function, physical examination and other preventive health screenings, in addition to arranging testing of the New York office's air and water by Federal Occupational Health. We coordinated training, counseling, and recognition and awards ceremonies for New York staff.

Space Management

OED manages the Commission's real estate portfolio of approximately 250,000 square feet of rented office space for headquarters and five regional offices. In addition to the work on the New York leases, considerable effort was dedicated during FY 2002 to negotiating and executing a 10-year office space lease for the new location of the Commission's Chicago Regional Office. The Chicago office moved in January 2002 to new office space, and efforts continued in FY 2002 to plan for the replacement of furniture in the Chicago office. We also received an unsolicited offer to extend the lease for the headquarters office in D.C., and began negotiations and plans for a reconfigured DC office that will meet the long-range needs of the Commission.

Pay Parity

The May 13, 2002 signing of the Farm Security and Rural Investment Act of 2002 granted CFTC the authority to achieve "pay parity" with other Federal financial regulatory agencies. In order to implement this provision, OED has worked with the Office of External Affairs to brief congressional staff on the FY 2003 budget request and on the estimated costs of pay parity. OED also coordinated the development of internal plans to implement this authority and initiated a contract, with the approval of the agency's Executive Management Council, to procure consulting services to develop implementing mechanisms for a competitive program of compensation and benefits. In addition, OED developed interim systems to support the transition to pay parity. We also continued to assess the impact of retention bonuses on recruitment and turnover.

Implementation of the Commodity Futures Modernization Act (CFMA)

During FY 2002, OED supported the appointment and initiatives of the new Chairman, including the completion of the agency reorganization to implement the CFMA. In addition to the realignment of most of the Commission staff, OED coordinated an opportunity for staff to take advantage of early retirement. OED also supported the implementation of the CFMA by refining the performance, capabilities, and usability of the Integrated Surveillance System used by the Market Oversight program to conduct daily surveillance of the futures and option markets. This system integrates daily futures and options large trader position reports, replacing a previous version that used weekly options large trader reports with daily futures large trader reports. These efforts increased the system's efficiency and business continuity as well as provided the capability to monitor single-stock futures, a new contract instrument under Commission jurisdiction pursuant to CFMA.

Information Technology

OED provides a wide range of computing support for all offices of the Commission, including the systems development and maintenance, end-user computing services, network services, Internet access and support, and Web site and intranet maintenance. OED also supports the work of the

Commission's operating divisions by reviewing automated trading and clearing systems used by the regulated futures industry and ensures information security and integrity.

OED made significant strides in the area of data management and usability for the Exchange Database System used by the Clearing and Intermediary Oversight program to support trade practice investigations. These changes include the streamlining of the exchange data acquisition process to use current technology transfer mechanisms as well as expand the data available for analysis from electronic exchanges. This system provides investigators with a mechanism to obtain reports and other relevant information based on trade data received from the various exchanges. These reports are used to develop and support investigations of trade practice violations.

During FY 2002, OED continued to meet the information technology requirements of the Division of Enforcement in a variety of ways, including the establishment of a Web page on money laundering, the creation of an Internet surveillance operation, management of massive data related to energy trading, facilitation of an online survey, and assistance with the seizure of personal computers. OED supported other divisions and offices by developing project management and research tools and enhancing the use of information technology for employee services. For example, employees can register online for in-house training, complete an interactive training survey on the Web, and access information on schedules, curriculum, training, Federal Occupational Health services, and the Employee Assistance Program. Employees can complete their annual financial interest reports by using electronically available forms that can be completed, stored, and retrieved online. OED also ensured that forms that are electronically available through other agencies, such as GSA, are linked to CFTC through Open Interest, the agency's Intranet.

OED transitioned to the National Finance Center's (NFC) Entry, Processing, Inquiry, and Correction System during FY 2002. This system is used to: enter payroll and personnel transactions; correct transactions that have failed the database edits; execute status and suspense reports; delete and restore transactions; view future and current payroll/personnel transactions to be processed; and generate personnel actions for requests entered in the Personnel Office Desktop Solutions System. OED also updated its Virtual Employee Orientation System and other internal systems for tracking documents and migrating to new subsystems on the NFC personnel/payroll system using a new secure connection protocol.

OED introduced a videoconferencing pilot for training and meeting purposes. In addition, OED automated the transportation request function to streamline the process and provide reminders to employees of scheduled rides. The Chicago office partially automated the process for requesting supplies, and the headquarters office is enhancing its use of tracking systems to ensure prompt response to requests for services from the technology and administrative help desks.

Enhanced Management Strategies

During FY 2002, OED conducted a significant internal review of the structure and functions of the Office of Administrative Services. The review included a process review of internal operations, benchmarking against other agencies, and extensive interviews with headquarters and regional staff at all levels about their administrative needs. OED will complete the study in early FY 2003.

During FY 2002, OED continued its work to improve financial management through increasing the efficiency of financial reporting, the functionality of financial systems, and the skill level of the staff

through cross training, seminars, and correspondence training. For example, OED implemented a process for reconciling travel accounts to preclude the possible misuse of government travel cards, hired a contractor to assist with changes to the Standard General Ledger, and prepared for an upgraded travel management system.

OED collaborated with members of the Performance Management Advisory Committee in conducting a review of the Commission's performance assessment system. As a result of this review, amendments were made to the assessment cycle in an effort to enhance the framework in which employee performance is planned, monitored, assessed, and recognized in support of individual and organizational performance. OED also worked with staff throughout the agency to develop and offer five new courses through the Industry/Legal/Technical training program, while providing additional human resources training and information online through the "cyberFeds" Web site.

OED also supported initiatives to improve benefits offerings. OED planned training and offered materials to allow employees to make intelligent decisions about long-term care insurance. OED also implemented a number of new systems to streamline operations, including use of commercial vendors for its printing and reproduction needs. Finally, OED worked to transfer the ethics program from the Office of Human Resources to OGC to consolidate functions related to ethics.

Office of Proceedings

The Office of Proceedings provides an inexpensive, impartial, and expeditious forum for handling customer complaints against persons or firms registered under the CEA. Through the CFTC reparations program, customers may bring complaints against professionals currently or formerly registered with the Commission if the individuals or firms allegedly violated the antifraud or other provisions of the CEA. Reparations cases are decided by ALJs or Judgment Officers. ALJs also decide administrative enforcement cases brought by the Division of Enforcement against firms or persons who have allegedly violated the CEA or Commission regulations.

Staff members of the Office of Proceedings:

- receive and process customer claims;
- prepare claims and forward them for hearing;
- provide information about the complaint process;
- provide statistical information about the numbers and outcomes of complaints filed;
- maintain all reparations and administrative enforcement case dockets, including cases on appeal to the Commission and Federal courts; and
- issue decisions and orders in reparations and administrative enforcement cases.

The Office of Proceedings handles voluntary, summary, and formal proceedings. Voluntary proceedings require a \$50 filing fee and are the quickest reparations proceedings since they do not involve hearings or appeals. Judgment Officers decide voluntary cases solely on the basis of the written submissions and exhibits provided by the parties. Summary proceedings, which resolve claims of \$30,000 or less; require a \$125 filing fee, and if a hearing is necessary, a Judgment Officer conducts an oral hearing by conference call. Formal proceedings, which resolve claims of over \$30,000, require a \$250 filing fee and involve an in-person hearing held before an ALJ at a convenient location. Both summary and formal proceedings result in appealable Initial Decisions that include factual findings and legal conclusions. A losing party in a summary or formal proceeding may appeal an Initial Decision, first to the Commission and then to a U.S. court of appeals.

The Office of Proceedings maintains a current *Administrative Sanctions in Effect List* and *Reparations Sanctions in Effect List*. The *Administrative Sanctions in Effect List* contains the names of firms and individuals who currently have registration and trading sanctions in effect as a result of administrative and statutory disqualification proceedings. The *Reparations Sanctions in Effect List* contains the names of individuals or firms that have not paid awards levied against them as a result of reparations proceedings. As a result, their trading privileges as well as their registrations on any futures market are suspended. The Office of Proceedings makes the lists available to the public, the commodity exchanges, the NFA, the National Association of Securities Dealers, and the SEC.

The Office of Proceedings provides a forum for effectively and expeditiously handling customer complaints against persons or firms registered with the Commission at the time of the alleged wrongdoing or at the time the complaint is filed.

During FY 2002, over 50 percent of the reparations complaints were disposed of within one year from the date the complaint was filed. The remaining complaints were not resolved within one year for reasons beyond the Commission's control. For example, parties requested additional time for one or more of the following reasons: (1) to submit supplementation to their cases; (2) to prepare pleadings; (3) to complete extensive discovery documents; or (4) to deal with personal or professional responsibilities. The Office of Proceedings responded to approximately 11,000 telephone inquiries.

The Office of Proceedings' ALJs are also responsible for hearing and rendering decisions in administrative enforcement cases brought by the Commission against alleged violations of the CEA or related regulations. The Office of Proceedings decided 15 cases in FY 2002.

The following statistics reflect the status of reparations complaints and administrative enforcement cases at the end of FY 2001 and FY 2002:

Reparations Complaints	FY 2001	FY 2002
Complaints pending beginning of fiscal year	37	34
Complaints filed or reinstated	110	80
Complaints dismissed or settled	23	21
Complaints forwarded for all types of proceedings	90	66
Complaints pending end of fiscal year	34	27

Enforcement Cases	FY 2001	FY 2002
Cases pending beginning of fiscal year	24	23
Cases received for adjudication ^(a)	31	20
Cases settled	8	8
Decisions issued	24	15
Cases pending end of fiscal year	23	20

Reparations Cases	FY 2001	FY 2002
Cases pending beginning of fiscal year	64	67
Cases received for all types of proceedings ^(b)	97	69
Cases dismissed for cause	8	3
Cases settled	54	54
Cases disposed of by default	8	12
Cases disposed of by initial decision	24	16
Total cases closed	94	85
Cases pending end of fiscal year	67	51

^(a) Includes remands and exchange cases forwarded from the Commission to an ALJ for review.

^(b) Includes cases forwarded for adjudication, severed cases, remands, and motions for reconsideration.

Offices of the Chairman

Office of International Affairs

The Office of International Affairs (OIA) assists the Commission in the formulation of international policy by: (1) providing information and technical support on international matters and coordinating the Commission's varied international activities; (2) providing information to the Commission concerning foreign regulatory systems and analyzing foreign regulatory developments; (3) assisting other Commission offices in international matters by reviewing proposed actions requested; (4) obtaining information from foreign sources; (5) providing information to foreign regulators; (6) supporting the participation of the Commission in international organizations and meetings; (7) coordinating requests for technical assistance; and (8) organizing the Commission's annual training seminar for foreign regulators. In FY 2002, OIA contributed to this effort by:

- Coordinating Commission outreach to international regulators in the aftermath of the September 2001 terrorist attack in order to promote information sharing and enhanced contingency planning;
- Finalizing an arrangement with the French Conseil des Marchés Financiers for the sharing of fitness information regarding market participants that become remote members of an exchange in a non-domestic market;
- Finalizing two arrangements on regulatory cooperation and the provision of technical assistance with the Chinese Securities Regulatory Commission and the Superintendencia de Valores Y Seguros de Chile;
- Coordinating Commission activities within IOSCO and its Technical Committee and standing committees, with special focus on issues raised by index products, trading halts, transparency, the Internet, clearing and settlement systems, cross-border activities of intermediaries, and participating in the drafting committee that issued the publication, *IOSCO/CPSS Recommendations for Securities Settlement Systems*;
- Chairing IOSCO's Implementation Committee and finalizing implementation surveys, completing the checking of members' survey responses, drafting three additional surveys, providing comment to the IMF and World Bank on their use of the IOSCO principles for Financial Sector Assessment Program purposes and developing IOSCO's own assessment methodology;
- Coordinating the Commission's representations to the Swiss regulatory authorities that supported an FCM's recognition in Switzerland and to Spanish regulatory authorities that supported the recognition in Spain of a U.S. futures exchange's electronic trading system;
- Coordinating the Commission's comments to the U.S. Treasury Department on various position papers;
- Organizing the annual meeting for international regulators during the Futures Industry Association (FIA) conference, focusing on practical approaches to organizing effective supervision of cross-border business; and
- Responding to requests from domestic and international financial regulators on the Commission's program and commenting on various reports.

Each year, the Commission provides technical assistance to foreign regulators through meetings with staff and a week-long seminar that examines the techniques used to promote market, firm, and customer protections. Sharing this information enhances the knowledge of other regulators and facilitates the development of high levels of global regulatory protections. In FY 2002, 65 persons representing regulators or SROs from 37 jurisdictions attended the seminar. In addition, OIA arranged in-house regulatory visits for 21 foreign delegations.

Office of External Affairs

The Office of External Affairs (OEA) is the Commission's liaison with Congress, other Federal and State agencies, the news media, producer and market user groups, academic and business institutions, and the general public. OEA provides information covering: the regulatory mandate of the Commission to protect the public from fraud and to ensure the integrity of the markets; the economic role of the futures markets; new market instruments and regulatory initiatives; global regulatory developments and cooperative undertakings; Commission enforcement actions; customer protection issues; the Commission's Web site; and other functions and accomplishments of the Commission. OEA also monitors legislative and regulatory activities at the Federal and state levels, advises the Commission and its staff on legislative matters, and responds to congressional inquiries.

On five separate occasions during FY 2002, OEA, assisted in the preparation of congressional testimony for Chairman Newsome. These occasions included when the Chairman testified on Enron and the regulation of OTC energy and metals derivatives before three different congressional committees: the U.S. Senate Committee on Energy and Natural Resources; the House Subcommittee on Energy and Air Quality of the Committee on Energy and Commerce; and the Senate Committee on Agriculture, Nutrition, and Forestry. In addition, OEA assisted when Chairman Newsome testified before the Senate Appropriations Subcommittee on Agriculture, Rural Development, and Related Agencies in support of funding for the Commission's activities during FY 2002 and submitted written testimony before the House Appropriations Subcommittee on Agriculture, Rural Development, FDA, and Related Agencies on the same subject.

In addition to its liaison efforts with the Congress, OEA coordinated communications between the Commission and GAO on various reviews of Commission programs and activities and issued press releases and advisories, both printed and via the Internet, covering the CFTC's regulatory and enforcement activities. OEA also continued to promote other public and legislative outreach initiatives during FY 2002, further enhancing the Commission's ability to make exemptive, no-action, and interpretive letters and other written communications more readily available to the media, Congress, the general public, and other interested parties, particularly via the CFTC's Web site.

OEA publishes, updates, and distributes a series of "Backgrounders" that highlight and explain current policy issues and initiatives, technical matters, and salient aspects of the Commission's regulatory mandate. Specifically, OEA Backgrounders: (1) explain in detail the *Commitments of Traders Report*, the Large-Trader Reporting System, and the Commission's Market Surveillance Program; (2) provide an overview of CPO and CTA rules and regulations; and (3) describe speculative limits, foreign exchange-traded instrument approvals and exemptions, and global cooperation through information sharing and memoranda of understanding with other financial market regulators.

OEA publishes brochures and educational materials about the Commission, the futures industry, and the futures and option markets. OEA also provides timely and important information about the

Commission to the media, Congress, and others through the *Weekly Advisory*, a weekly print and electronic newsletter that reports on Commission activities, and the *Daily News Clips*, a daily compilation of media stories and articles relevant to CFTC regulatory concerns. In FY 2002, OEA continued to post information on the Commission's Web site (www.cftc.gov), including general and enforcement press releases, enforcement complaints and settlement orders, Backgrounders, the *Weekly Advisory*, CFTC brochures, Consumer Advisories, speeches and remarks by the Chairman and Commissioners, biographies of the Commissioners, a summary of exemptive, no-action, and interpretive letters, and a glossary of futures industry terms.

During FY 2002, OEA assisted over 1,200 domestic and foreign news correspondents in understanding the Commission's regulatory activities, policies, goals, and accomplishments. In addition, OEA responded to numerous inquiries from the media and general public concerning the CFTC's Consumer Advisories. These advisories alert the public and potential customers to the warning signs of possible fraudulent activity and offer precautions that individuals should take before committing funds. As part of its ongoing activities to support the Commission's customer education effort, OEA informed the news media, members of Congress and their staffs, the general public, and potential market participants of the availability of current Consumer Advisories and recent CFTC enforcement actions, including a warning to the public about commodity scams based on the tragic events of September 11, 2001 and other public information related to the war on terrorism. OEA also participated in a Midwest Netforce Internet Fraud Initiative in which the CFTC joined other Federal agencies, State attorneys general, and State and local law enforcement agencies in targeting Internet scam artists who have bilked tens of thousands of customers out of millions of dollars.

In addition, OEA continued to cooperate with consumer protection organizations nationwide, including the National Fraud Information Center, GSA's Federal Consumer Information Center, the Alliance Against Fraud in Telemarketing, the American Association of Retired Persons, the Better Business Bureau, the National Consumers League, and the U.S. Postal Service in a concerted effort to fight commodity futures and options fraud aimed at the general public.

OEA also promotes access to current Commission enforcement, disciplinary, and registration information through the NFA's toll-free Customer Protection Information Hotline (800-676-4NFA [4632]). The hotline helps customers verify the registration status and disciplinary history of firms and individuals in the futures industry. OEA also provided updated information regarding commodity investment fraud for the *Investing Wisely—Commodity Futures* section of the 2003 edition of *The Consumer Action Handbook*, published by the GSA's Federal Consumer Information Center.

During FY 2002, OEA conducted numerous briefing sessions for congressional staff members, domestic and foreign representatives of the media, market professionals, producer groups, and academic representatives to acquaint them with the Commission's recent regulatory activities and responsibilities, including: the Commission's restructuring; its crackdown on forex fraud and ancillary efforts to educate customers about these scams; proposed and final rulemakings; enforcement and customer protection activities and initiatives; and technical issues as well as breaking news events—such as the establishment of an “Enron Information Link” to assist the public and the implementation of regulations necessary to permit domestic trading in SFPs. In addition, OEA participated in the media activities associated with: the publication of a privacy brochure designed to help financial intermediaries comply with the Commission's rules on consumer's rights; CFTC Roundtables on Clearing Issues and Managed Fund Issues; and the Commission's report on its intermediaries study.

OEA also assisted with the media affairs effort related to OIA's International Symposium and Training on Derivative Products, Markets, and Financial Intermediaries, which welcomed over 55 participants from more than 35 regulatory and market authorities from 28 countries to discuss issues relevant to the international derivatives markets and the CFTC's oversight program.

During FY 2002, OEA continued to work closely with the Commission's advisory committees on agriculture, global markets, and technology to provide information to the media regarding committee activities, including support for the Technology Advisory Committee's release of reports covering standardization and market access; and discussions on clearing and cyber-security issues.

Office of the Secretariat

The Office of the Secretariat provides administrative support for official Commission activities. The Secretariat coordinates the preparation and dissemination of policy documents and controls the flow of information to the Commission. The Secretariat distributes official Commission documents to staff, other government organizations, exchange officials, and interested members of the public.

The Secretariat coordinates and schedules the Commission's meetings and meeting agendas, ensuring that the Commissioners have time to review all relevant materials prior to each meeting. The Secretary attends and tapes all Commission meetings and maintains the official minutes of the meetings. Some meetings, such as those concerning market surveillance, enforcement, or adjudicatory matters, are closed to the public by law. Other meetings are open to the public, with audio and/or video recording and photography allowed.

One day before an open meeting, the Secretariat releases the documents to be discussed in the meeting. Following the meeting, the Secretariat provides transcripts, cassette recordings, or minutes of the meeting on request. The Secretariat also monitors Commission compliance with the Government in the Sunshine Act as it applies to all meetings attended by a quorum of Commissioners. During FY 2002, the Commission held 51 meetings.

Once the Commission has reached a decision to take an action, agreed on the language of a document, and directed that the document be issued, the Secretary signs the document on the Commission's behalf. The Secretary also keeps and authorizes the use of the official Commission seal and receives all official Commission correspondence.

The Secretariat processed and published 125 items in the *Federal Register* during FY 2002. The Secretariat also received and responded to hundreds of requests from the public for information about current or past Commission activities or copies of publicly available records.

Records Section

The Records Section maintains the Commission's official records, receives and responds to requests for information from those records, and performs the research necessary for a response. The Records Section staff also maintains and updates on a daily basis several large automated indices and produces reports compiled from the indices. During FY 2002, the Records Section supported the Commission's Web site by updating daily the *Federal Register* and public comment files and by publishing periodically popular FOIA releases. The staff continued to refine automated systems and convert official files to microfiche and electronic images, in accordance with Commission and Federal

regulations, and to process exchange submissions, public comment letters, and requests for public information received by electronic mail and through electronic forms on the Commission's Web site.

Freedom of Information Act Office

The FOIA Office oversees the Commission's compliance with the FOIA, the Privacy Act, and the Government in the Sunshine Act. These statutes provide public access to government records and meetings and protect an individual's right to privacy. The FOIA Office processes and responds to requests filed under these statutes and prepares annual reports to Congress describing Commission FOIA activities. During FY 2002, staff received and processed 295 FOIA requests. The FOIA Office also presented FOIA training for staff at Commission headquarters and the Central and Eastern Regional Offices.

All requests for confidential treatment of records submitted to the Commission by firms or individuals are filed with the FOIA Office. In FY 2002, the Commission received more than 400 such requests. The FOIA Office ensures that the requirements of Commission regulations are met before responding to any FOIA request for records that are subject to a request for confidential treatment.

Office of the Inspector General

The Office of the Inspector General (OIG) conducts and supervises audits and investigations of programs and operations of the CFTC and reviews existing and proposed legislation and regulations. OIG recommends policies to promote economy, efficiency, and effectiveness in Commission programs and operations and to prevent and detect fraud and abuse. OIG keeps the Chairman and the Congress informed about problems, deficiencies, and the progress of corrective action in programs and operations.

During FY 2002, OIG: monitored CFTC's compliance with the Government Information Security Reform Act, the Federal Manager's Financial Integrity Act, and the Government Performance and Results Act; conducted audits of the Commission's leases of office space in Los Angeles and Minneapolis; and continued a comprehensive review of the information requirements of the Commission's Enforcement Division. OIG also reviewed proposed and final Commission and exchange rules and regulations and conducted investigations of allegations of impropriety lodged against Commission employees.

Appendices

Futures—Average Monthend Open Interest, Number of Contracts Traded and Number of Contracts Settled by Delivery or Cash Settlement by Major Groups, All Markets Combined, FY 1996 through FY 2002

Fiscal Year	Total	Grain	Oilseed Products	Livestock Products	Other Agriculturals	Energy/Wood Products	Metals	Financial Instruments	Currencies
Average Monthend Open Interest (In Contracts)									
1996	6,671,956	594,283	383,027	149,110	357,039	707,515	368,788	3,776,614	335,580
1997	7,035,190	484,878	378,005	158,554	399,845	793,050	355,152	4,052,556	413,150
1998	8,734,778	561,316	419,055	156,097	425,208	969,274	351,300	5,337,352	515,176
1999	8,927,497	581,590	420,159	178,617	395,387	1,140,329	361,265	5,372,623	477,527
2000	8,940,241	683,946	424,364	200,228	440,779	1,014,794	318,505	5,454,917	402,708
2001	10,225,194	686,902	435,295	185,850	428,695	1,089,204	285,622	6,692,181	421,445
2002	11,564,713	680,585	471,915	144,651	460,053	1,224,008	316,590	7,820,188	446,723
Number of Contracts Traded									
1996	394,182,422	30,217,442	25,591,703	7,048,534	12,018,522	46,891,524	16,938,969	234,261,790	21,213,938
1997	417,341,601	25,507,498	27,132,483	7,550,556	13,190,755	51,512,419	17,093,481	250,143,412	25,210,997
1998	500,676,345	26,139,949	26,854,245	7,385,569	14,039,615	61,705,146	17,044,818	319,916,653	27,590,350
1999	491,137,790	26,860,264	25,625,245	7,438,875	13,753,993	72,941,764	17,294,322	303,664,764	23,558,563
2000	477,760,141	27,415,057	24,663,381	6,840,029	13,806,793	74,065,666	13,920,393	297,039,566	20,009,256
2001	581,132,590	27,486,353	24,695,092	7,000,070	12,559,799	72,476,055	12,447,907	404,345,668	20,121,646
2002	790,072,208	29,173,459	27,880,738	6,698,307	13,657,673	86,831,098	14,282,236	588,801,346	22,747,351
Number of Contracts Settled by Delivery/Cash Settlement									
1996	2,890,167	38,226	172,442	13,384	39,406	87,777	132,507	1,903,974	502,451
1997	3,559,079	36,589	148,703	29,683	38,015	119,505	129,977	2,385,886	670,721
1998	4,186,906	131,357	116,412	42,230	31,826	129,566	163,894	2,705,700	865,921
1999	3,631,916	120,775	106,364	44,129	32,282	131,905	128,557	2,230,017	837,887
2000	4,533,590	148,164	138,900	44,351	68,902	107,379	152,087	3,151,497	722,310
2001	5,525,312	156,272	134,347	43,775	68,181	84,607	179,714	4,139,614	718,802
2002	6,224,018	111,052	80,944	31,717	71,237	104,654	220,320	4,952,795	651,299

Futures Contract Market Review/Average Open Interest, 12-Month Volume of Trading and Deliveries/Cash Settlement by Commodity and Exchange for Fiscal Years Ending September 30, 2001 and September 30, 2002

Exchange/Commodity	Contract Unit	Average Monthend		Volume of		Total Contracts Settled	
		Open Interest (Contracts)	2000-01	2001-02	Trading (Contracts)	2000-01	2001-02
Brokertec Futures Exchange (BTEX)							
U.S. Treasury Bonds	\$100,000 F.V.	0	4,069	0	662,465	0	3,839
10-Year U.S. Treasury Notes	\$100,000 F.V.	0	7,975	0	405,070	0	5,313
5-Year U.S. Treasury Notes	\$100,000 F.V.	0	8,597	0	272,890	0	738
Total BTEX		0	20,641	0	1,340,425	0	9,890
Chicago Board of Trade (CBT)							
Wheat	5,000 Bu.	140,334	112,431	6,630,041	6,888,867	57,321	23,259
Corn	5,000 Bu.	422,759	447,272	16,727,911	17,783,077	52,006	41,974
Oats	5,000 Bu.	13,453	11,337	383,591	473,984	4,180	1,081
Rough Rice	200,000 Lbs.	4,630	7,159	126,356	172,409	3,271	7,786
Soybeans	5,000 Bu.	162,444	179,159	12,002,149	13,919,502	15,799	13,133
Soybean Oil	60,000 Lbs.	144,708	147,468	5,673,793	6,565,938	114,313	65,979
Soybean Meal	100 Tons	121,976	139,639	6,646,265	7,129,618	2,432	1,349
Iowa Corn Yield Insurance	Yield Est. x 100	28	0	1	0	0	0
Dow Jones Industrial Average	\$10 x Index	26,616	30,017	4,529,658	6,179,588	46,318	61,800
Dow Jones Industrial Avg. (x\$2)	\$2 x Index	0	1,830	0	187,966	0	2,169
Dow Jones Industrial Avg. (x\$5)	\$5 x Index	0	7,380	0	1,034,474	0	10,555
Dow Jones Transportation Average	\$20 x Index	1	2	1	4	0	0
Dow Jones Utility Average	\$10 x Index	1	0	8	0	0	0
U.S. Treasury Bonds	\$100,000 F.V.	482,174	489,062	56,563,798	57,794,850	48,947	52,517
U.S. Treasury Bonds (mini)	\$50,000 F.V.	0	73	0	12,631	0	1
2-Year U.S. Treasury Notes	\$200,000 F.V.	70,460	96,991	2,287,969	2,992,787	27,843	28,303
10-Year U.S. Treasury Notes	\$100,000 F.V.	564,317	731,323	53,132,073	83,992,750	140,371	79,377
10-Year U.S. Treasury Notes (mini)	\$50,000 F.V.	0	7	0	286	0	0
5-Year U.S. Treasury Notes	\$100,000 F.V.	415,735	576,603	27,537,052	46,280,825	74,540	64,609
30-Day Federal Funds	\$5,000,000 F.V.	108,040	207,609	3,586,867	6,095,024	261,771	394,033
Mortgage Futures	\$1,000 x Index	2,338	398	55,364	1,960	974	0
Five-Year Agency Note	\$100,000 F.V.	110	0	1,919	0	160	0
Ten-Year Agency Note	\$100,000 F.V.	52,193	30,423	1,487,772	602,174	32,692	25,931
Municipal Bond Index	\$1,000 x Index	14,665	7,511	377,097	237,939	18,886	12,422
3-Month Eurodollar (mini)	\$500,000 F.V.	0	526	0	1,970	0	573
Interest Rate Swaps 10yr - 3mo	\$100,000 N.P.	0	20,321	0	521,454	0	0
Interest Rate Swaps 5yr - 3mo	\$100,000 N.P.	0	2,596	0	31,509	0	0
CBT X-Funds Index	\$1,000 x Index	0	9	0	769	0	0
Dow Jones AIG Commodity Index	\$100 x Index	0	189	0	14,463	0	0
1000 Troy Ounce Silver	1,000 Tr. Oz.	990	104	11,821	1,138	1,098	276
5000 Troy Ounce Silver	5,000 Tr. Oz.	27	0	227	0	3	0
Silver (mini)	1,000 Tr. Oz.	0	280	0	7,281	0	258
Gold (1 Kilogram)	352 Tr. Oz.	291	52	6,203	446	148	68
Gold (mini)	33.2 Tr. Oz.	0	174	0	6,201	0	151
Total CBT		2,748,290	3,247,945	197,767,936	258,931,884	903,073	887,604

Futures Contract Market Review/Average Open Interest, 12-Month Volume of Trading and Deliveries/Cash Settlement by Commodity and Exchange for Fiscal Years Ending September 30, 2001 and September 30, 2002

Exchange/Commodity	Contract Unit	Average Monthend		Volume of		Total Contracts Settled	
		Open Interest (Contracts)	2001-02	Trading (Contracts)	2001-02	by Delivery or Cash	Settlement (Contracts)
		2000-01	2001-02	2000-01	2001-02	2000-01	2001-02
Kansas City Board of Trade (KCBT)							
Wheat	5,000 Bu.	75,987	71,753	2,427,034	2,579,549	29,562	33,080
Stock Index Future, MVL	\$100 x Index	272	270	18,010	17,049	110	3
Internet Stock Index	\$25 x Index	72	7	606	62	127	0
Total KCBT		76,331	72,030	2,445,650	2,596,660	29,799	33,083
Minneapolis Grain Exchange (MGE)							
Hard Amber Durum Wheat	5,000 Bu.	7	7	120	22	18	0
Wheat	5,000 Bu.	23,700	25,460	970,836	1,106,238	9,227	3,455
White Wheat	5,000 Bu.	53	5	452	16	28	0
Cottonseed	120 Tons	86	0	688	0	86	0
MGE National Corn Index	5,000 Bu.	0	50	0	796	0	0
MGE National Soybean Index	5,000 Bu.	0	9	0	78	0	0
Electricity (On Peak)	736 MWh	75	0	0	0	125	0
Total MGE		23,921	25,531	972,096	1,107,150	9,484	3,455
MidAmerica Commodity Exchange (MCE)							
Wheat	1,000 Bu.	1,472	1,854	62,891	72,333	414	86
Corn	1,000 Bu.	4,414	3,277	155,280	96,102	235	326
Oats - Old	1,000 Bu.	93	30	1,841	862	10	5
Lean Hogs	20,000 Lbs.	379	68	10,030	1,468	321	62
Live Cattle	20,000 Lbs.	115	37	7,203	1,370	0	0
Soybeans	1,000 Bu.	5,729	5,545	360,266	264,536	1,527	342
Soybean Oil	30,000 Lbs.	98	39	3,993	332	31	46
Soybean Meal	50 Tons	254	65	7,938	812	159	95
Canadian Dollar	CD 50,000	89	25	8,927	752	0	4
Swiss Franc	SF 62,500	113	36	14,862	694	0	0
Deutsche Mark	DM 62,500	3	0	75	0	7	0
British Pound Sterling	BP 12,500	76	13	7,617	594	3	0
Japanese Yen	Yen 6,250,000	172	0	15,187	0	2	0
Euro	125,000 Euros	31	0	2,434	0	15	0
Australian Dollar	AD 50,000	5	0	473	0	0	0
U.S. Treasury Bonds	\$50,000 F.V.	603	0	69,703	0	0	0
13-Week U.S. Treasury Bills	\$500,000 F.V.	2	0	95	0	0	0
6.5 - 10 Year U.S. Treasury Notes	\$50,000 F.V.	32	0	2,292	0	0	0
5 Year U.S. Treasury Notes	\$50,000 F.V.	0	0	4	0	0	0
3-Month Eurodollars	\$500,000 F.V.	1,368	1,529	8,346	284	276	0
Platinum	25 Tr. Oz.	6	0	196	0	2	0
Silver, New York Delivery	1,000 Tr. Oz.	199	0	4,626	0	74	0
Gold, New York Delivery	332 Tr. Oz.	181	0	4,227	0	32	0
Total MCE		15,434	12,518	748,506	440,139	3,108	966

Futures Contract Market Review/Average Open Interest, 12-Month Volume of Trading and Deliveries/Cash Settlement by Commodity and Exchange for Fiscal Years Ending September 30, 2001 and September 30, 2002

Exchange/Commodity	Contract Unit	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)		Total Contracts Settled by Delivery or Cash Settlement (Contracts)	
		2000-01	2001-02	2000-01	2001-02	2000-01	2001-02
Chicago Mercantile Exchange (CME)							
Lean Hogs	40,000 Lbs.	43,546	31,383	1,988,900	1,905,520	25,422	19,628
E-Mini Lean Hogs	10,000 Lbs. x Index	210	0	9,537	5	1,378	16
Frozen Pork Bellies	40,000 Lbs.	2,613	2,348	191,717	167,637	668	363
Live Cattle	40,000 Lbs.	121,687	97,141	4,229,918	3,985,693	1,608	2,366
Feeder Cattle	50,000 Lbs.	17,235	13,674	562,076	636,614	14,099	9,282
E-Mini Feeder Cattle	10,000 Lbs.	20	0	515	0	81	0
Stocker Cattle	25,000 Lbs.	45	0	174	0	198	0
Butter	40,000 Lbs.	162	647	1,250	4,952	427	1,113
Milk	200,000 Lbs.	12,180	13,768	78,655	93,973	18,218	25,504
Non Fat Dry Milk	44,000 Lbs.	31	12	40	20	0	8
Dry Whey	44,000 Lbs.	0	0	4	0	0	0
Class IV Milk	200,000 Lbs.	1,825	2,195	7,038	6,264	3,422	3,145
Canadian Dollar	CD 100,000	63,619	70,064	2,803,281	3,083,804	67,481	83,822
French Franc	FF 500,000	2	1	26	0	2	1
Swiss Franc	SF 125,000	50,965	43,160	2,792,143	2,869,589	114,141	95,626
Swiss Franc / Yen Cross-Rate	SF 250,000	0	3	0	54	0	0
Deutsche Mark	DM 125,000	374	198	4,737	264	780	194
British Pound Sterling	BP 62,500	35,742	35,053	1,912,879	2,143,152	70,875	55,541
Pound / Swiss Franc Cross-Rate	BP 125,000	0	2	0	110	0	0
Pound / Yen Cross-Rate	BP 125,000	0	18	0	197	0	0
Japanese Yen	Yen 12,500,000	89,689	92,651	4,262,896	4,360,326	133,858	100,722
E-Mini Japanese Yen	Yen 6,250,000	34	63	2,374	2,817	104	9
Euro	125,000 Euros	89,737	110,515	5,345,582	6,991,558	121,265	127,288
E-Mini Euro	62,500 Euros	451	315	20,288	7,533	954	344
Euro / Aussie Dollar Cross-Rate	125,000 Euros	0	16	0	103	0	0
ECU/British Pound Cross-Rate	125,000 Euros	0	23	53	531	0	0
Euro / Japanese Yen Cross-Rate	125,000 Euros	518	896	78,370	64,532	0	0
Euro / Swiss Franc Cross-Rate	125,000 Euros	55	24	108	706	0	0
Euro / Canadian Dollar Cross Rate	125,000 Euros	0	0	0	5	0	0
Euro / Norwegian Krone Cross-Rate	125,000 Euros	0	1	0	1	0	0
Euro / Swedish Krona Cross-Rate	125,000 Euros	0	1	0	3	0	0
South African Rand	Rand 500,000	2,081	2,437	55,925	53,034	6,459	8,739
Australian Dollar	AD 100,000	24,492	29,318	818,722	961,989	48,138	32,647
Aussie Dollar/Canadian Dollar	AD 200,000	0	8	0	16	0	0
Aussie Dollar/ Yen Cross-Rate	AD 200,000	0	3	0	13	0	0
Swedish Krona	SKr 2,000,000	0	1	0	1	0	0
Norwegian Krone	NKr 2,000,000	0	21	0	121	0	0
Russian Ruble	500,000 Rubles	31	0	60	0	30	0
Mexican Peso	MP 500,000	24,996	25,598	1,096,246	1,296,822	49,076	46,922
Brazilian Real	R\$ 100,000	655	40	5,125	44	3,275	0

Futures Contract Market Review/Average Open Interest, 12-Month Volume of Trading and Deliveries/Cash Settlement by Commodity and Exchange for Fiscal Years Ending September 30, 2001 and September 30, 2002

Exchange/Commodity	Contract Unit	Average Monthend		Volume of		Total Contracts Settled	
		Open Interest (Contracts)		Trading (Contracts)		by Delivery or Cash Settlement (Contracts)	
		2000-01	2001-02	2000-01	2001-02	2000-01	2001-02
New Zealand Dollar	NZ \$100,000	895	2,198	20,742	38,764	2,955	4,617
S&P 500 Stock Index	\$250 x Index	491,255	550,632	22,432,130	23,506,640	426,255	316,924
Financial SPCTR	\$125 x Index	0	211	0	1,002	0	0
E-Mini S&P 500 Stock Index	\$50 x Index	87,014	195,901	32,211,582	90,469,533	322,561	681,584
S&P 500 Barra Growth Index	\$250 x Index	779	672	12,071	10,230	1,623	1,649
S&P 500 Barra Value Index	\$250 x Index	1,992	1,701	25,474	20,332	3,208	3,465
S&P 400 Midcap Stock Index	\$500 x Index	16,063	14,824	390,487	387,418	17,601	0
E-mini S&P 400 Stock Index	\$100 x Index	0	2,400	0	166,402	0	0
Fortune E_50 Stock Index	\$20 x Index	175	18	14,970	573	822	162
Long-Short Technology TRAKRS	\$1 x Index x 1000 contracts	0	1,161	0	1,944	0	0
NASDAQ-100 Stock Index	\$100 x Index	50,172	58,598	5,582,219	5,151,441	97,674	140,400
E-mini NASDAQ-100 Stock Index	\$20 x Index	77,758	111,857	27,155,893	48,878,007	341,754	534,595
Russell 2000 Stock Index	\$500 x Index	18,621	25,928	666,450	841,460	20,598	28,354
E-mini Russell 2000 Stock Index	\$100 x Index	0	4,285	0	500,297	0	20,822
Nikkei Stock Average	\$5 x Index	17,712	18,424	474,765	563,427	46,558	55,987
13-Week U.S. Treasury Bills	1,000,000 F.V.	2,179	748	30,074	10,070	7,851	3,485
1-Month Libor Rate	\$3,000,000 F.V.	36,422	39,159	1,243,520	1,126,707	214,759	187,860
3-Month Eurodollar	\$1,000,000 F.V. Yen 50,000,000	4,032,631	4,491,047	162,481,060	208,517,469	1,841,145	2,141,222
Japanese Bonds (10 year)	F.V.	4	8	0	0	0	13
Swap Rate Futures - 2 Years	\$500,000 F.V.	0	232	0	3,071	0	572
Swap Rate Futures - 5 Years	\$200,000 F.V.	0	1,375	0	8,851	0	2,013
Swap Rate Futures -10 Years	\$500,000 F.V.	0	267	0	6,434	0	538
91-Day Mexican Treasury Bills	MP 2,000,000 F.V.	0	79	0	717	0	0
3-Mo. Euroyen	Yen 100,000,000 F.V.	61,380	35,852	658,336	256,294	86,788	64,143
3-Mo. Euroyen - Libor	Yen 100,000,000 F.V.	5,841	2,863	20,853	2,022	14,313	2,970
Goldman-Sachs Commodity Index	\$250 x Index	21,355	18,955	585,690	525,709	25,432	12,857
Random Length Lumber	80,000 Bd. Ft.	3,579	2,176	226,196	155,060	216	78
Oriented Strand Board Panels (All) 1*		35	1	10,343	1	18	0
Benzene	42,000 Gallons	0	34	0	51	0	50
Mixed Xylene	42,000 Gallons	0	1	0	25	0	0
Cooling Degree Days Weather	\$100 x Index 2*	0	351	0	1,831	0	1,123
Heating Degree Days Weather	\$100 x Index 2*	0	109	1	632	0	148
Total CME		5,508,857	6,153,665	280,511,495	409,790,417	4,154,090	4,818,911

1* Includes OSB panel contracts for North Central, Southeastern, and Western Oriented

2* Includes Atlanta, Chicago, New York City, Cincinnati, Dallas, Philadelphia, Portland, Tucson, Des Moines, and Las Vegas

Futures Contract Market Review/Average Open Interest, 12-Month Volume of Trading and Deliveries/Cash Settlement by Commodity and Exchange for Fiscal Years Ending September 30, 2001 and September 30, 2002

Exchange/Commodity	Contract Unit	Average Monthend		Volume of		Total Contracts Settled	
		Open Interest (Contracts)		Trading (Contracts)		by Delivery or Cash Settlement (Contracts)	
		2000-01	2001-02	2000-01	2001-02	2000-01	2001-02
Merchants Exchange of St. Louis (MESL)							
Illinois Waterway Barge Rate	3,000 Tons	7	3	41	3	6	3
St Louis Harbor Barge Rate	3,000 Tons	6	0	50	0	9	0
MESL Crude Oil, Light Sweet	1,000 Barrels	0	10	0	55	0	0
Total MESL		13	13	91	58	15	3
New York Mercantile Exchange (NYMEX) and Commodity Exchange, Inc. (COMEX)							
No. 2 Heating Oil, New York Harbor	42,000 Gallons	135,545	146,445	9,521,422	9,995,802	21,787	17,380
Natural Gas	10,000 mmBtu	405,142	466,042	15,626,918	24,148,247	35,436	53,094
e-miNY Natural Gas	4,000 mmBtu	0	153	0	45,705	0	3
OTC Social Basis Swap	2,500 mmBtu	0	580	0	792	0	184
OTC Transco Zone 6 Basis Swap	2,500 mmBtu	0	1,387	0	3,800	0	300
OTC Henry Hub Gas Swap	2,500 mmBtu	0	24,378	0	88,479	0	0
Central Appalachian Coal	37,200 mmBtu	266	467	1,365	4,419	10	294
OTC Electricity (PJM)	400 MWh	0	40	0	256	0	40
Electricity (California-Oregon Border)	864 MWh	0	0	17	0	1	0
Electricity (Palo Verde)	432 MWh	51	0	174	0	226	0
Electricity (Cinergy)	736 MWh	25	0	0	0	25	0
Electricity (Entergy)	736MWh	0	0	0	0	4	0
Electricity, Mid Columbia Region	432 MWh	56	0	75	0	25	0
Propane Gas	42,000 Gallons	588	532	11,589	12,957	1,009	537
Crude Oil (Light Sweet)	1,000 Barrels	439,985	466,807	37,815,933	42,352,450	6,004	6,858
Crude Oil (Brent)	1,000 Barrels	5,897	708	40,952	10,069	1,160	1,554
e-miNY Crude Oil, Light Sweet	400 Barrels	0	624	0	114,220	0	0
Unleaded Gasoline, New York Harbor	42,000 Gallons	97,960	113,163	9,221,070	9,896,247	18,561	23,011
Palladium	100 Tr. Oz.	1,566	1,554	27,131	34,472	446	521
Platinum	50 Tr. Oz.	6,982	6,504	217,150	208,408	985	429
Aluminum	44,000 Lbs.	3,044	3,237	48,836	51,110	7,914	10,553
Eurotop 100 Stock Index	\$100 x Index	243	1	1,650	0	694	0
Eurotop 300 Stock Index	\$200 x Index	630	0	7,653	0	908	0
Silver	5,000 Tr. Oz.	71,936	76,398	2,479,191	3,059,055	41,614	27,050
Copper - Grade #1	25,000 Lbs.	78,699	81,660	2,886,000	2,795,812	93,519	129,592
Gold	100 Tr. Oz.	121,701	146,627	6,762,299	8,118,313	33,879	51,422
Total NYMEX		1,370,316	1,537,307	84,669,425	100,940,613	264,207	322,822
New York Board of Trade (NYBT) - New York Cotton Exchange (NYCE), New York Futures Exchange (NYFE)							
Coffee, Sugar and Cocoa Exchange (CS&CE) and Cantor Exchange (CFFE)							
Cotton No. 2	50,000 Lbs.	66,562	66,148	2,327,953	2,201,163	6,556	2,233
Frozen Concentr. Orange Juice	15,000 Lbs.	25,816	23,028	637,577	560,646	1,639	3,708
Frozen Concentr. Orange Juice-2	15,000 Lbs.	12	0	11	0	15	0
FCOJ1-FCOJ2 Diff	15,000 Lbs.	5	0	23	0	2	0
Milk Index	1,000 Cwt.	44	0	2	0	65	0
Milk Index, Large	2,000 Cwt.	11	0	8	0	1	0

Futures Contract Market Review/Average Open Interest, 12-Month Volume of Trading and Deliveries/Cash Settlement by Commodity and Exchange for Fiscal Years Ending September 30, 2001 and September 30, 2002

Exchange/Commodity	Contract Unit	Average Monthend		Volume of		Total Contracts Settled	
		Open Interest (Contracts)	Open Interest (Contracts)	Trading (Contracts)	Trading (Contracts)	by Delivery or Cash	by Delivery or Cash
		2000-01	2001-02	2000-01	2001-02	2000-01	2001-02
Cocoa	10 Tons	115,234	100,888	2,029,518	2,030,714	6,086	6,826
Sugar No. 11	112,000 Lbs.	142,694	176,067	5,191,507	6,078,522	18,703	14,262
Sugar No. 14	112,000 Lbs.	11,225	12,804	119,192	132,405	1,332	3,401
Coffee C	37,500 Lbs.	52,853	64,394	2,166,929	2,547,654	11,700	10,990
Coffee C (mini)	12,500 Lbs.	0	40	0	483	0	44
Canadian Dollar/Japanese Yen	CD 200,000	1,250	1,011	17,944	11,472	3,492	4,144
U.S. Dollar / Canadian Dollar	\$200,000	109	115	1,789	2,080	274	450
U.S. Dollar / Swiss Franc	\$200,000	716	252	14,359	9,819	2,611	1,335
Swiss Franc / Japanese Yen Cross-Rate	SF 200,000	839	594	11,197	12,430	2,149	608
French Franc / Deautche Mark Cross-Rate	DM 500,000	0	0	0	10	0	0
U.S. Dollar / British Pound	BP 125,000	376	594	16,096	27,891	1,062	3,650
Swiss Franc / British Pound Cross-Rate	BP 125,000	1,011	658	20,123	12,017	2,788	2,252
Japanese Yen / British Pound Cross-Rate	BP 125,000	2,316	1,222	46,951	27,042	5,580	3,556
U.S. Dollar / Japanese Yen	\$200,000	979	2,111	19,028	50,336	2,993	5,030
Euro/Australian Dollar	100,000 Euros	1,234	1,240	17,979	13,342	1,216	3,129
Euro/U.S. Dollar	200,000 Euros	2,236	1,556	78,992	80,181	8,934	7,018
Euro/U.S. Dollar- Small	100,000 Euros	75	41	2,607	1,762	126	81
Euro/Yen Cross-Rate	200,000 Euros	8,152	8,535	296,926	329,922	20,624	18,244
Euro / Swedish Krona Cross-Rate	200,000 Euros	2,500	2,207	32,743	37,902	6,202	7,175
Euro / Swiss Franc Cross-Rate	200,000 Euros	2,496	2,582	46,291	49,679	6,740	6,751
Pound/Euro Cross-Rate	200,000 Euros	5,611	5,480	114,238	119,816	13,405	14,928
Euro Canadian Dollar Cross-Rate	200,000 Euros	790	1,454	12,632	11,963	1,888	3,523
Euro Norwegian Krone Cross-Rate	200,000 Euros	273	414	4,759	7,969	781	950
U.S. Dollar /Swedish Krona	\$200,000 F.V.	294	158	3,386	1,696	528	458
U.S. Dollar -Norwegian Krone	\$200,000 F.V.	6	16	45	161	8	45
U.S. Dollar / South African Rand	\$100,000	257	386	4,747	7,773	941	1,280
Australian Dollar	AD 200,000	587	177	6,884	4,709	2,128	1,609
Aussie Dollar/Canadian Dollar	\$200,000 F.V.	1,006	529	15,450	5,991	4,431	1,645
Australian Dollar/Yen Cross-Rate	AD 200,000	1,438	1,232	27,780	24,714	3,120	2,838
Australian Dollar / Kiwi Cross-Rate	AD 200,000	948	645	12,718	8,371	3,068	1,509
New Zealand Dollar	NZ \$200,000	1,121	812	26,850	10,174	4,293	2,615
NYSE Composite Index	3*	1,039	463	45,018	26,731	1,062	911
NYSE CMP Index (Small)	\$50 x Index	72	32	3,386	1,367	419	105
Technology Index	\$500 x Index	46	0	374	0	0	0
Russell 1000 Stock Index Future	4*	6,171	4,832	80,123	59,656	8,351	4,051
Russell 1000 Mini Index Futures	\$50 x Index	455	128	15,002	4,334	418	327
CFFE U.S. Treasury Bonds	\$100,000 F.V.	0	0	0	15	0	0
CFFE U.S. Treasury Bonds (Flex)	\$100,000 F.V.	6,072	0	62,594	0	0	0
CFFE 10- Year U.S. Treasury Notes (Flex)	\$100,000 F.V.	5,096	0	81,670	0	0	0
CFFE WI 10-Year U.S. Treasury Notes	Par Amount	60	0	130	0	30	0

Futures Contract Market Review/Average Open Interest, 12-Month Volume of Trading and Deliveries/Cash Settlement by Commodity and Exchange for Fiscal Years Ending September 30, 2001 and September 30, 2002

Exchange/Commodity	Contract Unit	Average Monthend		Volume of		Total Contracts Settled	
		Open Interest (Contracts)		Trading (Contracts)		by Delivery or Cash Settlement (Contracts)	
		2000-01	2001-02	2000-01	2001-02	2000-01	2001-02
5-Year U.S. Treasury Notes-Old	\$250,000 F.V.	0	0	3,900	0	0	0
CFFE 5-Year U.S. Treasury Notes (Flex)	\$100,000 F.V.	3,266	0	66,031	0	0	0
CFFE WI 5-Year U.S. Treasury Notes	Par Amount	0	0	26	0	0	0
U.S. Dollar Index	\$1,000 x Index	7,518	10,763	313,278	378,199	5,637	5,101
CRB Bridge Index	\$500 x Index	1,161	447	20,625	12,892	138	443
S&P Commodity Index	\$100 x Index	0	1,008	0	20,859	0	59
Total NYBT		482,032	495,063	14,017,391	14,924,862	161,536	147,284
3* Includes the large (\$1,000 x Index) and mid-size (\$500 x Index)							
4* Includes the large (\$1,000 x Index) and small Russell 1,000 Index (\$500 x Index)							
Total All Markets		10,225,194	11,564,713	581,132,590	790,072,208	5,525,312	6,224,018

Options—Average Monthend Open Interest, Number of Contracts Traded by Major Groups, All Markets Combined for FY 1996 through FY 2002

Fiscal Year	Total	Grain	Oilseed Products	Livestock Products	Other Agriculturals	Energy/Wood Products	Metals	Financial Instruments	Currencies
Average Monthend Open Interest (In Contracts)									
1996	6,172,544	537,468	290,224	82,274	302,587	588,465	393,719	3,514,795	463,012
1997	6,767,618	490,022	298,053	89,501	342,980	771,012	444,618	3,920,519	410,913
1998	8,072,707	475,752	338,525	85,406	440,680	895,155	520,748	4,982,586	333,855
1999	8,358,199	461,487	390,569	102,251	419,913	1,010,675	593,979	5,175,958	203,367
2000	7,422,500	631,242	280,994	110,338	450,166	1,237,793	578,283	4,007,518	126,166
2001	9,937,856	570,104	270,277	120,792	400,907	1,302,741	353,605	6,731,974	187,456
2002	16,417,834	581,491	262,119	81,573	456,514	2,150,914	291,039	12,368,468	225,716
Number of Contracts Traded									
1996	100,320,446	8,573,628	5,758,271	896,115	3,445,669	7,817,074	3,369,996	62,667,270	7,792,423
1997	105,141,954	6,963,377	6,249,498	960,394	3,837,325	9,575,254	2,757,964	69,337,931	5,460,211
1998	124,107,563	6,251,033	5,663,415	1,000,816	4,937,468	12,132,919	3,178,313	86,884,632	4,058,967
1999	123,140,632	5,915,391	6,587,362	993,194	4,881,153	12,759,032	3,158,455	86,708,838	2,137,207
2000	102,579,828	6,993,655	5,189,730	882,772	5,046,387	14,904,652	3,455,302	64,695,826	1,411,504
2001	141,550,871	6,920,657	4,957,911	1,102,418	3,839,313	14,462,858	2,416,378	106,055,420	1,795,916
2002	213,994,986	7,472,194	5,253,772	826,566	4,177,874	23,108,551	2,510,590	168,512,568	2,132,871

Options—Average Monthend Open Interest and Volume of Trading by Exchange and Contract for Fiscal Years ending September 30, 2001 and September 30, 2002

Exchange/Commodity	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)	
	2000-01	2001-02	2000-01	2001-02
Chicago Board of Trade (CBT)				
Wheat	128,055	96,591	1,687,586	1,598,037
Corn	399,474	423,947	4,864,616	5,248,350
Oats	6,557	10,078	52,265	108,607
Rough Rice	3,048	4,927	19,935	36,937
Soybeans	169,884	168,158	3,771,371	4,105,194
Soybean Oil	57,059	63,058	535,817	678,348
Soybean Meal	41,436	30,903	642,953	469,528
Iowa Corn Yield Insurance	0	0	1	0
Dow Jones Industrial Average	19,400	16,481	293,275	249,403
U.S. Treasury Bonds	407,500	491,895	12,673,653	15,661,850
2-Year U.S. Treasury Notes	1,218	2,865	22,443	49,785
10-Year U.S. Treasury Notes	673,423	1,271,272	16,121,469	29,749,003
5-Year U.S. Treasury Notes	200,822	349,510	4,116,541	7,514,407
Ten-Year Agency Note	4,254	2	39,679	38
Municipal Bond Index	2	0	1,004	0
Catastrophe Insurance (All) 1*	76	0	0	0
1000 Troy Ounce Silver	1	0	8	0
Total CBT	2,112,209	2,929,687	44,842,616	65,469,487
1* Includes large cap and small cap national insurance and Northeastern and California small cap contracts				
Kansas City Board of Trade (KCBT)				
Wheat	25,632	38,486	260,526	432,354
Stock Index Future, MVL	1	0	4	0
Total KCBT	25,633	38,486	260,530	432,354
Minneapolis Grain Exchange (MGE)				
Wheat	6,026	6,999	31,052	46,496
Wheat European	112	0	0	0
Cottonseed	421	0	702	0
MGE National Corn Index	0	4	0	10
Total MGE	6,559	7,003	31,754	46,506
MidAmerica Commodity Exchange (MCE)				
Wheat	358	223	926	154
Corn	842	240	3,751	1,259
Soybeans	1,476	0	7,064	702
Soybean Oil	1	0	4	0
U.S. Treasury Bonds	36	0	712	0
Gold, New York Delivery	2	0	3	0
Total MCE	2,715	463	12,460	2,115

Options—Average Monthend Open Interest and Volume of Trading by Exchange and Contract for Fiscal Years ending September 30, 2001 and September 30, 2002

Exchange/Commodity	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)	
	2000-01	2001-02	2000-01	2001-02
Chicago Mercantile Exchange (CME)				
Lean Hogs	14,666	10,931	157,509	163,443
Options on CME Lean Hog Index	90	0	0	0
Frozen Pork Bellies	753	588	7,510	5,780
Live Cattle	85,654	56,044	768,208	510,650
Feeder Cattle	19,629	14,010	169,191	146,693
Butter	24	54	38	141
Milk	5,144	6,165	21,193	25,673
Class IV Milk	279	298	1,706	757
Canadian Dollar	23,985	31,263	109,631	135,713
Swiss Franc	14,142	10,926	131,643	91,322
Deutsche Mark	233	0	966	0
British Pound Sterling	14,077	12,991	146,742	127,693
Japanese Yen	81,196	99,944	747,707	866,870
Euro	48,109	65,475	623,002	882,301
Australian Dollar	4,389	3,182	28,327	20,687
Mexican Peso	719	1,840	4,310	7,704
New Zealand Dollar	0	0	0	2
S&P 500 Stock Index	224,633	210,860	4,545,981	4,932,785
E-Mini S&P 500 Stock Index	631	974	22,493	39,963
S&P 400 Midcap Stock Index	116	67	3,539	2,706
NASDAQ-100 Stock Index	6,533	3,826	259,365	70,849
Russell 2000 Stock Index Future	257	147	12,617	5,208
Nikkei Stock Average	246	298	2,953	4,727
1-Month Libor Rate	267	28	2,166	180
3-Month Eurodollar	5,185,646	10,013,948	67,818,410	110,105,315
3-Mo. Euroyen	1,202	213	2,345	431
Goldman-Sachs Commodity Index	95	19	4,109	1,512
Random Length Lumber - 80/110000 BD FT	2,443	1,258	27,441	14,435
Cooling Degree Days Weather *2	0	17	0	32
Heating Degree Days Weather *3	0	35	0	70
Total CME	5,735,158	10,545,401	75,619,102	118,163,642

*2 Cooling Degree Days Weather (Atlanta and Tucson)

*3 Heating Degree Days Weather (Chicago and Cincinnati)

Options—Average Monthend Open Interest and Volume of Trading by Exchange and Contract for Fiscal Years ending September 30, 2001 and September 30, 2002

Exchange/Commodity	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)	
	2000-01	2001-02	2000-01	2001-02
New York Mercantile Exchange (NYMEX) and Commodity Exchange, Inc.				
No. 2 Heating Oil, New York Harbor	101,620	63,610	957,349	599,326
Heating Oil Cal Spread Options	0	16	0	17
Natural Gas	531,364	1,146,195	5,148,756	10,927,895
Natural Gas Cal Spread Options	0	637	0	2,111
Crude Oil (Light Sweet)	592,427	880,128	7,284,753	10,769,341
Crude Oil (Brent)	521	102	521	220
Crude Oil Cal Spread Options	0	10,004	0	59,109
Unleaded Gasoline, New York Harbor	68,574	47,362	1,005,461	724,307
Unleaded Gas Cal Spread Options	0	500	0	787
Heating Oil/Crude Oil Option Spread	4,129	609	22,810	5,049
Unleaded Gas /Crude Oil Option Spread	1,663	441	15,767	5,852
Platinum	213	52	2,194	469
Silver	60,208	69,588	464,792	591,768
Copper - Grade #1	5,618	7,239	47,167	40,920
Gold	287,563	214,160	1,902,214	1,877,433
Total NYMEX	1,653,900	2,440,643	16,851,784	25,604,604
New York Board of Trade (NYBT): New York Cotton Exchange (NYCE), New York Futures Exchange (NYFE) Coffee, Sugar, and Cocoa Exchange (CSCE) and Cantor Exchange (CFFE)				
Cotton No. 2	112,563	135,561	1,005,874	1,136,357
Frozen Concentrated Orange Juice	31,653	27,844	206,240	176,618
Milk Index	4	0	0	0
Milk Index, Large	106	0	46	0
Cocoa	38,561	66,985	404,573	629,112
Sugar No. 11	147,970	148,998	1,389,518	1,366,976
Coffee C	64,603	70,605	810,124	842,230
U.S. Dollar / British Pound	40	0	80	0
Japanese Yen/British Pound Cross-Rate	0	12	8	140
U.S. Dollar / Japanese Yen	117	0	857	0
Euro/U.S. Dollar	207	17	964	216
Euro/Yen Cross-Rate	72	57	695	214
Euro / Swiss Franc Cross-Rate	0	1	0	1
Pound/Euro Cross-Rate	170	8	984	8
Stock Index, NYSE CMP New	2,661	3,791	73,807	95,683
Technology Index	29	0	395	0
Russell 1000 Stock Index Future	926	39	17,811	1,284
U.S. Dollar Index	1,841	2,143	19,142	26,720
CRB Bridge Index	159	90	1,507	719
Total NYBT	401,682	456,151	3,932,625	4,276,278
Total Options	9,937,856	16,417,834	141,550,871	213,994,986
Total Futures	10,225,194	11,565,077	581,132,590	790,071,244
Grand Total Futures and Options	20,163,050	27,982,911	722,683,461	1,004,066,230

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2002 ¹**

Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
AGRICULTURE				
Grain Futures				
MGE	Barley	(d)	05/02/23	10/09/18
MCE	Corn		10/24/22	pre-1880
MGE	Corn	(d)	05/02/23	01/30/22
MGE	Corn, National Index		02/15/02 (#)	02/05/02
CBT	Corn (old)	6	05/03/23	1859
CBT	Corn		05/07/98	05/08/98
KCBT	Corn	(d)	05/05/23	1879
CRCE	Corn	(v) ⁷	10/19/82	10/22/82
KCBT	Grain Sorghums	(d)	05/05/23	01/01/16
CME	Grain Sorghums	(d)	01/22/71	03/02/71
MCE	Oats		10/24/22	pre-1880
MGE	Oats	(d)	05/02/23	01/18/04
CBT	Oats		05/03/23	1859
CRCE	Rice, Milled	(v) ⁷	02/12/81	04/09/81
CRCE	Rice, Rough	(v) ⁷	04/08/81	04/10/81
MCE	Rice, Rough	7	11/08/91	11/11/91
CBT	Rice, Rough		08/22/94	10/03/94
MGE	Rye	(d)	05/02/23	01/03/18
MCE	Wheat		10/24/22	pre-1880
CBT	Wheat		05/03/23	1859
KCBT	Wheat, Hard Winter		05/05/23	1877
MGE	Wheat, Spring		05/02/23	1885
MGE	Wheat, White		08/24/84	09/10/84
MGE	Wheat, Durum		05/02/23	
Grain Options				
MGE	Barley	(d)	07/18/96	07/20/96
CBT	Corn		01/29/85	02/27/85
MCE	Corn		01/29/91	03/21/91
CBT	Oats		12/19/89	05/01/90
MGE	Oats	(d)	02/18/93	04/02/93
CBT	Rice, Rough		08/22/94	10/03/94
MCE	Rice, Rough	(d) ⁷	01/22/92	04/10/92
MCE	Wheat		10/29/84	10/31/84
CBT	Wheat		09/16/86	11/17/86
MGE	Wheat, Durum		01/02/98	02/12/98
KCBT	Wheat, Hard Winter		10/29/84	10/31/84
MGE	Wheat, Spring (American Style)		10/29/84	10/31/84
MGE	Wheat, Spring (European Style)		09/26/89	11/10/89
MGE	Wheat, White		05/21/91	06/24/91
Oil Seed Product Futures				
PCE	Coconut Oil	(r)	07/18/75	
MGE	Cottonseed		05/08/00 (#)	05/11/00
MGE	Flaxseed	(d)	05/02/23	07/02/20
CBT	FOSFA International Edible Oils Index*	(d)	06/15/94	09/23/94
PCE	Palm Oil	(r)	07/18/75	
CBT	Soybean Meal		08/22/51	08/19/51
MCE	Soybean Meal*		03/26/85	04/22/85
CBT	Soybean Oil		06/30/50	07/27/50

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2002 ¹**

Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
MCE	Soybean Oil*		12/22/94	01/13/95
CBT	Soybeans		05/07/98	05/08/98
CRCE	Soybeans	(v) ⁷	10/27/81	10/29/81
KCBT	Soybeans	(d)	09/10/56	09/18/56
MCE	Soybeans		12/08/40	10/05/36
MGE	Soybeans	(d)	09/11/50	09/20/50
MGE	Soybeans, National Index		05/16/02 (#)	02/05/02
CBT	Soybeans (old)	6	12/08/40	10/05/36
CBT	Sunflower Seeds	(d)	11/24/81	
MGE	Sunflower Seeds	(d)	06/30/80	07/17/50
Oil Seed Product Options				
MGE	Cottonseed		05/08/00 (#)	05/11/00
CBT	Soybean Meal		10/21/86	02/19/87
CBT	Soybean Oil		10/21/86	02/19/87
MCE	Soybean Oil		12/22/94	01/13/95
CBT	Soybeans		10/29/84	10/30/84
MCE	Soybeans		01/29/85	02/08/85
Fiber Futures				
CRCE	Cotton	(v) ⁷	06/30/81	07/07/81
NYCE	Cotton No.1	(d)	09/13/36	1870
NYCE	Cotton No.2		09/13/36	1870
NYCE	Cotton, Cotlook World*	(d)	09/22/92	10/01/92
NYCE	Wool	(d)	10/27/54	01/01/41
Fiber Options				
NYCE	Cotton No.2		10/29/84	10/30/84
NYCE	Cotton No.2 Futures Straddles	(d)	04/21/92	
NYCE	Cotton, Cotlook World	(d)	09/22/92	10/02/92
Foodstuffs / Softs Futures				
CME	Butter		09/13/36	12/01/19
CSCE	Butter		09/06/96	
NYMEX	Butter	(d)	09/13/36	01/01/25
CME	Butter, Cash Settled*		03/17/99	
CSCE	Cheddar Cheese	(d)	05/19/93	06/15/93
CME	Cheddar Cheese Blocks*		08/25/97	10/03/97
CSCE	Cocoa		07/18/75	10/01/25
CSCE	Coffee B	(d)	07/18/75	05/02/55
CSCE	Coffee C		07/18/75	05/02/55
CSCE	Coffee, Brazil-Differential	(d)	03/31/92	06/12/92
CSCE	Coffee, Euro-Differential	(d)	03/25/91	04/05/91
CSCE	Coffee, Mini		03/15/02 (#)	02/21/02
CME	Dry Whey*		10/02/98	11/16/98
CME	Eggs	(d)	09/13/36	12/01/19
PCE	Eggs	(r)	07/18/75	
NYCE	Frozen Concentrated Orange Juice - 1	27	07/24/68	10/26/66
NYCE	Frozen Concentrated Orange Juice - 2		03/27/90	10/01/99
MGE	High Fructose Corn Syrup 55	(d)	03/10/87	04/06/87
CSCE	Milk		10/10/95	12/12/95
CSCE	Milk, BFP Large*		03/29/99	04/09/99
CME	Milk, BFP*		10/10/95	01/11/96
CSCE	Milk, BFP*		02/27/97	04/08/97
CME	Milk, Class IV		05/18/00 (#)	07/10/00
CME	Nonfat Dry Milk*		10/02/98	11/16/98

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2002 ¹**

Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
CSCE	Nonfat Dry Milk*	(d)	05/19/93	06/15/93
NYCE	Potatoes		09/05/96	09/17/96
CME	Potatoes, Idaho Russet Burbank	(d)	09/13/36	01/12/21
NYMEX	Potatoes, Maine Round White*	(d) ⁸	12/01/41	12/02/41
MGE	Shrimp, Black Tiger		10/20/94	11/14/94
MGE	Shrimp, White		05/25/93	07/12/93
CSCE	Sugar, No. 11		07/18/75	12/16/41
CSCE	Sugar, No. 14	9	07/18/75	12/16/41
MCE	Sugar, Refined	(d)	09/28/82	12/15/82
CSCE	Sugar, White		07/21/87	10/05/87
Foodstuffs / Softs Options				
CME	Butter		06/10/96	09/05/96
CSCE	Butter		09/06/96	
CME	Butter, Cash Settled		03/17/99	
CSCE	Cheddar Cheese	(d)	05/19/93	06/15/93
CME	Cheddar Cheese Blocks		08/25/97	10/06/97
CSCE	Cocoa		12/17/85	03/13/86
CSCE	Coffee C		07/22/86	10/03/86
CME	Dry Whey		10/02/98	11/16/98
NYCE	Frozen Concentrated Orange Juice		12/17/85	12/19/85
CSCE	Milk		10/10/95	12/12/95
CME	Milk, BFP		10/10/95	01/11/96
CSCE	Milk, BFP		02/27/97	04/11/97
CSCE	Milk, BFP Large		03/29/99	04/09/99
CME	Milk, BFP Midsize		04/05/99	04/12/99
CME	Milk, BFP Mini		02/03/98	02/23/98
CME	Milk, Class IV		05/18/00 (#)	07/11/00
CME	Nonfat Dry Milk		10/02/98	11/16/98
CSCE	Nonfat Dry Milk	(d)	05/19/93	06/15/93
NYCE	Potatoes		09/05/96	09/17/96
MGE	Shrimp, Black Tiger		10/20/94	11/14/94
MGE	Shrimp, White		05/25/93	07/12/93
CSCE	Sugar, No. 11		08/31/82	10/01/82
Livestock / Meatproduct Futures				
CME	Boneless Beef, 90% Lean*		03/11/97	06/17/97
NYMEX	Boneless Beef, Imported Lean	(d)	08/11/71	09/15/71
CME	Boneless Beef, Trimmings, 50% Lean*	10	03/13/70	04/01/70
CBT	Broilers	(d)	07/18/75	08/01/68
CME	Broilers*	(d) ¹¹	09/25/79	10/06/79
PCE	Cattle	(r)	07/18/75	
CME	Cattle, Feeder*	12	06/18/68	10/30/71
CME	Cattle, Feeder, E-Mini		04/10/00 (#)	09/19/00
CME	Cattle, Live		06/18/68	11/30/64
MCE	Cattle, Live		09/11/78	09/28/78
FCOM	Cattle, Live, Cash-Settled		03/13/00	
CME	Cattle, Stocker*		11/24/98	11/30/98
CME	Hogs, Lean E-Mini		03/06/00 (#)	07/25/00
CME	Hogs, Lean*	13	06/18/68	02/28/66
MCE	Hogs, Lean*		09/14/73	06/03/74
MGE	Pork Bellies	(d)	03/19/71	04/15/71
CME	Pork Bellies, Fresh*	14	06/18/68	09/18/61
CME	Pork Bellies, Frozen	14	05/05/98	05/11/98
CME	Pork Composite*		07/31/98	

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Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
CME	Skinned Hams, Frozen	(d)	07/19/68	02/03/64
CME	Turkeys, Frozen	(d)	07/18/75	10/01/45
Livestock / Meat Product Options				
CME	Boneless Beef Trimmings, 50% Lean		03/11/97	06/17/97
CME	Boneless Beef, 90% Lean		03/11/97	06/17/97
CME	Broilers	(d)	01/29/91	02/07/91
CME	Cattle, Feeder		01/06/87	01/09/87
CME	Cattle, Feeder, E-Mini		04/10/00 (#)	
CME	Cattle, Live		10/29/84	10/30/84
FCOM	Cattle, Live		03/13/00	
CME	Cattle, Stocker		11/24/98	11/30/98
CME	Feeder Cattle Index, Physical		05/05/00	
CME	Hogs, Lean		01/29/85	02/01/85
CME	Hogs, Lean E-Mini		03/06/00 (#)	
CME	Hogs, Lean, Physical		05/05/00 (#)	06/28/00
CME	Pork Bellies, Fresh	14	09/16/86	10/13/86
CME	Pork Bellies, Frozen	14	05/05/98	05/11/98
CME	Pork Composite		07/31/98	
Crop Yield Futures				
CBT	Illinois Corn Yield*		12/26/95	01/19/96
CBT	Illinois Soybean Yield*		02/23/95	
CBT	Indiana Corn Yield*		12/26/95	01/19/96
CBT	Iowa Corn Yield*		02/23/95	06/22/95
CBT	Kansas Winter Wheat Yield*		02/23/95	
CBT	Nebraska Corn Yield*		12/26/95	01/19/96
CBT	North Dakota Spring Wheat Yield*		02/23/95	
CBT	Ohio Corn Yield*		12/26/95	01/19/96
CBT	U.S. Corn Yield*		12/26/95	01/19/96
Crop Yield Options				
CBT	Illinois Corn Yield		12/26/95	01/19/96
CBT	Illinois Soybean Yield		02/23/95	
CBT	Indiana Corn Yield		12/26/95	01/19/96
CBT	Iowa Corn Yield		02/23/95	06/22/95
CBT	Kansas Winter Wheat Yield		02/23/95	
CBT	Nebraska Corn Yield		12/26/95	01/19/96
CBT	North Dakota Spring Wheat Yield		02/23/95	
CBT	Ohio Corn Yield		12/26/95	01/19/96
CBT	U.S. Corn Yield		12/26/95	01/19/96
Other Agricultural Futures				
CBT	Barge Freight Rates*	(d)	08/25/92	10/23/92
MESL	Barge Freight, Illinois Waterway		07/10/00	
MESL	Barge Freight, Saint Louis Harbor		07/10/00	
CBT	CBT Agricultural Index*	(d)	08/25/92	
FINANCIAL INSTRUMENTS				
Currency Futures				
CME	Australian Dollar		12/02/86	01/13/87
MCE	Australian Dollar	(d)	06/23/87	
NYCE	Australian Dollar		02/26/97	05/01/97
PBT	Australian Dollar		04/22/87	05/22/87
CME	Australian Dollar/Canadian Dollar		05/16/02 (#)	03/12/02
NYCE	Australian Dollar/Canadian Dollar Cross Rate		04/13/00 (#)	05/12/00

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Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
CME	Australian Dollar/Japanese Yen		05/16/02 (#)	03/12/02
NYCE	Australian Dollar/Japanese Yen Cross Rate		05/10/99	05/14/99
CME	Australian Dollar//New Zealand Dollar		05/16/02 (#)	03/12/02
NYCE	Australian Dollar/New Zealand Dollar Cross Rate		05/10/99	05/14/99
NYMEX	Belgian Franc	(d)	07/18/75	09/12/74
CME	Brazilian Real*		11/07/95	11/08/96
CME	British Pound		07/18/75	05/16/72
MCE	British Pound		08/16/83	09/16/83
NYFE	British Pound		05/28/80	08/07/80
NYMEX	British Pound	(d)	07/18/75	09/12/74
PBT	British Pound		07/08/86	08/08/86
CME	British Pound/Deutsche Mark		03/25/91	05/29/91
TCBT	British Pound/Deutsche Mark	(d)	02/26/91	
CME	British Pound/Japanese Yen	15	03/25/91	
CME	British Pound/Swiss Franc	15	03/25/91	
NYCE	British Pound Sterling/Japanese Yen		02/26/97	04/18/97
NYCE	British Pound Sterling/Swiss Franc		02/26/97	04/18/97
CME	Canadian Dollar		07/18/75	05/16/72
MCE	Canadian Dollar		08/16/83	09/16/83
NYMEX	Canadian Dollar	(d)	07/18/75	09/12/74
PBT	Canadian Dollar		07/08/86	08/08/86
CME	Canadian Dollar/Japanese Yen		05/16/02 (#)	03/12/02
NYCE	Canadian Dollar/Japanese Yen Cross Rate		04/13/00 (#)	05/12/00
CME	Currency Forwards, British Pound Sterling		06/15/94	
CME	Currency Forwards, Canadian Dollar		06/15/94	
CME	Currency Forwards, Deutsche Mark	(d)	06/15/94	09/12/94
CME	Currency Forwards, Japanese Yen	(d)	06/15/94	
CME	Currency Forwards, Swiss Franc		06/15/94	
CME	Deutsche Mark		07/18/75	05/16/72
MCE	Deutsche Mark		08/16/83	09/16/83
NYFE	Deutsche Mark		05/28/80	08/07/80
NYMEX	Deutsche Mark	(d)	07/18/75	09/12/74
PBT	Deutsche Mark		07/08/86	08/08/86
NYCE	Deutsche Mark/British Pound*		03/29/94	07/17/94
CME	Deutsche Mark/French Franc		03/05/96	
CME	Deutsche Mark/Italian Lira		03/05/96	
CME	Deutsche Mark/Japanese Yen		03/25/91	05/29/91
CME	Deutsche Mark/Spanish Peseta		03/05/96	
CME	Deutsche Mark/Swedish Krona		03/05/96	
CME	Deutsche Mark/Swiss Franc		03/25/91	05/29/91
NYCE	Deutsche Mark/Swiss Franc		09/01/95	09/29/95
NYCE	Deutsche Mark/Spanish Peseta		01/27/97	04/18/97
CME	Dutch Guilder	(d)	07/18/75	05/16/72
NYMEX	Dutch Guilder	(d)	07/18/75	09/12/74
CBT	Euro	(d) ²⁶	01/28/86	
CME	Euro	26	01/15/86	01/16/86
MCE	Euro		03/08/99	11/05/99
NYCE	Euro/U.S. Dollar	26	12/17/85	01/07/86
CME	Euro, E-Mini	26	08/20/99	10/07/99
CME	Euro/Australian Dollar		05/16/02 (#)	03/12/02
NYCE	Euro/Australian Dollar Cross Rate		04/13/00 (#)	05/12/00
CME	Euro/British Pound	26	02/23/98	
CME	Euro/Canadian Dollar	26	02/23/98	
NYCE	Euro/Canadian Dollar Cross Rate	26	05/10/99	

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Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
CME	Euro/Deutsche Mark	26	02/23/98	
CME	Euro/Japanese Yen	26	02/23/98	
CME	Euro/Norwegian Krone		05/16/02 (#)	03/12/02
NYCE	Euro/Norwegian Krone Cross Rate	26	05/10/99	05/14/99
CME	Euro/Swedish Krona		08/16/02 (#)	03/12/02
CME	Euro/Swiss Franc	26	02/23/98	
NYCE	Euro/U.S. Dollar, Small	26	05/10/99	05/14/99
PBT	European Currency Unit	26	07/08/86	08/08/86
CME	French Franc		07/18/75	09/23/74
PBT	French Franc		07/08/86	02/28/94
NYCE	French Franc/Deutsche Mark*		03/29/94	06/17/94
NYCE	Indonesia Rupiah*		04/16/97	07/11/97
CME	Italian Lira	(d)	09/30/81	
NYMEX	Italian Lira	(d)	07/18/75	
NYCE	Italian Lira/Deutsche Mark*		03/29/94	08/08/94
CME	Japanese Yen		07/18/75	05/16/72
MCE	Japanese Yen		08/16/83	09/16/83
NYFE	Japanese Yen		05/28/80	08/07/80
NYMEX	Japanese Yen	(d)	07/18/75	09/12/74
PBT	Japanese Yen		07/08/86	08/08/86
NYCE	Japanese Yen/Deutsche Mark*		03/29/94	07/13/94
CME	Japanese Yen, E-Mini		08/20/99	10/07/99
NYCE	Malaysian Ringgit*		04/16/97	07/11/97
CME	Mexican Peso	(d)	07/18/75	05/16/72
MCE	Mexican Peso		06/18/96	
NYMEX	Mexican Peso	(d)	07/18/75	09/12/74
CME	New Zealand Dollar		04/16/97	05/07/97
NYCE	New Zealand Dollar/U.S. Dollar		02/26/97	05/01/97
CME	Norwegian Krone		05/16/02 (#)	03/12/02
CME	Rolling Spot Australian Dollar	(d)	08/10/93	
CME	Rolling Spot British Pound Sterling	(d)	04/06/93	06/15/93
CME	Rolling Spot Canadian Dollar	(d)	05/19/93	
CME	Rolling Spot Deutsche Mark	(d)	05/19/93	09/14/93
CME	Rolling Spot French Franc	(d)	09/15/93	
CME	Rolling Spot Japanese Yen	(d)	05/19/93	
CME	Rolling Spot Swiss Franc	(d)	05/19/93	
CME	Russian Ruble*		04/20/98	04/21/98
NYCE	Singapore Dollar*		04/16/97	
CME	South African Rand		04/16/97	05/07/97
NYCE	South African Rand		03/28/97	04/03/97
CME	Swedish Krona		05/16/02 (#)	03/12/02
NYCE	Swedish Krona/Deutsche Mark*		03/29/94	03/22/96
CME	Swiss Franc		07/18/75	05/16/72
MCE	Swiss Franc		08/16/83	09/16/83
NYFE	Swiss Franc		05/28/80	08/07/80
NYMEX	Swiss Franc	(d)	07/18/75	09/12/74
PBT	Swiss Franc		08/08/86	08/08/86
CME	Swiss Franc/Japanese Yen	15	03/25/91	
NYCE	Swiss Franc/Japanese Yen Cross Rate		11/02/98	11/20/98
NYCE	Thai Baht*		04/16/97	07/11/97
NYFE	U.S. Dollar/Canadian Dollar		05/28/80 (#)	08/07/80
NYCE	U.S. Dollar/Norwegian Krona		04/13/00 (#)	05/12/00
NYCE	U.S. Dollar/Swedish Krona		04/13/00 (#)	05/12/00

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Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
Currency Options				
CME	Australian Dollar		11/17/87	01/11/88
NYCE	Australian Dollar		02/26/97	
NYCE	Australian Dollar/Canadian Dollar Cross Rate		04/13/00 (#)	05/15/00
NYCE	Australian Dollar/Japanese Yen Cross Rate		05/10/99	05/17/99
NYCE	Australian Dollar/New Zealand Dollar Cross Rate		05/10/99	05/17/99
CME	Brazilian Real		11/07/95	11/08/95
CME	British Pound		02/22/85	02/25/85
NYFE	British Pound		05/07/96	
CME	British Pound Sterling (Physical)	(d)	06/29/89	
NYCE	British Pound Sterling/Japanese Yen		02/26/97	
NYCE	British Pound Sterling/Swiss Franc		02/26/97	
CME	British Pound/Deutsche Mark		03/25/91	05/29/91
CME	British Pound/Japanese Yen		03/25/91	
CME	British Pound/Swiss Franc		03/25/91	
CME	Canadian Dollar		06/17/86	06/18/86
NYCE	Canadian Dollar/Japanese Yen Cross Rate		04/13/00 (#)	05/15/00
CME	Currency Forwards, British Pound		06/15/94	
CME	Currency Forwards, Canadian Dollar		06/15/94	
CME	Currency Forwards, Deutsche Mark	(d)	06/15/94	
CME	Currency Forwards, Japanese Yen	(d)	06/15/94	
CME	Currency Forwards, Swiss Franc		06/15/94	
CME	Deutsche Mark		12/13/83	01/24/84
NYFE	Deutsche Mark		05/07/96	
CME	Deutsche Mark/Spanish Peseta		03/05/96	
NYCE	Deutsche Mark/Spanish Peseta		01/27/97	
CME	Deutsche Mark/Swedish Krona		03/05/96	
CME	Deutsche Mark/Swiss Franc		03/25/91	05/29/91
NYCE	Deutsche Mark/Swiss Franc		09/01/95	09/29/95
NYCE	Deutsche Mark/British Pound		03/29/94	04/21/95
CME	Deutsche Mark/French Franc		03/05/96	
CME	Deutsche Mark/Italian Lira		03/05/96	
CME	Deutsche Mark/Japanese Yen		03/25/91	05/29/91
CME	Euro		10/27/97	05/19/98
NYCE	Euro		03/31/92	04/30/92
CME	Euro, E-Mini		08/20/99	
NYCE	Euro/Australian Dollar Cross Rate		04/13/00 (#)	05/15/00
CME	Euro/British Pound Cross Rate	26	02/23/98	
CME	Euro/Canadian Dollar Cross Rate	26	02/23/98	
NYCE	Euro/Canadian Dollar Cross Rate		05/10/99	
CME	Euro/Deutsche Mark Cross Rate	26	02/23/98	
CME	Euro/Japanese Yen Cross Rate	26	02/23/98	
NYCE	Euro/Norwegian Krone Cross Rate		05/10/99	05/17/99
CME	Euro/Swiss Franc Cross Rate	26	02/23/98	
CBT	European Currency Unit (Physical)	(d)	03/04/86	
CME	French Franc		09/15/93	09/20/93
NYCE	French Franc/Deutsche Mark		03/29/94	04/21/95
NYCE	Indonesia Rupiah		04/16/97	
NYCE	Italian Lira/Deutsche Mark		03/29/94	04/21/95
CME	Japanese Yen		03/04/86	03/05/86
NYFE	Japanese Yen		05/07/96	
CME	Japanese Yen, E-Mini		08/20/99	
NYCE	Japanese Yen/Deutsche Mark		03/29/94	

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Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
NYCE	Malaysian Ringgit		04/16/97	
CME	Mexican Peso		04/24/95	04/25/95
CME	New Zealand Dollar		04/16/97	05/07/97
NYCE	New Zealand Dollar		02/26/97	
CME	Rolling Spot, Australian Dollar	(d)	08/10/93	
CME	Rolling Spot, British Pound	(d)	04/06/93	
CME	Rolling Spot, Canadian Dollar	(d)	05/19/93	
CME	Rolling Spot, Deutsche Mark	(d)	05/19/93	
CME	Rolling Spot, French Franc	(d)	09/15/93	
CME	Rolling Spot, Japanese Yen	(d)	05/19/93	
CME	Rolling Spot, Swiss Franc	(d)	05/19/93	
CME	Russian Ruble		04/20/98	04/21/98
NYCE	Singapore Dollar		04/16/97	
CME	South African Rand		04/16/97	05/07/97
NYCE	South African Rand		03/28/97	
NYCE	Swedish Krona/Deutsche Mark		03/29/94	03/25/96
CME	Swiss Franc		02/22/85	02/25/85
NYFE	Swiss Franc		05/07/96	
CME	Swiss Franc/Japanese Yen Cross Rate		03/25/91	
NYCE	Swiss Franc/Japanese Yen Cross Rate		11/02/98	11/20/98
NYCE	Thai Baht		04/16/97	
NYFE	U.S. Dollar/Canadian Dollar		04/13/00 (#)	05/15/00
NYCE	U.S. Dollar/Norwegian Krona		04/13/00 (#)	05/15/00
NYCE	U.S. Dollar/Swedish Krona		04/13/00 (#)	05/15/00
Stock Index Futures				
CBT	Amex Major Market Index Mini*	(d)16	06/19/84	07/23/84
CBT	Amex Major Market Index*	(d)16	08/01/85	08/08/85
CBT	Amex Market Value Index *	(d)	06/19/84	
CBT	CBOE 250 Stock Index*	(d)	05/11/88	11/01/88
CBT	CBOE 50 Stock Index*	(d)	05/11/88	11/01/88
CBT	CBT Stock Market Index*	(d)	05/13/82	
COMEX	COMEX 500 Stock Index*	(d)	04/28/82	
COMEX	COMEX Stock Index*	(d)	09/30/86	
CBT	Dow Jones AIG Commodity Index		11/16/01 (#)	11/09/01
CBT	Dow Jones Composite Average		07/19/00 (#)	07/20/00
CBT	Dow Jones Mini-Sized		08/21/01 (#)	09/30/01
CBT	Dow Jones Mini-Sized (\$5 Multiplier)		04/05/02 (#)	03/25/02
CBT	Dow Jones Transportation		10/27/99 (#)	07/20/00
CBT	Dow Jones Utilities		10/27/99 (#)	07/20/00
COMEX	Eurotop 100 Stock Index*		06/04/92	10/26/92
COMEX	Eurotop 300		10/14/99 (#)	10/22/00
CME	Fortune E-50 Index		06/01/00 (#)	09/05/00
CME	FT-SE 100 Share Index*	(d)	04/13/92	10/15/92
CBT	Industry Composite Portfolio*	(d)	07/06/83	
CBT	Institutional Index*	(d)	05/12/87	09/22/87
CSCE	International Market Index*	(d)	12/15/88	05/12/89
KCBT	Internet Stock Price ISDEX Index*		03/24/99	
CME	IPC (Mexican Stock Index)*		05/22/96	05/30/96
CME	Long-Short Technology TRAKRS Index		07/31/02 (#)	07/05/02
CME	Major Market Index*		08/13/93	09/07/93
CME	Mexico 30 Stock Index*		12/22/95	
CME	Morgan Stanley Intl. EAFE Index*	(d)	12/15/88	
CBT	Nasdaq 100 Index*	(d)	10/24/85	12/25/85
CME	Nasdaq 100 Index*		04/04/96	04/10/96

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Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
CME	Nasdaq 100 Index, E-Mini*		05/13/99	
PBT	National OTC Index*	(d)	09/11/85	09/18/85
CME	Nikkei 225 Stock Average*		11/22/88	09/25/90
CME	Nikkei 300 Stock Index*		07/26/94	
NYFE	NYSE Beta Index*	(d)	09/30/86	
NYFE	NYSE Composite Index*		05/04/82	05/06/82
NYFE	NYSE Financial Stock Index*	(d)	09/21/82	
NYFE	NYSE Industrial Stock Index*	(d)	09/21/82	
NYFE	NYSE Large Composite Index*	(d)	11/30/82	
NYFE	NYSE Small Composite*		03/03/98	
NYFE	NYSE Utility Stock Index*		09/21/82	11/12/82
NYFE	PSE Technology Index*		02/21/96	04/23/96
PFE	PSE Technology Index*	(d)	07/22/86	
NYFE	Russell 1,000 Index*		01/21/87	03/08/99
NYFE	Russell 1,000 Index, Large*		03/03/99	03/08/99
NYFE	Russell 1,000 Mini Index,		02/13/00 (#)	03/16/01
CME	Russell 2,000 Index*		10/19/92	02/04/93
CME	Russell 2,000 Index, E-Mini		08/13/00 (#)	
NYFE	Russell 2,000 Index*	(d)	01/21/87	09/10/87
NYFE	Russell 3,000 Index*	(d)	01/21/87	09/10/87
CME	S&P 100 Stock Price Index*	(d)	07/12/83	07/14/83
CME	S&P 500/BARRA Growth Index*		10/17/95	11/06/95
CME	S&P 500/BARRA Value Index*		10/17/95	11/06/95
CME	S&P 500, E-Mini*		07/28/97	09/09/97
CME	S&P 500 Energy Sector Index		(#)	08/09/02
CME	S&P 500 Financial Sector Index		09/23/02 (#)	08/09/02
CME	S&P 500 Stock Price Index*		04/20/82	04/21/82
CME	S&P 500 Tech-Comm Sector Stock Price Index		09/23/02 (#)	08/09/02
CME	S&P Commodity Index		10/19/01 (#)	10/12/01
CME	S&P Consumer Staple Index*	(d)	02/22/83	
CME	S&P Energy Index*	(d)	01/11/84	
CME	S&P MidCap 400, E-Mini		12/17/01 (#)	12/14/01
CME	S&P MidCap 400 Stock Price Index*		02/11/92	02/13/92
CME	S&P OTC Industrial Stock Price Index*	(d)	10/24/85	10/25/85
CME	S&P REIT Composite Index*		12/15/98	
CME	S&P SmallCap 600 Index		(#)	09/13/02
CME	S&P TOPIX 150		03/18/02 (#)	02/11/02
CBT	Tokyo Stock Price Index *	(d)	11/22/88	09/27/90
KCBT	Value Line Average Stock Index *		02/16/82	02/24/82
KCBT	Value Line Index, Mini *		07/26/83	07/29/83
CBT	Wilshire Small Cap Index *		10/19/92	01/11/93
Stock Index Options				
CBT	Dow Jones Composite Average		07/19/00	
CBT	Dow Jones Transportation		10/27/99	
CBT	Dow Jones Utilities		10/27/99	
COMEX	Eurotop 100 Stock Index		06/04/92	
COMEX	Eurotop 300		10/14/99	
CME	Fortune E-50 Index		06/01/00	
CME	FT-SE 100 Share Index	(d)	04/13/92	10/15/92
KCBT	Internet Stock Price ISDEX Index		03/24/99	
CME	IPC (Mexican Stock Index)		05/22/96	05/30/96
CBT	Major Market Index	(d)	09/27/91	10/11/91
CME	Major Market Index		08/13/93	09/07/93

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2002 ¹**

Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
CME	Mexico 30 Stock Index		12/22/95	
KCBT	Mini Value Line Average Stock Index	17	01/13/83	03/04/83
CME	Nasdaq 100 Index		04/04/96	04/10/96
CME	Nasdaq 100 Index, E-Mini		05/13/99	
CME	Nikkei 225 Stock Average		11/22/88	09/25/90
CME	Nikkei 300 Stock Index		07/26/94	
NYFE	NYSE Composite Index		01/06/83	01/28/83
NYFE	PSE Technology Index		02/21/96	04/23/96
NYFE	Russell 1,000 Index		03/03/99	03/08/99
CME	Russell 2,000 Index		10/19/92	02/04/93
CME	S&P 500/BARRA Growth Index		10/17/95	11/06/95
CME	S&P 500/BARRA Value Index		10/17/95	11/06/95
CME	S&P 500 Financial Sector Index		09/23/02 (#)	08/09/02
CME	S&P 500, E-Mini		07/28/97	09/09/97
CME	S&P 500 Stock Price Index		01/06/83	01/28/83
CME	S&P 500 Tech-Comm Sector Stock Price Index		09/23/02 (#)	08/09/02
CME	S&P Commodity Index		10/19/01 (#)	10/12/01
CME	S&P MidCap 400, E-Mini		12/19/01 (#)	12/14/01
CME	S&P REIT Composite Index		12/15/98	
CME	S&P SmallCap 600 Index		(#)	09/13/02
CME	S&P TOPIX 150		(#)	02/11/02
CBT	Tokyo Stock Price Index (TOPIX)	(d)	06/20/90	09/27/90
NYFE	Utility Stock Index		08/11/93	11/15/93
CBT	Wilshire Small Cap Index		10/19/92	01/11/93
Interest Rate Futures				
CBT	Agency Notes, Five-Year		03/14/00 (#)	05/03/00
CME	Agency Notes, Five-Year		03/13/00	03/14/00
CBT	Agency Notes, Ten-Year		03/14/00 (#)	03/15/00
CME	Agency Notes, Ten-Year		03/13/00	03/14/00
CBT	Argentina Brady Bond Index*		03/21/96	03/22/96
CBT	Argentine "FRB" Brady Bond		03/21/96	03/22/96
CBT	Argentine Par Brady Bond*		05/07/96	
CME	Brazilian "C" Brady Bond		03/21/96	03/26/96
CME	Brazilian "EI" Brady Bond		03/21/96	03/26/96
CBT	Brazilian Brady Bond Index*		03/21/96	03/22/96
CBT	Brazilian Par Brady Bond*		05/07/96	
CME	British Pound Euro-Rate Differential *	(d)	06/29/89	07/06/89
CBT	Canadian Government Bonds		06/25/91	04/08/94
CME	CME U.S. Treasury Index*	(d)	02/17/88	
CBT	Commercial Paper Loans, 30-Day	(d)	09/11/78	05/14/79
CBT	Commercial Paper Loans, 90-Day	(d)	07/12/77	09/26/77
CME	Deutsche Mark Euro-Rate Differential*	(d)	06/29/89	07/06/89
CBT	Domestic CDs	(d)	07/21/81	07/22/81
CME	Domestic CDs	(d)	07/28/81	07/29/81
NYFE	Domestic CDs, 90-Day	(d)	06/30/81	07/09/81
NYCE	Emerging Market Debt Index*		10/18/95	11/03/95
CME	Euro Canada*		04/13/98	07/14/98
CME	Eurodollar Forward Rate Agreement, 3-Mo*		07/23/99	
CBT	Eurodollar Time Deposit Rates, 3-Month*		12/15/81	
CBT	Eurodollar Time Deposit Rates, Mini-Sized		08/31/01 (#)	
CME	Eurodollar Time Deposit Rates, 3-Month*		12/08/81	12/09/81
MCE	Eurodollar Time Deposit Rates, 3-Month*		07/30/92	08/21/92
NYFE	Eurodollar Time Deposit Rates, 3-Month*	(d)	12/15/81	
CME	Euromark Time Deposit Rates, 3-Month*		09/22/92	04/26/93

Futures and Option Contracts Authorized for Trading by the Commodity Futures Trading Commission as of September 30, 2002 ¹

Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
CBT	European Currency Unit (ECU) Bond	(d)	12/17/91	
CME	Euroyen LIBOR, 3-Month		03/15/99	04/01/99
CME	Euroyen Time Deposit Rates, 3-Month*		12/16/92	03/06/96
CME	Federal Funds Effective Rate, Overnight		02/23/98	05/19/98
CME	Federal Funds Rate*		11/22/88	10/12/95
CBT	Federal Funds, 30-Day*		07/26/88	10/03/88
NYCE	Federal Funds, Thirty-Day Index*	(d)	01/05/89	
CBT	French Government Bonds, Long-Term	(d)	04/30/91	
CBT	German Government Bonds		07/25/91	
ACE	GNMA CD	(v)	08/22/78	09/12/78
COMEX	GNMA CD	(d)	10/16/79	11/13/79
NYFE	GNMA CD	(d)	09/23/81	
CBT	GNMA CDR Mortgage-Backed Certs.*	(d)	09/11/75	10/20/75
CBT	Italian Government Bonds		05/06/97	
CME	Japanese Government Bonds, 10-Year		06/08/98	
CBT	Japanese Government Bonds, Long-Term	(d)	11/22/88	09/27/90
CME	Japanese Yen Euro-Rate Differential*	(d)	06/29/89	07/06/89
CME	Mexican Interbank Interest Rates, 28-Day		03/10/97	04/17/97
CME	Mexican Par Brady Bond*		02/26/96	03/26/96
CME	Mexican Treasury Bills, 91-Day (CETES)		03/10/97	04/03/97
CBT	Mexico Brady Bond Index*		02/26/96	03/01/96
CBT	Mortgage-Backed Future*	(d) ¹⁸	09/11/78	09/12/78
CBT	Mortgage-Backed Securities		11/30/00 (#)	03/01/01
CBT	Municipal Bond Index, Long-Term*		05/29/85	06/11/85
CME	One-Month LIBOR*		10/31/89	04/05/90
CME	SWAPs, Two-Year Interest Rate		04/08/02 (#)	01/22/02
CBT	SWAPs, Five-Year Interest Rate*	(d)	01/29/91	06/21/91
CME	SWAPs, Five-Year Interest Rate		04/08/02 (#)	01/22/02
CBT	SWAPs, Ten-Year Interest Rate*	(d) ¹⁹	01/29/91	06/21/91
CME	SWAPs, Ten-Year Interest Rate		04/08/02 (#)	01/22/02
CBT	Three-Month ECU Interest Rate*	(d)	11/27/90	
CBT	U.K. Gilts, Long-Term		11/22/88	
CFFE	U.S. Agency Notes, Five-Year		03/24/00	03/15/00
CFFE	U.S. Agency Notes, Ten-Year		03/24/00	03/15/00
CBT	U.S. Treas. Notes, Long-Term, Inflation-Indexed		03/21/97	07/03/97
CBT	U.S. Treas. Notes, Medium-Term, Inflation-Indexed		06/02/97	07/03/97
CME	U.S. Treasury Bill, 1-Year*		08/25/78	09/11/78
CME	U.S. Treasury Bill, 6-Month	(d)	09/21/82	
ACE	U.S. Treasury Bill, 90-Day	(v)	06/19/79	06/26/79
CBT	U.S. Treasury Bill, 90-Day	(d)	03/29/83	
CME	U.S. Treasury Bill, 90-Day		11/26/75	01/06/76
COMEX	U.S. Treasury Bill, 90-Day	(d)	06/19/79	10/02/79
NYFE	U.S. Treasury Bill, 90-Day	(d)	07/15/80	08/14/80
MCE	U.S. Treasury Bill, 90-Day*		03/29/82	04/02/82
BTEX	U.S. Treasury Bonds		06/18/01	
CFFE	U.S. Treasury Bonds		09/04/98	09/08/98
CBT	U.S. Treasury Bonds		08/02/77	08/22/77
MCE	U.S. Treasury Bonds, 15-Year		09/09/81	09/18/81
NYFE	U.S. Treasury Bonds, 15-Year	(d)	07/15/80	08/07/80
ACE	U.S. Treasury Bonds, 20-Year	(v)	10/16/79	11/14/79
CFFE	U.S. Treasury Bonds, Flexible Coupon		03/01/99	03/19/99
CBT	U.S. Treasury Bonds, Inflation-Indexed		06/02/97	
CBT	U.S. Treasury Bonds, Mini-Sized		08/31/00 (#)	10/01/01
CFFE	U.S. Treasury Bonds, When-Issued		01/25/01 (#)	

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2002 ¹**

Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
ACC	U.S. Treasury Notes, 2-Year	(d)	11/21/89	
BTEX	U.S. Treasury Notes, 2-Year		06/18/01	
CFFE	U.S. Treasury Notes, 2-Year		09/04/98	09/08/98
COMEX	U.S. Treasury Notes, 2-Year	(d)	09/30/80	12/02/80
NYCE	U.S. Treasury Notes, 2-Year*		02/13/89	02/22/89
CFFE	U.S. Treasury Notes, 2-Year, Flex Coupon		03/01/99	03/19/99
CME	U.S. Treasury Notes, 4-Year	(d)	06/19/79	07/10/79
BTEX	U.S. Treasury Notes, 5-Year		06/18/01	
CFFE	U.S. Treasury Notes, 5-Year		09/04/98	09/08/98
NYCE	U.S. Treasury Notes, 5-Year*		04/22/87	05/06/87
ONXBT	U.S. Treasury Notes, 5-Year		12/22/00	
CFFE	U.S. Treasury Notes, 5-Year, Flex Coupon		03/01/99	03/19/99
BTEX	U.S. Treasury Notes, 6.5- to 10-Year		06/18/01	
ACC	U.S. Treasury Notes, 10-Year	(d)	09/26/89	
CFFE	U.S. Treasury Notes, 10-Year		09/04/98	09/08/98
CFFE	U.S. Treasury Notes, 10-Year		04/25/01	
CFFE	U.S. Treasury Notes, 10-Year, Flex Coupon		03/01/99	03/19/99
CBT	U.S. Treasury Notes, Long-Term		09/23/81	05/03/82
MCE	U.S. Treasury Notes, Long-Term		04/19/88	06/22/88
CBT	U.S. Treasury Notes, Long-Term, Mini-Sized		08/31/01 (#)	10/01/01
CBT	U.S. Treasury Notes, Medium-Term		06/19/79	06/25/79
MCE	U.S. Treasury Notes, Medium-Term		11/05/92	04/30/93
CBT	U.S. Treasury Notes, Short-Term		09/30/81	01/21/83
CBT	U.S. Treasury Notes, Short-Term*		10/16/90	08/02/91
CFFE	U.S. Treasury Notes, When-Issued, 2-Year		01/25/01 (#)	
CFFE	U.S. Treasury Notes, When-Issued, 5-Year		01/25/01 (#)	02/26/01
CFFE	U.S. Treasury Notes, When-Issued, 10-Year		01/25/01	02/26/01
CME	U.S. Treasury Strips, 5-Year	(d)	06/17/86	
CME	U.S. Treasury Strips, 10-Year	(d)	06/17/86	
CME	U.S. Treasury Strips, 20-Year	(d)	06/17/86	
CBT	X-Fund Futures		01/31/02	
CME	Venezuelan "DCB" Brady Bond		09/06/96	
CBT	Yield Curve Spread, 10/30 Year*		09/15/95	
CBT	Yield Curve Spread, 2/10 Year*		09/15/95	
CBT	Yield Curve Spread, 2/3 Year*		03/13/96	03/26/96
CBT	Yield Curve Spread, 2/30 Year*		09/15/95	
CBT	Yield Curve Spread, 2/5 Year*		09/15/95	
CBT	Yield Curve Spread, 3/10 Year*		03/13/96	
CBT	Yield Curve Spread, 3/30 Year*		03/13/96	
CBT	Yield Curve Spread, 3/5 Year*		03/13/96	
CBT	Yield Curve Spread, 5/10 Year*		09/15/95	
CBT	Yield Curve Spread, 5/30 Year*		09/15/95	
CBT	Zero Coupon Treasury Bonds	(d)	06/17/86	10/23/92
CBT	Zero Coupon Treasury Notes	(d)	06/17/86	10/23/92
Interest Rate Options				
CBT	Agency Notes, Five-Year		03/14/00 (#)	
CME	Agency Notes, Five-Year		03/13/00	04/10/00
CBT	Agency Notes, Ten-Year		03/14/00 (#)	03/15/00
CME	Agency Notes, Ten-Year		03/13/00	04/10/00
CBT	Argentina Brady Bond Index		03/21/96	03/22/96
CBT	Argentine "FRB" Brady Bond		03/21/96	03/22/96
CBT	Argentine Par Brady Bond		05/07/96	
CME	Brazilian "C" Brady Bond		03/21/96	03/26/96
CME	Brazilian "EI" Brady Bond		03/21/96	03/26/96

Futures and Option Contracts Authorized for Trading by the Commodity Futures Trading Commission as of September 30, 2002 ¹

Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
CBT	Brazilian Brady Bond Index		03/21/96	03/22/96
CBT	Brazilian Par Brady Bond		05/07/96	
CME	British Pound Sterling Euro-Rate Differential	(d)	11/21/89	
CBT	Canadian Government Bond		07/30/92	04/08/94
CME	Deutsche Mark Euro-Rate Differential	(d)	11/21/89	
NYCE	Emerging Market Debt Index		10/18/95	11/03/95
CME	Euro Canada		04/13/98	07/14/98
CME	Eurodollar Forward Rate Agreement, 3-Mo		07/23/99	
PBT	Eurodollar Time Deposit Rates* (Phys.)	(d)	05/08/85	05/10/85
CME	Eurodollar Time Deposit Rates, 3-Month		03/19/85	03/20/85
MCE	Eurodollar Time Deposit Rates, 3-Month		11/05/92	
CME	Euromark Time Deposit Rates, 3-Month		09/22/92	04/26/93
CME	Euroyen LIBOR, 3-Month		03/15/99	
CME	Euroyen Time Deposit Rates, 3-Month		12/16/92	07/01/97
CME	Federal Funds Effective Rate, Overnight		02/23/98	
CME	Federal Funds Rate		10/11/95	
CBT	Federal Funds, 30-Day		02/29/96	
CBT	French Government Bonds, Long-Term	(d)	04/30/91	
CBT	German Government Bonds		07/25/91	
CBT	Italian Government Bonds		05/06/97	
CME	Japanese Government Bonds, 10-Year		06/08/98	
CBT	Japanese Government Bonds, Long-Term	(d)	06/20/90	09/27/90
CME	Japanese Yen Euro-Rate Differential	(d)	11/21/89	
CME	Mexican Interbank Interest Rates, 28-Day		03/10/97	04/17/97
CME	Mexican Par Brady Bond		02/26/96	03/26/96
CME	Mexican Treasury Bills, 91-Day (CETES)		03/10/97	04/03/97
CBT	Mexico Brady Bond Index		02/26/96	03/01/96
CBT	Mortgage-Backed Future	(d)	04/19/88	06/16/89
CBT	Mortgage-Backed Securities		11/03/00 (#)	03/23/01
CBT	Municipal Bond Index, Long-Term		03/21/86	06/11/87
CME	One-Month LIBOR		04/30/91	06/12/91
CME	SWAPs, Two-Year Interest Rate			(#) 01/22/02
CBT	SWAPs, Five-Year Interest Rate	(d)	02/26/91	06/21/91
CME	SWAPs, Five-Year Interest Rate			(#) 01/22/02
CBT	SWAPs, Ten-Year Interest Rate	(d) ¹⁹	02/26/91	06/21/91
CME	SWAPs, Ten-Year Interest Rate			(#) 01/22/02
CBT	Three-Month ECU Interest Rate	(d)	03/25/91	
CBT	U.S. Treas. Notes, Long-Term, Inflation-Indexed		03/21/97	07/03/97
CBT	U.S. Treas. Notes, Medium-Term, Inflation-Indexed		06/02/97	07/03/97
CME	U.S. Treasury Bill, 1-Year		02/23/94	
CME	U.S. Treasury Bill, 90-Day		03/21/86	04/10/86
BTEX	U.S. Treasury Bonds		06/18/01	
CBT	U.S. Treasury Bonds, 15-Year		08/31/82	10/01/82
MCE	U.S. Treasury Bonds, 15-Year		02/26/91	03/22/91
CFFE	U.S. Treasury Bonds, Flexible Coupon		03/01/99	
CBT	U.S. Treasury Bonds, Inflation-Indexed		06/02/97	
NYCE	U.S. Treasury Notes, 5-Year	(d)	11/17/87	02/23/88
CFFE	U.S. Treasury Notes, 10-Year		04/24/01	
CBT	U.S. Treasury Notes, Long-Term		04/23/85	05/01/85
CBT	U.S. Treasury Notes, Medium-Term		05/11/88	05/24/90
MCE	U.S. Treasury Notes, Medium-Term		11/05/92	04/30/93
CBT	U.S. Treasury Notes, Short-Term		08/27/91	05/01/92
CME	Venezuelan "DCB" Brady Bond		09/06/96	
CBT	Yield Curve Spread, 10/2 Year*		09/15/95	

Futures and Option Contracts Authorized for Trading by the Commodity Futures Trading Commission as of September 30, 2002 ¹

Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
CBT	Yield Curve Spread, 10/5 Year*		09/15/95	
CBT	Yield Curve Spread, 2/3 Year		03/13/96	03/26/96
CBT	Yield Curve Spread, 3/10 Year		03/13/96	
CBT	Yield Curve Spread, 3/30 Year		03/13/96	
CBT	Yield Curve Spread, 3/5 Year		03/13/96	
CBT	Yield Curve Spread, 30/10 Year*		09/15/95	
CBT	Yield Curve Spread, 30/2 Year*		09/15/95	
CBT	Yield Curve Spread, 30/5 Year*		09/15/95	
CBT	Yield Curve Spread, 5/2 Year*		09/15/95	
CBT	Zero Coupon Treasury Bonds	(d)	11/05/92	
CBT	Zero Coupon Treasury Notes	(d)	11/05/92	
Other Financial Instrument Futures				
CME	Bankruptcy Index, Quarterly*	(d)	04/13/98	
CBT	CBT International Commodity Index*		08/11/92	
CME	CME Dollar Index*	(d)	02/18/87	
CSCE	CPI W*	(d)	04/16/85	06/21/85
CME	Goldman Sachs Commodity Index*		06/09/92	07/28/92
NYFE	KR-CRB Futures Price Index*		05/20/86	06/12/86
CBT	Long-Term Corporate Bond Index*	(d)	10/27/87	10/28/87
COMEX	Moodys' Corporate Bond Index*	(d)	10/27/87	10/29/87
MCE	U.S. Dollar Composite Index*	(v)20	10/19/92	10/30/92
CBT	U.S. Dollar Composite Index*	(d)	04/06/93	06/04/93
NYCE	U.S. Dollar Index*		11/19/85	11/20/85
Other Financial Instrument Options				
CME	Bankruptcy Index, Quarterly*		04/13/98	
CBT	CBT International Commodity Index	(d)	08/11/92	
CME	Goldman Sachs Commodity Index		06/09/92	07/28/92
CSCE	Inflation Rate (Physical)*	(d)	06/23/87	
NYFE	KR-CRB Futures Price Index		09/13/88	10/10/88
MCE	U.S. Dollar Composite Index	(v)20	11/05/92	
CBT	U.S. Dollar Composite Index	(d)	04/16/93	
NYCE	U.S. Dollar Index		08/12/86	09/03/86
Insurance Futures				
CBT	Catastrophe Insurance, Eastern*	(d)	11/16/92	12/11/92
CBT	Catastrophe Insurance, Midwestern*	(d)	11/16/92	05/07/93
CBT	Catastrophe Insurance, National*	(d)	11/16/92	12/11/92
CBT	Catastrophe Insurance, Western*	(d)	11/16/92	12/10/93
CBT	Health Insurance*	(d)	03/31/92	
CBT	Homeowners Insurance*	(d)	03/31/92	
Insurance Options				
CBT	Catastrophe Insurance, Eastern	(d)	11/16/92	12/11/92
CBT	Catastrophe Insurance, Midwestern	(d)	11/16/92	05/07/93
CBT	Catastrophe Insurance, National	(d)	11/16/92	12/11/92
CBT	Catastrophe Insurance, Western	(d)	11/16/92	12/10/93
CBT	Catastrophe, Single Event, California (Physical)*		12/11/97	
CBT	Catastrophe, Single Event, Eastern (Physical)*		12/11/97	
CBT	Catastrophe, Single Event, FL* (Physical)		12/11/97	
CBT	Catastrophe, Single Event, Midwestern (Physical)*		12/11/97	
CBT	Catastrophe, Single Event, National (Physical)*		12/11/97	
CBT	Catastrophe, Single Event, Northeastern (Physical)*		12/11/97	
CBT	Catastrophe, Single Event, Southeastern (Physical)*		12/11/97	
CBT	Catastrophe, Single Event, Texas (Physical)*		12/11/97	

Futures and Option Contracts Authorized for Trading by the Commodity Futures Trading Commission as of September 30, 2002 ¹

Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
CBT	Catastrophe, Single Event, Western (Physical)*		12/11/97	
CBT	Catastrophe Insurance, PCS California (Physical)*		09/29/95	09/29/95
CBT	Catastrophe Insurance, PCS Eastern (Physical)*		09/29/95	09/29/95
CBT	Catastrophe Insurance, PCS Florida (Physical)*		09/29/95	09/29/95
CBT	Catastrophe Insurance, PCS Midwestern (Physical)*		09/29/95	09/29/95
CBT	Catastrophe Insurance, PCS National (Physical)*		09/29/95	09/29/95
CBT	Catastrophe Insurance, PCS Northeastern (Physical)*		09/29/95	09/29/95
CBT	Catastrophe Insurance, PCS Southeastern (Physical)*		09/29/95	09/29/95
CBT	Catastrophe Insurance, PCS Texas (Physical)*		09/29/95	09/29/95
CBT	Catastrophe Insurance, PCS Western (Physical)*		09/29/95	09/29/95
CBT	Health Insurance	(d)	03/31/92	
CBT	Homeowners Insurance	(d)	03/31/92	

NATURAL RESOURCES

Energy Product Futures

NYMEX	Coal, Central Appalachian		05/11/98	
CME	Crude Oil	(d)	06/18/85	
NYCE	Crude Oil	(v)	07/18/75	09/10/74
ME	Crude Oil, Brent		01/25/02	
NYMEX	Crude Oil, Brent		08/22/01 (#)	09/05/01
COMEX	Crude Oil, Dubai, Sour *	(d)	04/21/92	
NYMEX	Crude Oil, Light Louisiana Sweet		06/13/01	
ME	Crude Oil, Light Sweet		01/25/02	
NYMEX	Crude Oil, Light Sweet		03/29/83	03/30/83
NYMEX	Crude Oil, Light Sweet, Mini		06/15/02 (#)	06/11/02
NYMEX	Crude Oil, Mars		06/13/01	
NYMEX	Crude Oil, Middle East, Sour *		09/14/98	
NYMEX	Crude Oil, Sour	(d)	12/17/91	02/28/92
NYMEX	Crude Oil, West Texas Sour		06/13/01	
NYMEX	Crude Oil, WTI Midland		06/13/01	
CBT	Crude Petroleum	(d)	03/29/83	03/30/83
NYMEX	Fuel Oil, Industrial	(d)	07/18/75	10/23/74
CME	Fuel Oil, No.2	(d)	09/27/83	03/26/84
NYMEX	Fuel Oil, Residual	(d)	08/22/89	10/02/89
ME	Gas Oil, European		01/25/02	
NYMEX	Gasoline, Conventional, NY Harbor		02/13/96	
CME	Gasoline, Leaded Regular	(d)	09/27/83	03/26/84
NYMEX	Gasoline, Leaded Regular, Gulf Coast	(d)	10/27/81	12/14/81
NYMEX	Gasoline, Leaded Regular, NY Harbor	(d)	09/01/81	10/05/81
NYMEX	Gasoline, Leaded Regular, NY Harbor	(d)	05/25/82	
CBT	Gasoline, Unleaded Regular	(d)	05/25/82	12/07/82
CME	Gasoline, Unleaded Regular	(d)	09/27/83	
ME	Gasoline, Unleaded, NY Harbor		01/25/02	
NYMEX	Gasoline, Unleaded Regular, Gulf Coast	(d)	02/11/92	09/18/92
NYMEX	Gasoline, Unleaded Regular, NY Harbor		09/01/81	12/03/84
NYMEX	Gasoline, Unleaded Regular, Texas	(d) ²¹	10/27/81	
CBT	Heating Oil	(d)	05/18/82	04/14/83
NYMEX	Heating Oil, No.2, Gulf Coast	(d)	08/04/81	08/17/81
ME	Heating Oil, No. 2., NY Harbor		01/25/02	
NYMEX	Heating Oil, No. 2, NY Harbor		07/18/75	10/23/74
COMEX	Jet Fuel	(d)	09/22/92	
NYMEX	Liquefied Propane		08/18/87	08/21/87
NYCE	Liquefied Propane Gas	(d)	07/18/75	02/01/71

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2002 ¹**

Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
ME	Natural Gas		01/25/02	
NYMEX	Natural Gas, Alberta		08/02/96	09/27/96
NYMEX	Natural Gas, Henry Hub		02/27/90	04/03/90
NYMEX	Natural Gas, Permian Basin		05/31/96	05/31/96
KCBT	Natural Gas, Western		05/03/95	08/01/95
KCBT	Natural Gas, Western, Index Price		06/07/99	06/08/99
Energy Product Options				
NYMEX	Coal, Central Appalachian		05/11/98	
NYMEX	Crude Oil Average Price Option (Physical)*		09/13/99	
NYMEX	Crude Oil, Light Sweet		09/16/86	11/14/86
NYMEX	Crude Oil, Light Sweet		09/16/86	11/14/86
NYMEX	Crude Oil, Brent		08/22/01 (#)	09/06/01
NYMEX	Crude Oil, WTI/Brent Spread		08/22/01 (#)	09/07/01
NYMEX	Gasoline, Unleaded Average Price Option (Physical)*		09/13/99	
NYMEX	Gasoline, Unleaded Regular, NY Harbor		12/08/87	03/13/89
NYMEX	Heating Oil Average Price Option (Physical)*		09/13/99	
NYMEX	Heating Oil / Crude Oil Spread		12/17/91	
NYMEX	Heating Oil, No.2, NY Harbor		09/16/86	06/29/87
NYMEX	Natural Gas, Alberta		08/02/96	
NYMEX	Natural Gas, Henry Hub		03/04/92	10/02/92
NYMEX	Natural Gas, Henry Hub Swap			(#) 11/30/01
NYMEX	Natural Gas, Henry Hub Mini		06/15/02 (#)	06/11/02
NYMEX	Natural Gas, Permian Basin		02/14/96	
KCBT	Natural Gas, Western		05/03/95	08/01/95
NYMEX	Unleaded Gasoline / Crude Oil Spread		12/17/91	
Metal Futures				
COMEX	Aluminum		03/24/99	05/14/99
COMEX	Aluminum (old)	(v) ²⁵	12/06/83	12/08/83
CME	Copper	(d)	07/18/75	07/01/74
COMEX	Copper	(d)	07/18/75	07/05/33
COMEX	Copper, Grade 1		10/21/86	07/29/88
MCE	Copper	(d)	10/10/84	11/02/84
CBT	Ferrous Scrap	(d)	05/26/92	
CME	Gold	(d)	07/18/75	12/31/74
COMEX	Gold		07/18/75	12/31/74
MCE	Gold		07/18/75	12/31/74
NYMEX	Gold	(d)	07/18/75	12/31/74
CBT	Gold, 100 tr.oz.		08/11/87	09/13/87
NYMEX	Gold, 400 tr.oz.	(r)	10/25/77	11/14/77
COMEX	Gold Asset Participation Contracts	(d)	02/26/91	
CBT	Gold, Kilo	22	07/18/75	12/31/74
CBT	Gold, New York, Mini-Sized		09/26/01 (#)	10/01/01
CME	Gold Coins	(d)	12/20/83	
COMEX	Gold Coins	(d)	12/20/83	
NYMEX	Palladium		07/18/75	01/22/68
COMEX	Palladium	(d)	08/11/92	09/08/92
NYMEX	Platinum		07/18/75	12/03/56
CME	Platinum	(d)	07/19/77	
MCE	Platinum		07/17/84	08/17/84
COMEX	Platinum	(d)	08/11/92	09/08/92
COMEX	Silver		07/18/75	07/05/33
PCE	Silver	(r)	07/18/75	
CBT	Silver, 1,000 tr. oz.	23	07/18/75	11/03/69

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2002 ¹**

Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
CBT	Silver, 5,000 tr. oz.		08/11/87	09/13/87
CME	Silver, 5,000 tr. oz.	(d)	06/28/88	
MCE	Silver, Chicago	(d)	07/18/75	10/01/68
MCE	Silver, New York		09/14/82	11/01/82
CBT	Silver, New York, Mini-Sized		09/26/01 (#)	10/01/01
CME	U.S. Silver Coins	(d)	07/18/75	10/01/73
MCE	U.S. Silver Coins	(d)	07/18/75	03/27/72
NYMEX	U.S. Silver Coins	(r)	07/18/75	04/01/71
COMEX	Zinc	(d)	10/04/77	02/08/78
Metal Options				
COMEX	Aluminum		03/24/99	07/23/99
COMEX	Copper		03/21/86	04/07/86
COMEX	Five-Day Gold	(d)	03/25/91	09/03/91
COMEX	Five-Day Silver	(d)	09/27/91	12/10/91
COMEX	Gold		08/31/82	10/04/82
MCE	Gold		08/31/82	08/17/84
CME	Gold	(d)	11/17/87	
CBT	Gold	(d)	04/19/88	
CME	Gold (Physical)	(d)	12/19/89	
ACC	Gold Bullion (Physical)*	(d)	02/15/85	04/26/85
ACC	Gold Warrants (Physical)	(d)	08/25/88	
NYMEX	Platinum		01/23/90	10/16/90
COMEX	Platinum	(d)	08/11/92	09/08/92
COMEX	Silver		08/21/84	10/04/84
CBT	Silver, 1,000 tr.oz.		02/12/85	03/29/85
CBT	Silver, 5,000 tr.oz.	(d)	04/19/88	
Wood Product Futures				
CME	Oriented Strand Board		09/24/96	11/08/96
CBT	Oriented Strand Board, South Eastern		02/07/00	03/01/00
CBT	Oriented Strand Board, South Western		02/07/00	03/01/00
CBT	Oriented Strand Board, Western		02/07/00	03/01/00
CME	Plywood	(d)	06/30/81	07/28/81
CBT	Plywood, Western	(d)	07/18/75	12/01/69
CME	Random Length Lumber		07/18/75	10/01/69
CBT	Structural Panel Index*		12/21/93	01/25/94
CBT	Stud Lumber	(d)	07/18/75	12/01/72
CME	Stud Lumber	(d)	10/04/77	12/01/77
Wood Product Options				
CBT	CBT Structural Panel Index		12/21/93	01/25/94
CME	Oriented Strand Board		09/10/96	11/11/96
CBT	Oriented Strand Board, South Eastern		02/07/00	03/02/00
CBT	Oriented Strand Board, South Western		02/07/00	03/02/00
CBT	Oriented Strand Board, Western		02/07/00	03/02/00
CME	Random Length Lumber		01/21/87	05/29/87
Fertilizer Futures				
CBT	Anhydrous Ammonia	(d)	10/29/91	09/11/92
CBT	Diammonium Phosphate	(d)	07/25/91	10/18/91
Fertilizer Options				
CBT	Anhydrous Ammonia	(d)	03/12/96	
CBT	Diammonium Phosphate	(d)	03/12/96	
Electricity Futures				
NYMEX	California-Oregon Border (COB)		01/31/96	03/29/96

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2002 ¹**

Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
NYMEX	Cinergy		03/23/98	07/10/98
CBT	ComEd Hub		05/08/98	09/11/98
NYMEX	Electricity, Mid-Columbia		10/04/99	09/15/00
NYMEX	Entergy		03/23/98	07/10/98
NYMEX	Palo Verde		01/25/96	03/29/96
CBT	PJM (PA-MD-NJ)		01/25/99	
NYMEX	PJM (PA-MD-NJ)		01/11/99	03/19/99
CBT	TVA Hub		06/08/98	09/11/98
CBT	Twin Cities, Off-Peak		07/13/98	09/14/98
CBT	Twin Cities, On-Peak		07/13/98	09/14/98
Electricity Options				
NYMEX	Cinergy		03/23/98	08/07/98
NYMEX	California-Oregon Border (COB)		01/31/96	04/26/96
CBT	ComEd Hub		05/08/98	09/11/98
NYMEX	Entergy		03/23/98	08/07/98
NYMEX	Palo Verde		01/25/96	04/26/96
CBT	PJM (PA-MD-NJ)		01/25/99	
NYMEX	PJM (PA-MD-NJ)		01/11/99	
CBT	TVA Hub		06/08/98	09/11/98
CBT	Twin Cities, On-Peak		07/13/98	09/14/98
CBT	Twin Cities, Off-Peak		07/13/98	09/14/98
Other Natural Resource Futures				
CME	Benzene		04/13/01	
CBT	Clean Air	(d) ²⁴	04/21/92	
CME	Degree Days Index, Atlanta*		08/12/99	09/22/99
CME	Degree Days Index, Chicago*		08/12/99	09/22/99
CME	Degree Days Index, Cincinnati*		08/12/99	09/22/99
CME	Degree Days Index, Dallas*		08/12/99	
CME	Degree Days Index, De Moines*		08/12/99	
CME	Degree Days Index, Las Vegas*		08/12/99	
CME	Degree Days Index, New York*		08/12/99	09/22/99
CME	Degree Days Index, Philadelphia*		08/12/99	
CME	Degree Days Index, Portland, Oregon*		08/12/99	
CME	Degree Days Index, Tucson*		08/12/99	
CSCE	Natural Rubber	(d)	07/18/75	
CME	Xylenes		08/07/01 (#)	10/19/01
Other Natural Resource Options				
CBT	Clean Air	(d) ²⁴	04/21/92	
CME	Degree Days Index, Atlanta		08/12/99	
CME	Degree Days Index, Chicago		08/12/99	
CME	Degree Days Index, Cincinnati		08/12/99	
CME	Degree Days Index, Dallas		08/12/99	
CME	Degree Days Index, De Moines		08/12/99	
CME	Degree Days Index, Las Vegas		08/12/99	
CME	Degree Days Index, New York		08/12/99	
CME	Degree Days Index, Philadelphia		08/12/99	
CME	Degree Days Index, Portland, Oregon		08/12/99	
CME	Degree Days Index, Tucson		08/12/99	

Futures and Option Contracts Authorized for Trading by the Commodity Futures Trading Commission as of September 30, 2002 ¹

Footnotes

1. The table lists three main categories of commodities—agriculture, financial instruments, and natural resources—and subcategories within those categories. It groups contracts by futures and options within the categories and subcategories.
2. Exchange abbreviations are as follows:

American Commodity Exchange.....	ACE
AMEX Commodities Corporation	ACC
BrokerTec.....	BTEX
Cantor Financial Futures Exchange.....	CFFE
Chicago Board of Trade.....	CBT
Chicago Mercantile Exchange	CME
Chicago Rice & Cotton Exchange.....	CRCE
Coffee, Sugar & Cocoa Exchange	CSCE
COMEX Division of New York Mercantile Exchange	COMEX
Kansas City Board of Trade	KCBT
MidAmerica Commodity Exchange.....	MCE
Minneapolis Grain Exchange	MGE
New York Cotton Exchange	NYCE
New York Futures Exchange	NYFE
New York Mercantile Exchange	NYMEX
OnExchange Board of Trade	ONXBT
Philadelphia Board of Trade.....	PBT
Pacific Commodity Exchange	PCE
Pacific Futures Exchange	PFE
Twin Cities Board of Trade.....	TCBT

MCE was previously named the Chicago Open Board of Trade. Its name was changed effective November 22, 1972. The Commodity Exchange, Inc., became a division of the NYMEX on July 20, 1994. The New York Futures Exchange became a division of the New York Cotton Exchange on December 30, 1993.

3. Most futures contracts are settled by physical delivery of the underlying commodity. An asterisk (*) next to the contract name means that the contract is settled in cash based on a price calculated by an independent third party or through a formula specified in the contract terms. Almost all option contracts are options on futures, meaning that exercise results in the establishment of a position in the underlying futures contract; options that have the notation (“Physical”) after the contract name are options on physicals, meaning that they are settled by delivery of the actual commodity or via cash settlement, not via exercise into an underlying future. The letter (d) in the “notes” column indicates that a designated contract is dormant; i.e., the contract has been approved for more than five years and has not traded in the past six months. A blank space in the “notes” column indicates that the contract was traded this fiscal year and is not dormant. The letters (v) and (r) indicate that the contract is no longer legally in force because the approval had been vacated or revoked. “Vacated” contracts are contracts for which an exchange has requested that its designation be removed. “Revoked” contracts are contracts for which the Commission has rescinded an exchange’s authority to list the contract.
4. The “approval/certification date” is: (1) the date on which the exchange was authorized to trade the contract under the Commission’s approval procedures; or (2) the date on which the Commission received the exchange’s filing under listing procedures. A “(#)” following the date indicates that the contract was filed with the Commission pursuant to exchange certification. If a contract was previously approved by the Secretary of Agriculture as a contract market in a particular commodity and that approval was in effect on July 18, 1975, the Commission did not specifically approve these contracts as such on July 18, 1975. Those contract approvals continued in force and effect by virtue of section 411 of the Commodity Futures Trading Commission Act of 1974.
5. The “trading began” column indicates, according to data supplied by the exchanges, when trading began in a commodity; that is, the date of the first recorded futures or option trading in the commodity. For many contracts, the contract terms

Futures and Option Contracts Authorized for Trading by the Commodity Futures Trading Commission as of September 30, 2002 ¹

have changed materially since the date when trading began. A blank space in this column means that, although approved by the Commission, the exchange has not listed the contract for trading as of the end of the current fiscal year.

6. Trading in the CBT's "old" corn and soybean futures contracts was replaced in January 2000 by new contracts approved by the Commission in 1998 as part of a proceeding under former section 5a(a)(10) of the Commodity Exchange Act.
7. The CRCE originally was the New Orleans Commodity Exchange (NOCE). On June 15, 1983, the NOCE ceased trading and liquidated all open commitments in all traded commodities. In September 1983, NOCE became the Chicago Rice and Cotton Exchange (CRCE). On November 8, 1991, when the MCE was designated in rough rice futures, all open positions in CRCE rough rice futures were transferred to the MCE and, at the same time, all five CRCE futures contract designations were vacated. On October 3, 1994, open positions in MCE rough rice futures were transferred to the CBT.
8. Contract amended June 21, 1983, to specify mandatory cash settlement in lieu of physical delivery.
9. Name changed from sugar No. 10 to sugar No. 12 and then, on July 1, 1985, from sugar No. 12 to sugar No. 14.
10. Name changed to boneless beef trimmings from boneless beef on April 21, 1977, when contract terms were amended to change the underlying commodity. Name changed to boneless beef trimmings, 50 percent lean, on April 11, 1997, when the contract's physical delivery provisions were replaced by mandatory cash settlement provisions.
11. Contract amended December 20, 1990, to specify mandatory cash settlement in lieu of physical delivery.
12. Contract amended December 10, 1985, to specify mandatory cash settlement in lieu of physical delivery. On June 5, 1992, the basis of the cash settlement price was changed to a USDA price.
13. Contract amended October 25, 1995, to specify mandatory cash settlement, based on USDA price, in lieu of physical delivery. The contract name was also changed at that time to lean hogs from live hogs since the underlying commodity was changed to hog carcasses from live hogs.
14. The CME's "old" frozen pork bellies futures and option contracts were renamed as the fresh pork bellies futures and option contracts on March 2, 1997, when the contract's physical delivery provisions were replaced by mandatory cash settlement provisions. The Commission approved on May 5, 1998, a subsequent CME designation application to reintroduce trading in physical delivery frozen pork bellies futures and option contracts.
15. Contracts amended on March 5, 1998, to specify physical delivery and payment of currencies rather than cash settlement.
16. On September 13, 1991, the CBT's Amex major market index (MMI) contract was renamed the MMI mini contract. The MMI maxi contract was renamed the MMI contract at that time and subsequently, on September 17, 1993, de-listed from the CBT.
17. The option on the value line average stock index futures contract was amended to be the option on the mini-value line average stock Index futures contract on May 28, 1992.
18. Originally approved as the GNMA-CD contract, the name was later changed to GNMA II and then to GNMA. On April 19, 1988, this contract was renamed as mortgage-backed future.
19. The underlying instrument was changed from a three-year interest rate swap to a 10-year interest rate swap on September 4, 1992.
20. These contracts were vacated on April 6, 1993, concurrent with Commission approval of identical CBT contracts.
21. This contract was originally named the NYMEX Gulf Coast unleaded gasoline futures contract. It was renamed as Texas unleaded gasoline to distinguish it from another similar contract approved on February 11, 1992.

Futures and Option Contracts Authorized for Trading by the Commodity Futures Trading Commission as of September 30, 2002 ¹

22. Contract size was reduced to one kilogram from 100 troy ounces effective April 7, 1983. A 100-troy-ounce CBT gold futures contract was later approved on August 11, 1987.
23. Contract size was reduced to 1,000 from 5,000 troy ounces effective March 16, 1981. A 5,000-troy-ounce silver futures contract was later approved on August 11, 1987.
24. The underlying commodity is a sulfur dioxide emission allowance issued by the Environmental Protection Agency.
25. The COMEX's "old" aluminum futures contract was vacated, at the request of the exchange, effective March 18, 1999. That contract was replaced by a new aluminum contract approved on March 24, 1999.
26. The ECU (European Currency Unit) contracts were changed to euro contracts in January 1999 when the European Monetary Union (EMU) went into effect and the euro replaced the ECU as the official currency unit.
27. The FCOJ-2 futures contract was amended on September 27, 1999, to provide for trading as the difference between the value of Brazil-Florida FCOJ and the value of the existing frozen concentrated orange juice (FCOJ-1) futures contract.

Futures Industry Registrants by Location as of September 30, 2002

Location	Floor Brokers	Floor Traders	Associated Persons*	FCMs**	Guar. IBs**	Non-Guar. IBs**	CTAs**	CPOs**	Principals*	Branches
Alabama	3	0	303	0	6	0	3	1	23	50
Alaska	1	0	53	0	3	0	2	2	8	8
Arizona	8	6	491	0	17	2	26	8	38	72
Arkansas	5	3	246	1	13	1	8	0	49	37
California	27	6	6,062	8	104	32	217	137	947	572
Colorado	11	2	650	0	27	6	37	23	122	107
Connecticut	93	5	1,272	6	4	19	137	157	413	99
Delaware	2	0	116	0	1	0	0	4	5	11
District of Columbia	0	0	98	0	0	2	4	7	15	4
Florida	64	10	3,315	4	114	51	152	70	501	356
Georgia	5	6	829	0	22	3	32	13	103	102
Hawaii	2	0	168	0	2	1	9	3	8	18
Idaho	2	0	122	0	9	0	3	3	17	27
Illinois	5,560	1,004	4,371	57	165	68	416	207	1,301	354
Indiana	89	15	507	0	34	3	22	13	101	77
Iowa	9	2	547	2	81	10	38	14	230	126
Kansas	71	4	394	0	41	1	11	0	145	79
Kentucky	1	1	205	0	4	3	6	5	22	36
Louisiana	0	1	329	0	4	0	8	1	27	58
Maine	0	0	59	0	0	0	2	1	3	14
Maryland	1	0	561	1	4	4	22	12	95	69
Massachusetts	7	6	1,094	1	3	3	72	58	306	89
Michigan	16	3	727	2	11	2	31	9	92	125
Minnesota	118	3	724	3	44	3	34	28	160	111
Mississippi	0	0	126	0	3	1	3	2	14	23
Missouri	70	5	642	3	37	6	24	11	126	77
Montana	3	0	66	0	9	0	3	2	14	17
Nebraska	1	0	359	0	56	3	17	5	117	70
Nevada	15	1	272	0	11	3	21	11	36	41
New Hampshire	4	1	115	0	1	1	4	4	15	17
New Jersey	799	61	3,185	4	17	21	158	121	649	205
New Mexico	1	3	154	0	5	0	8	4	20	16
New York	1,399	129	7,256	75	41	88	494	636	1,554	317
North Carolina	2	1	644	2	12	7	26	14	94	107
North Dakota	1	0	90	0	16	1	1	0	23	32
Ohio	4	2	914	0	26	5	29	9	132	153
Oklahoma	1	1	359	0	17	1	12	5	46	64
Oregon	3	1	405	0	20	0	19	1	49	45
Pennsylvania	51	7	1,173	1	10	4	34	31	165	148
Rhode Island	1	1	75	0	1	0	4	0	11	14
South Carolina	3	1	298	0	6	1	11	7	23	53
South Dakota	0	0	128	0	25	0	4	1	43	41
Tennessee	5	2	666	2	21	7	34	27	136	74
Texas	12	7	2,515	3	68	23	134	78	398	306
Utah	1	1	208	0	0	1	10	7	23	35
Vermont	4	0	84	0	1	0	3	0	3	13
Virginia	2	2	742	0	16	6	39	26	132	102
Washington	1	2	647	0	11	3	25	24	81	97
West Virginia	0	0	79	0	0	0	3	0	5	22
Wisconsin	52	8	488	2	15	5	24	9	93	84
Wyoming	3	0	26	0	3	0	2	1	7	8
Total U.S.	8,533	1,313	44,959	177	1,161	401	2,438	1,812	8,740	4,782
Total Foreign	91	17	2,147	2	4	3	252	147	834	71
Total Registered	8,624	1,330	47,106	179	1,165	404	2,690	1,959	9,574	4,853

*Although associated persons and principals may be affiliated with more than one firm, they are counted once at a single location.

**A firm registered in more than one category is counted in each category. Securities broker-dealers who "notice registered" as FCMs or IBs to engage in security futures transactions are not included.

CFTC 2002 Available Funds and Staff-Years

Funds Appropriated	87,537,000 ⁷
Staff-Year Ceiling	514
Staff-Years Used	509

CFTC Staff-Years by Geographic Location (FY 2002 Actual)

California	16
District of Columbia	309
Illinois	100
Minnesota	2
Missouri	6
New York	76
Total	509

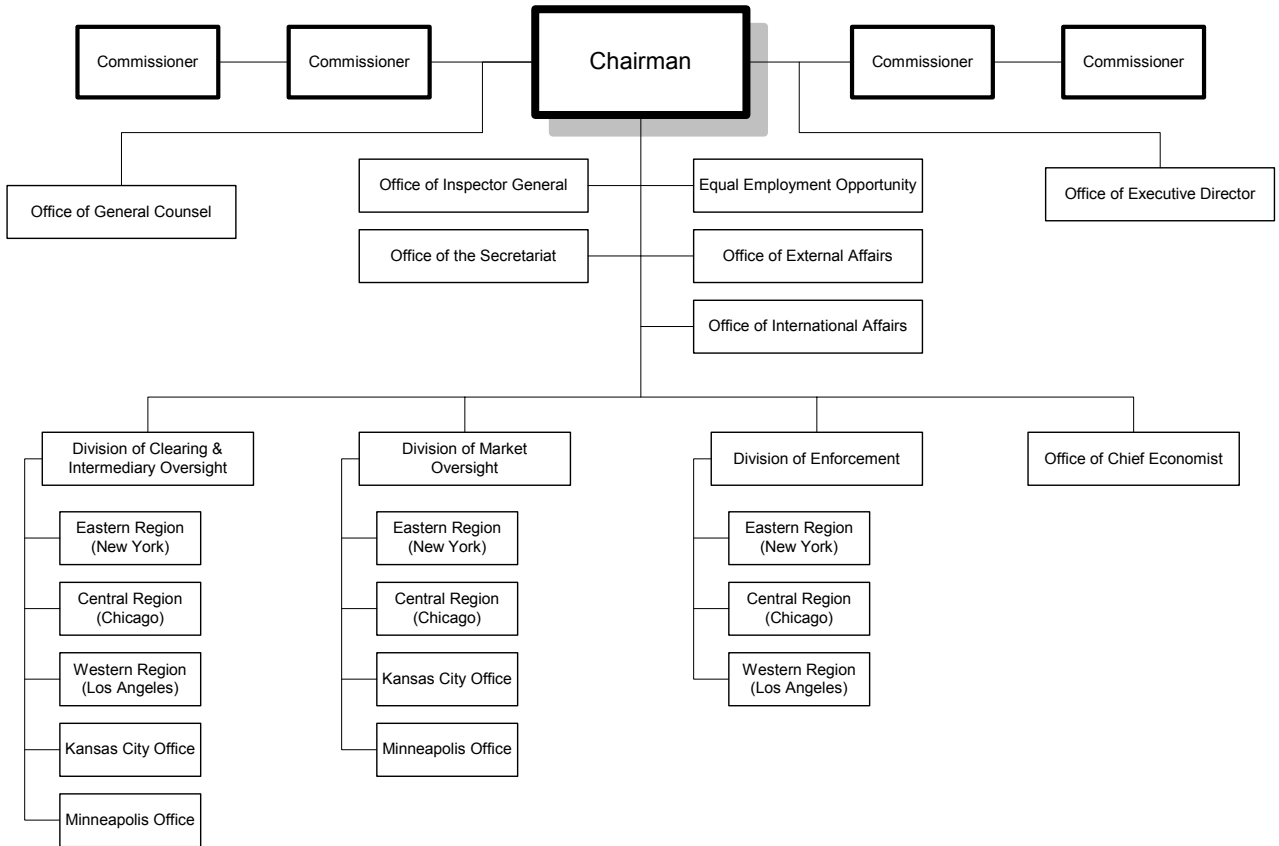
Statement of CFTC Obligations by Geographic Location for Administration of the Commodity Exchange Act (During FY 2002)

California	2,204,000
District of Columbia	43,807,000
Illinois	13,764,000
Minnesota	257,000
Missouri	827,000
New York	14,434,000
Total	75,293,000⁸

⁷ Includes Emergency Supplemental Appropriation of \$16,900,000.

⁸ Includes reimbursements of \$42,000 and Emergency Supplemental obligations of \$4,653,000, less \$39,000 in lapsed appropriated funds.

Commodity Futures Trading Commission Organization Chart as of September 30, 2002



CFTC Offices

Headquarters

Three Lafayette Centre
1155 21st Street N.W.
Washington, D.C. 20581
Phone: (202) 418-5000

Western Office

Murdock Plaza
10900 Wilshire Boulevard
Suite 400
Los Angeles, CA 90024
Phone: (310) 235-6783

Central Region

525 West Monroe Street
Suite 1100
Chicago, ILL 60601
Phone: (312) 596-0700

Minneapolis Office

510 Grain Exchange Building
400 South 4th Street
Minneapolis, MN 55415
Phone: (612) 370-3255

Southwestern Office

4900 Main Street
Suite 721
Kansas City, MO 64112
Phone: (816) 931-7600

Eastern Region

140 Broadway
New York, NY 10005-1101
Phone: (646) 746-9700

Acronym Glossary

ACE	American Commodity Exchange
ACC	AMEX Commodities Corporation
ALJ	Administrative Law Judge
AP	Associated Person
BOTCC	Board of Trade Clearing Corporation
BTEX	BrokerTec Futures Exchange
BTU	British Thermal Unit
CBOE	Chicago Board Options Exchange
CBT	Chicago Board of Trade
CCI	Commodity Consultants International, Inc.
CEA	Commodity Exchange Act
CFFE	Cantor Financial Futures Exchange
CFMA	Commodity Futures Modernization Act of 2000
CFTC	Commodity Futures Trading Commission
CME	Chicago Mercantile Exchange
COMEX	Commodities Exchange Division, Inc. of the New York Mercantile Exchange
CPO	Commodity Pool Operator
CPSS	Committee on Payment and Settlement Systems (IOSCO)
CRCE	Chicago Rice & Cotton Exchange
CSCE	Coffee, Sugar, and Cocoa Exchange, Inc.
CTA	Commodity Trading Advisor
CTU	Cooper, Thomas, Unger, Inc.
DCIO	Division of Clearing and Intermediary Oversight (CFTC)
DCO	Derivatives Clearing Organization
DMO	Division of Market Oversight (CFTC)
DOE	Division of Enforcement (CFTC)
DOPP	Dairy Option Pilot Program
DTEF	Derivatives Transaction Execution Facility
EAJA	Equal Access to Justice Act
EAP	Employee Assistance Program
ECM	Exempt Commercial Market
EEOC	Equal Employment Opportunity Commission
EFF	Exchange of Futures for Futures (Transaction)
EFP	Exchange for Physicals (Transaction)
FATF	Financial Action Task Force
FBIIC	Financial and Banking Information Infrastructure Committee
FB	Floor Broker
FCM	Futures Commission Merchant
FEC	Futures Exchange Company, Inc.
FIA	Futures Industry Association
FOIA	Freedom of Information Act
FOREX	Foreign Currency
FRB	Board of Governors of the Federal Reserve System (Federal Reserve Board)

FT	Floor Trader
FTAA	Free Trade Area of the Americas
GATS	General Agreement on Trade in Services
GCC	Guaranty Clearing Corporation
GCI	Global Capitol Investment
GLBA	Gramm-Leach-Bliley Act
IB	Introducing Broker
ICE	Intercontinental Exchange
ICS	International Currency Strategies, Inc.
IFS	International Financial Services, Inc.
IMAREX	International Maritime Exchange
IOSCO	International Organization of Securities Commissions
IPE	International Petroleum Exchange
ISG	Intermarket Surveillance Group
ISS	Integrated Surveillance System
KCBT	Kansas City Board of Trade
LCH	London Clearing House
LSI	Lamborn Securities, Inc.
MAD	Meyers, Arnold, Davidson, Inc.
MCE	MidAmerica Commodity Exchange
ME	Merchants Exchange
MEFF	Sociedad Holding de Producos Financieros derivados
MGE	Minneapolis Grain Exchange
MMI	Major Market Index
MOU	Memorandum of Understanding
MRRS	Membership Registration Receivables System
MSPB	Merit Systems Protection Board
NAFTA	North American Free Trade Agreement
NAV	Net Asset Value
NFA	National Futures Association
NQLX	Nasdaq-Liffe, LLC Futures Exchange
NYBT	New York Board of Trade
NYCT	New York Cotton Exchange
NYFE	New York Futures Exchange
NYMEX	New York Mercantile Exchange
OCC	Options Clearing Corporation
OEA	Office of External Affairs (CFTC)
OED	Office of the Executive Director (CFTC)
OGC	Office of General Counsel (CFTC)
OGE	Office of Government Ethics
OIA	Office of International Affairs (CFTC)
OIG	Office of the Inspector General (CFTC)
OMB	Office of Management and Budget
ONXBT	OnExchange Board of Trade
OPEC	Organization of the Petroleum Exporting Countries
OTC	Over-the-Counter (Derivatives)

PBT	Philadelphia Board of Trade
PCE	Pacific Commodity Exchange
PFE	Pacific Futures Exchange
RFA	Registered Futures Association
RWG	Registration Working Group
S&P	Standard and Poor
SC4	Standing Committee on Enforcement & Information Sharing (IOSCO)
SEC	Securities and Exchange Commission
SFP	Security Futures Product
SIAC	Securities Industry Automation Corporation
SOS	Systems of Success-Window to Profit
SPARK	Stressing Positions at Risk (Risk Management Tool)
SRO	Self-Regulatory Organization
TCBT	Twin Cities Board of Trade
TRAKRS	Total Return Asset Contract
USA PATRIOT	Uniting & Strengthening America by Providing Tools Required to Intercept and Obstruct Terrorism Act of 2001
USDA	U.S. Department of Agriculture
WBOT	Weather Board of Trade
WOTA	Wisdom of the Ages (Commercial Trading System)
WTC	World Trade Center
XBOT	Exempt Board of Trade